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May 3, 2022

Via Email and U. S. Mail

Electronically Filed in TPUC Docket
Room on May 3, 2022 at 12:09 p.m.

Executive Director Earl Taylor
c/o Ectory Lawless
Tennessee Public Utility Commission
502 Deaderick Street, Fourth Floor
Nashville, Tennessee 37243

Re: Petition of Piedmont Natural Gas Company, Inc. to Adopt an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)

Dear Mr. Taylor:

Please find the enclosed documents for filing:

1. Motion for Substitution of Witness;
2. Direct Testimony and Exhibits of Bruce P. Barkley
3. Rebuttal Testimony and Exhibits of Bruce P. Barkley
4. Supplemental Testimony of Bruce P. Barkley

This material is also being filed today by way of email to the Tennessee Public Utility Commission docket manager, Ectory Lawless. Please file the original and provide a “filed” stamped copy of the same via email to my assistant, at denise.guye@wallerlaw.com.

Please do not hesitate to call me if you have any questions.

Very truly yours,

Paul S. Davidson

PSD:cdg
Enclosures

cc: Consumer Advocate
Bruce Barkley
Pia Powers
James Jeffries IV

**Before the
Tennessee Public Utility Commission**

Docket No. 21-00135

Annual Review of Rates Mechanism

**Direct Testimony & Exhibits
of
Bruce P. Barkley**

**On Behalf of
Piedmont Natural Gas Company, Inc.**



November 5, 2021

1 **Q. Please state your name and business address.**

2 A. My name is Bruce P. Barkley. My business address is 4720 Piedmont
3 Row Drive, Charlotte, North Carolina.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by Piedmont Natural Gas Company, Inc. (“Piedmont”
6 or “the Company”) as Vice President – Rates and Natural Gas Supply.

7 **Q. Please describe your educational and professional background.**

8 A. I obtained a Bachelor of Science Degree in Business Administration
9 with a concentration in Accounting from the University of North
10 Carolina at Chapel Hill and an MBA Degree from Wake Forest
11 University. From 1988 through 2001, I was employed by Public Service
12 Company of North Carolina, Inc., where I was responsible for
13 regulatory filings and reports submitted to the North Carolina Utilities
14 Commission (“NCUC” or “Commission”). Prior to joining Piedmont, I
15 held various positions with Progress Energy, Inc. and subsequently
16 Duke Energy Corporation (“Duke Energy”) in Regulatory Affairs,
17 Fuels, and Regulatory Accounting. I joined Piedmont in 2015 and
18 began serving in my current role in 2019.

19 **Q. Have you previously testified before this Commission or any other
20 regulatory authority?**

21 A. No.. I have previously testified before the Public Service Commission
22 of South Carolina and the North Carolina Utilities Commission on a
23 number of occasions.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony in this proceeding is to support
3 Piedmont's petition and the Annual Review Mechanism ("ARM")
4 requested therein. My testimony will also provide the Commission with
5 an overview of the ARM.

6 **Q. Do any exhibits accompany your testimony?**

7 A. Yes, I have four. Attached as Exhibit_(BPB-1) is proposed Service
8 Schedule No. 318, Piedmont's proposed ARM Tariff. Exhibit_(BPB-
9 2) contains illustrative templates of the Company's lead Annual ARM
10 Filing Schedules proposed and identified in Piedmont's proposed ARM
11 Tariff. Exhibit_(BPB-3) is a copy of the Stipulation And Settlement
12 Agreement ("2020 Rate Case Settlement") between Piedmont and
13 Herbert H. Slattery III, the Tennessee Attorney General and Reporter,
14 through the Consumer Advocate Division in the Financial Division
15 ("Consumer Advocate") which was filed on February 2, 2021 in Docket
16 No. 20-00086, Piedmont's last general rate case proceeding.
17 Exhibit_(BPB-4) is a copy of the Commission's Order Approving
18 Settlement Agreement Setting Rates and Approving the Procedures for
19 Refunds to Customers ("Rate Case Order") issued on May 6, 2021 in
20 Docket No. 20-00086.

21 **Q. Were these exhibits prepared by you or under your direction?**

22 A. Yes.

23 **Q. What specific topics are covered by your testimony?**

1 A. My testimony identifies and discusses: (1) the relief sought by Piedmont
2 in this proceeding and why it is being sought; (2) why Piedmont's
3 request is in the public interest and consistent with both statutory
4 requirements and prior Commission precedent; (3) the structure and
5 operation of Piedmont's proposed ARM tariff; and (4) our conditional
6 request to terminate our Integrity Management Rider ("IMR")
7 mechanism reflected in Service Schedule No. 317 upon the approval
8 and effectiveness of the ARM described herein.

9 **I. REQUESTED RELIEF**

10 **Q. Please explain what relief is being sought in this proceeding.**

11 A. Piedmont is seeking approval to implement an alternative form of rate
12 regulation in the form of an Annual Review Mechanism set forth as
13 Exhibit_(BPB-1) hereto, as permitted by Tennessee Code Annotated
14 ("TCA") Section 65-5-103(d).

15 **Q. Why is Piedmont seeking this relief?**

16 A. Piedmont's primary focus continues to be its commitment to the
17 provision of safe and reliable natural gas service. Having a regulatory
18 construct that allows the Company to make necessary investments
19 consistent with that commitment while balancing the interests of all
20 parties involved in the regulatory process is critical to delivering on that
21 commitment. In that regard, the Company is seeking approval of an
22 ARM in order to reduce regulatory lag associated with new capital

1 investment, to incorporate the effects of ongoing accumulated
2 depreciation of existing plant, to update Piedmont's billing determinants
3 and operations and maintenance expenses on a more timely basis, to
4 streamline and reduce the high costs to customers of establishing base
5 rates through general rate case proceedings, and to generally increase
6 the efficiency of the process utilized to adjust its base rates. The ARM
7 that the Company is proposing in this docket is the best way to ensure
8 that the Company's rates reflect its underlying cost of service. As will
9 be discussed throughout my testimony, the Company's guiding
10 principles for opting into and designing an ARM are as follows:

- 11 • One ARM filing per year based on an historic base period that is
12 aligned with the Company's fiscal year;
- 13 • Maintaining the Commission's long-standing precedent of
14 minimizing regulatory lag;
- 15 • Reconciling the Company's actual results to its authorized Return on
16 Equity ("ROE");
- 17 • In no way limiting the Commission's authority over ratemaking; and
- 18 • Maintaining the ratemaking methodologies adopted in Docket No.
19 20-00086, except as necessary to operate Piedmont's ARM in an
20 efficient manner that is consistent with the operation of ARMs
21 approved for the other two local distribution companies in
22 Tennessee, Atmos Energy Corporation ("Atmos") and Chattanooga
23 Gas Company ("CGC").

1 **Q. Will these guiding principles serve the interests of customers?**

2 A. Yes. The ARM proposed herein will, in my opinion, benefit all parties.

3 It will ensure that rates charged to Piedmont's customers remain just
4 and reasonable, taking into account both increases and decreases in
5 plant, expense and revenue. It will effectively delay, if not eliminate
6 completely, the need for Piedmont to refresh its rates through periodic
7 general rate case filings, thereby eliminating the substantial costs to
8 customers that arise in those proceedings while simultaneously reducing
9 the administrative burden on the Commission, interveners, and the
10 Company associated with those cases. It will also smooth rate increases
11 to customers that arise from ongoing capital investment by
12 incrementally adjusting rates on an annual basis instead of having
13 substantially larger increases that can result from general rate cases, and
14 will thereby provide Piedmont with a reasonable opportunity to earn the
15 return allowed by the Commission.

16 **Q. Has the Commission previously found mechanisms similar to**
17 **Piedmont's proposed ARM consistent with the public interest?**

18 A. Yes. Both Atmos and CGC have approved annual review mechanisms
19 in place that are similar to what Piedmont proposes in this docket.

20 **II. PIEDMONT'S ARM IS IN THE PUBLIC INTEREST AND**
21 **CONSISTENT WITH BOTH STATUTORY AUTHORITY**
22 **AND COMMISSION PRECEDENT.**

1 **Q. Do you believe that Piedmont's proposal in this docket is in the**
2 **public interest?**

3 A. Yes. As I noted above, the establishment of an ARM for Piedmont will
4 benefit Piedmont, its customers and the Commission, and will generally
5 result in rates that are more reflective of the actual costs incurred by
6 Piedmont and the current revenues being recovered from its customers.

7 **Q. Can you further discuss the benefits of comprehensive annual**
8 **mechanisms such as the one proposed in this Docket?**

9 A. Yes. Based upon my experience, annual mechanisms provide the
10 following benefits to stakeholders involved in the regulatory process:

- 11 • Matching of rates to underlying costs;
- 12 • Regulatory efficiency; and
- 13 • Transparency.

14 **Q. Can you further discuss the matching of rates to underlying costs?**

15 A. Yes. Regulatory lag exists whenever there is a disconnect between rates
16 billed to customers and a regulated utility's underlying cost of service.
17 Minimizing regulatory lag is the primary way by which a regulator can
18 ensure that such disconnects are small and short lived. While regulatory
19 lag is often the primary reason that a utility fails to have a legitimate
20 opportunity to earn its authorized ROE, especially in an environment of
21 increasing net investment, it is important to note that lag can also be
22 detrimental to customers in the instance that an event or series of events

1 leads to a significant decline in a utility's cost of service.¹ The
2 Commission has a long-standing precedent of encouraging safe and
3 reliable utility service as well as economic development by approving
4 ratemaking methodologies that help to reduce regulatory lag.
5 Traditionally, this has been accomplished by employing forward
6 looking test years (attrition periods) as a key ratemaking methodology
7 in general rate cases. Forward looking test years used in general cases,
8 however, only eliminate lag to the extent a utility files annual general
9 cases which would be administratively inefficient and procedurally
10 burdensome. A well-designed annual mechanism, on the other hand,
11 can address lag by refreshing rates annually while avoiding much of the
12 cost and burden on the parties involved in general rate cases.

13 **Q. Can you elaborate further on regulatory efficiency?**

14 A. Yes. Annual mechanisms seek to refresh rates annually while greatly
15 reducing the cost of effort of litigating frequent general rate cases. By
16 requiring that an annual review of rates adopt the methodologies used
17 in a petitioning utility's most recent general case, TCA 65-5-103(d)
18 ensures that several issues will not be litigated year after year as is often
19 the case in general cases. Additionally, parties involved in annual
20 mechanisms generally become increasingly efficient in preparing, filing
21 and reviewing each subsequent filing. Consistency and predictability in

¹ A recent example of this is the Tax Cut and Jobs Act of 2017.

1 the data, filing formats and procedural dates leads to increased
2 productivity and improved resource allocation. An annual mechanism
3 leads to lower costs to customers by reducing or eliminating the
4 significant costs of conducting periodic general rate cases without
5 sacrificing Commission supervision and control over the establishment
6 of rates. Finally, a truly comprehensive annual mechanism often
7 eliminates the need for new separate riders, infrastructure mechanisms
8 and cost trackers. For example, the adoption of Piedmont's proposed
9 ARM will allow Piedmont to withdraw its IMR mechanism currently
10 reflected in its Service Schedule No. 317.

11 **Q. Can you further discuss transparency?**

12 A. Yes. Increased transparency is rooted in the fact that the Company's
13 rates (and all components of its cost of service) are subject to review
14 annually under the proposed ARM.

15 **Q. What are the statutory requirements associated with approval of an**
16 **annual review mechanism such as that proposed by Piedmont in**
17 **this docket?**

18 A. Based upon my review of TCA Section 65-5-103(d)(6) and the
19 Commission's prior orders approving ARM mechanisms for CGC and
20 Atmos, it is my understanding that in order to be eligible to "opt-in" to
21 an ARM, Piedmont must have concluded a general rate case within the
22 five-year period preceding the filing for an ARM and the proposed
23 mechanism must be based upon the methodologies adopted in its most

1 recent rate case filing. Also, the Commission must find that adoption
2 of the ARM is in the public interest.

3 **Q. Do you believe those conditions are satisfied in this case?**

4 A. Yes. Piedmont recently concluded a general rate case before the
5 Commission, in Docket No. 20-00086. The Commission's Rate Case
6 Order in that docket was issued on May 6, 2021. This is well within the
7 five-year statutory period designated under TCA Section 65-5-
8 103(d)(6).

9 **Q. What about the second requirement that Piedmont's proposed**
10 **ARM incorporate methodologies utilized in the prior rate case?**

11 A. The Company's ARM proposal incorporates those rate case
12 methodologies, except where they may be inappropriate because they
13 involve the forward-looking attrition period utilized in general rate
14 proceedings. I discuss this in greater detail below.

15 **Q. Has the Commission addressed the issue of transitioning from a**
16 **forward-looking test year used in general rate cases to a historic test**
17 **year that is better suited for the ARM?**

18 A. Yes. In our recent rate case we specifically asked that the Commission
19 adopt methodologies in the rate case sufficient for use under an ARM
20 in contemplation of this filing. In the Rate Case Order, the Commission
21 agreed to review forward-looking methodologies for appropriateness in
22 determining service rates pursuant to a subsequent ARM filing by

1 Piedmont.² That same language was included in the Commission's
2 Order in Docket No. 18-00017 issued January 15, 2019, which was the
3 docket that served as the statutorily required pre-requisite docket for
4 CGC to opt-into an annual review of its rates³. I would also note that,
5 while Atmos' initial ARM tariff utilized a forward-looking test year
6 consistent with its qualifying general rate case, the tariff was
7 subsequently modified in Docket No. 18-00112 to use a historic test
8 year. Based on these facts, I believe that the second requirement of the
9 statute has been met in this case.

10 **Q. And has the public interest standard been met?**

11 A. Yes. I have discussed above the advantages of the ARM mechanism
12 over the periodic filing of general rate case proceedings and have
13 concluded that such advantages support the public interest standard.

14 **Q. Has the Commission previously approved ARM mechanisms for**
15 **CGC and Atmos?**

16 A. Yes. The Commission previously approved an ARM for Atmos in its
17 November 4, 2015 Order Approving Settlement in Docket No. 14-
18 00146 which was subsequently modified in Docket No. 18-00112 to
19 include a single filing per year and historic test year as noted above.
20 Piedmont, in the instant docket, has proposed to address regulatory lag
21 in a fashion very similar to that which was approved for Atmos, while

² Rate Case Order at P. 7.

³ Docket No. 18-00071, Order at P. 89.

1 incorporating other ratemaking methodologies specific to and consistent
2 with the Order in Docket No. 20-00086. The modified Atmos ARM
3 was found to be compliant with the statute and in the public interest.⁴
4 In its October 7, 2019 Order Approving Settlement Agreement in
5 Docket No. 19-00047, the Commission approved an ARM for CGC
6 finding that both statutory requirements were met and the public interest
7 supported approval.

8 **Q. In your opinion, do these orders support approval of an ARM for**
9 **Piedmont?**

10 A. Yes. The mechanism proposed by Piedmont operates in a similar
11 fashion to those approved for CGC and Atmos, and Piedmont has
12 established the necessary preconditions for approval of its ARM similar
13 to CGC and Atmos. I am not aware of any material difference in
14 circumstances that would warrant different treatment for Piedmont with
15 respect to adoption of an ARM in this proceeding.

16 **III. STRUCTURE AND OPERATION OF THE PROPOSED**
17 **ARM**

18 **Q. What are the main components of Piedmont's proposed ARM?**

19 A. There are two major components to Piedmont's proposed ARM Tariff.
20 The first is a historical period reconciliation process and the second is a
21 base rate reset process. The first major component is backward looking

⁴ Docket No. 18-00112, Order Approving Stipulation and Settlement Agreement, at pages 9-10.

1 and designed to reconcile actual results during the immediately
2 preceding fiscal (calendar year) historic period with the Company's
3 authorized ROE. The second major component is prospective in nature
4 and provides for an adjustment to Piedmont's base rates on a going
5 forward basis calculated on the historic period cost of service. The
6 details of each of these two major components of Piedmont's proposed
7 ARM are delineated in Exhibit_(BPB-1).

8 **Q. Please elaborate on the first major component of Piedmont's ARM**
9 **proposal – the historical period reconciliation.**

10 A. The purpose of the first component of Piedmont's ARM is to quantify
11 and facilitate the recovery or refund of the actual deficiency or
12 sufficiency of Piedmont's revenue requirement collection for the
13 preceding fiscal year – referred to in Piedmont's ARM as the Historic
14 Base Period ("HBP"). Once such HBP revenue requirement deficiency
15 or sufficiency is calculated including carrying costs, presented for
16 approval as part of Piedmont's annual ARM filing and approved by the
17 Commission, Piedmont would then surcharge or refund the approved
18 amount through ARM rider rates. That process would repeat each year
19 under the ARM, with the establishment of new ARM rider rates every
20 October 1.

21 **Q. Is this similar to the way in which Atmos' and CGC's ARM operate**
22 **regarding the historical period reconciliation?**

23 A. Yes. The HBP reconciliation in Piedmont's ARM operates in an

1 essentially identical manner to such historical period reconciliation
2 components in Atmos' and CGC's respective ARMs. Piedmont's
3 proposed ARM, like Atmos' and CGC's approved ARMs, computes a
4 historical period revenue requirement deficiency or sufficiency based
5 upon actual, unadjusted results for many cost of service components and
6 the authorized ROE. Piedmont's proposed ARM, also like Atmos' and
7 CGC's, computes carrying costs on the historical period deficiency or
8 sufficiency using a mid-year historic period convention. Where
9 Piedmont's ARM differs on this matter from Atmos' and CGC's ARMs
10 is in how the historical period revenue deficiency or sufficiency plus
11 carrying charges are collected from or refunded to customers. Atmos
12 and CGC incorporate such historical deficiency and sufficiency plus
13 carrying charges into their base rate adjustments under their ARMs.
14 Piedmont is instead proposing to collect or refund these amounts as
15 approved through a rate component that is separate and distinct from
16 base rates. Piedmont believes that these proposed separate and distinct
17 rate components will accurately and efficiently address the
18 Commission-approved refund to or surcharge from customers.

19 **Q. Can you explain the second major component of Piedmont's ARM**
20 **proposal – the prospective adjustment to base rates?**

21 **A.** Yes. The second major component is a base rate reset process, which is
22 specifically referred to in the proposed ARM tariff as the Annual Base
23 Rate Reset. For this component, the accounting and financial data from

1 the HBP is paired with the Company's authorized ROE to develop an
2 updated cost of service and Annual Base Rate Reset revenue
3 requirement deficiency or sufficiency. New base margin rates are then
4 developed using the cost allocation and rate design methodologies
5 approved by the Commission in Piedmont's last general rate case. Once
6 such Annual Base Rate Reset revenue requirement deficiency or
7 sufficiency is presented for approval as part of Piedmont's annual ARM
8 filing and approved by the Commission, Piedmont would then
9 prospectively implement the approved updated base margin rates. That
10 process would repeat each year under the ARM, with the establishment
11 of new base margin rates every October 1.

12 **Q. Are there any differences in the way base rates will be reset under**
13 **Piedmont's ARM proposal compared to a general rate case**
14 **proceeding?**

15 A. Yes. As discussed above, general rate case proceedings in Tennessee
16 have traditionally been based on a forward-looking attrition period.
17 This necessitates projecting future costs and revenues. Fiscal year 2021
18 (which is aligned with calendar year 2021) was the attrition period
19 utilized in Piedmont's most recent general rate case. It will also serve
20 as the initial HBP for operation of Piedmont's ARM if it is approved.
21 Under our ARM proposal, similar to those of Atmos and CGC, the
22 historical base period is relied upon to develop new prospective base
23 rates. Since the actual results from the historical base period will be

1 known at the time the annual ARM filing is made, as discussed below,
2 this greatly simplifies the task of calculating rates because the
3 calculations are based on an historic period with known results.
4 Accordingly, we have not proposed to use in our ARM those
5 forecasting-type methodologies from our rate case that were designed
6 to project revenues and costs for a forward-looking test year.

7 **Q. Is this consistent with Atmos' and CGC's ARM?**

8 A. Yes. Furthermore, the possibility that such forward-looking
9 methodologies might not be appropriate for Piedmont's ARM was also
10 foreshadowed by the Commission Rate Case Order where it indicated
11 that it would review such methodologies for "appropriateness" for use
12 in any Piedmont ARM proposal.⁵

13 **Q. How does Piedmont's proposal address regulatory lag in the**
14 **absence of a forward-looking test year?**

15 A. Piedmont's proposed ARM addresses regulatory lag with the use of
16 deferred accounting, modeled largely upon the methodology approved
17 for use under Atmos' ARM. The methodology maintains the
18 jurisdiction's long-standing precedent of reducing regulatory lag by
19 utilizing deferred accounting treatment for costs associated with new
20 investment, in lieu of a forward-looking test year. Upon approval of the
21 ARM, the Company will establish an ARM Regulatory Asset to record

⁵ Rate Case Order at. P. 7.

1 interest deferrals and depreciation expense deferrals, each associated
2 with utility plant placed in service that has not yet been included in rate
3 base for the purpose of establishing rates. This regulatory asset
4 treatment, combined with the annual HBP reconciliation described
5 above, results in Piedmont's proposed ARM being compliant with the
6 provision of the alternative regulation statute that requires rates be set
7 so as "to provide that the public utility earns the authorized return on
8 equity established in the public utility's most recent general rate case".⁶

9 **Q. Can you explain the specific timing and steps of how Piedmont's**
10 **ARM would work?**

11 A. Yes. As I discuss above, each fiscal year will serve as the HBP for the
12 operation of Piedmont's ARM in the following year. In our case, this
13 means that calendar year 2021 (which is the Attrition Period used in
14 Piedmont's 2020 rate case) will serve as the HBP for Piedmont's first
15 annual ARM filing in 2022. That first ARM filing would effectively
16 reconcile calendar 2021 results and reset base rates based on the actual
17 2021 historic period. Because the Company's current base rates were
18 set based on the future test year 2021, the new base margin rates
19 resulting from the first annual ARM filing are not anticipated to be
20 substantially different than current base rates.

21 As proposed, Piedmont's first annual ARM filing would be

⁶ TCA 65-5-103(d)(6)(C).

1 made with the Commission no later than May 20, 2022, ultimately
2 establishing new (the first) ARM rider rates and new base margin rates
3 effective with monthly cycle bills rendered to customers on or after
4 October 1, 2022.

5 Furthermore, regarding regulatory lag, the Company would
6 establish the ARM Regulatory Asset and begin recording deferrals to it,
7 as described above and in Exhibit_(BPB-1), upon Commission approval
8 of the ARM tariff in the instant docket.

9 **Q. Please further elaborate on the specific timing of how regulatory lag**
10 **is to be addressed through deferrals to the ARM Regulatory Asset**
11 **under Piedmont's ARM Tariff.**

12 A. Based upon the filing date of the petition in the instant docket and the
13 statute's 120-day timing requirement, the Company envisions that the
14 Commission would render its decision in the instant docket at its
15 scheduled February 28, 2022 Conference. Plant placed into service in
16 January 2022 would not be included in base rates in effect at that time,
17 because the base rates that shall be in effect in January 2022 are those
18 established in Piedmont's last general rate case whose attrition period
19 was the 12-month period ending December 31, 2021.

20 Should the Commission approve Piedmont's ARM as proposed
21 at its scheduled February 28, 2022 Conference, Piedmont intends to
22 establish the ARM Regulatory Asset in February 2022 and first record
23 a deferral to it in February 2022. Specifically, in February 2022,

1 Piedmont would record to the ARM Regulatory Asset a deferral of one
2 month's worth of interest expense⁷ and depreciation expense associated
3 with the plant assets that went into service in January 2022. In March
4 2022, Piedmont would again record to the ARM Regulatory Asset a
5 deferral of one month's worth of interest expense⁸ and depreciation
6 expense associated with the plant assets that went into service in January
7 2022, and furthermore record to the ARM Regulatory Asset a deferral
8 of one month's worth of interest expense⁹ and depreciation expense
9 associated with the plant assets that went into service in February 2022.
10 In April 2022, Piedmont would again record to the ARM Regulatory
11 Asset a deferral of one month's worth of interest expense¹⁰ and
12 depreciation expense associated with the plant assets that went into
13 service in January 2022, one month's worth of interest expense¹¹ and
14 depreciation expense associated with the plant assets that went into
15 service in February 2022, and furthermore one month's worth of interest
16 expense¹² and depreciation expense associated with the plant assets that

⁷ See Section I(M)(i) of Exhibit (BPB-1) which explains the basis upon which interest deferrals shall be computed and debited to the ARM Regulatory Asset. Specifically, Piedmont proposes that "[t]he plant balance upon which the interest deferrals are calculated shall account for incremental plant additions net of a) incremental plant retirements; b) a provision adding or subtracting incremental deferred income taxes on plant assets not yet in rate base; c) a provision subtracting the increase in accumulated depreciation on assets already included in rate base; and d) a provision adding the depreciation expense deferred on assets not yet included in rate base." This is largely modeled after the methodology for interest deferrals utilized under Atmos' approved ARM.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

1 went into service in March 2022. This deferral cadence would continue
2 until October 2023.

3 In October 2023, new base rates would take effect pursuant to
4 the Company's 2023 Annual ARM Filing that is comprised of a HBP
5 ending December 31, 2022. Accordingly, beginning in October 2023
6 there would be no need to record any further interest and depreciation
7 expense deferrals to the ARM Regulatory Asset related to Piedmont's
8 plant additions from January 2022 through December 2022. Therefore,
9 the interest and depreciation expense deferrals to the ARM Regulatory
10 Asset beginning in October 2023 would only be related to plant placed
11 into service in January 2023 and thereafter.

12 October 2023 would also mark the beginning of the process to
13 relieve the ARM Regulatory Asset. The cost of service underlying the
14 Annual Base Rate Reset in the Company's 2023 Annual ARM Filing
15 would include in operating expense an annualized amortization of the
16 December 31, 2022 ARM Regulatory Asset. The amortization period
17 for the December 31, 2022 ARM Regulatory Asset balance would be
18 set equivalent to the depreciable life of underlying plant assets upon
19 which the deferrals were based.

20 **Q. Does Piedmont's proposal for addressing regulatory lag under the**
21 **ARM mirror that which was approved under Atmos' ARM?**

22 A. Yes, it largely does. It does so by design, because Piedmont identified
23 that the process used in Atmos' ARM largely satisfied the Company's

1 circumstances and needs, coupled with the fact that the Commission has
2 approved this methodology.

3 I can identify two differences between the Company's approach
4 and Atmos' approach to addressing regulatory lag under the ARM, both
5 of which I find immaterial. The first difference pertains to the process
6 by which the regulatory asset holding the plant-related deferrals is
7 relieved. Under Atmos' ARM, relieving the regulatory asset occurs in
8 two stages. Concurrent with the implementation of new base rates under
9 the ARM each year, the first step is that Atmos transfers the balance of
10 the deferrals during the recently completed historic test year period to
11 plant by debiting construction work in progress and crediting their
12 regulatory asset account.¹³ The second step, which one must infer, is
13 that Atmos then continues its ordinary depreciation to operating expense
14 of its plant, the balance of which is now higher by the amount
15 transferred from their ARM regulatory asset. Under Atmos' process,
16 the end result is that deferrals to their ARM regulatory asset are
17 ultimately depreciated over a period of time equivalent to the
18 depreciable life of the underlying assets upon which the deferrals were
19 originally based. Under Piedmont's proposed ARM, the end result is
20 the same. Piedmont's ARM simply accomplishes this in one step rather
21 than two. Specifically, and to avoid modification to Piedmont's asset

¹³ See Atmos' Tariff Sheet No. 34.5, Section B(a)(viii). Relief of Regulatory Asset Accounts.

1 accounting system of record that would otherwise be needed to follow
2 Atmos' two-stage process, Piedmont's method forgoes transferring the
3 ARM regulatory asset balance each year to plant and instead directly
4 amortizes to operating expense the ARM regulatory asset balance for
5 each HBP over the depreciable life of the underlying assets upon which
6 the deferrals were originally based.¹⁴

7 The second difference between the Company's approach and
8 Atmos' approach to addressing regulatory lag under the ARM is that in
9 addition to interest deferrals and depreciation deferrals, Atmos also
10 records ad valorem deferrals and retirement work in progress interest
11 deferrals. Piedmont's proposed ARM forgoes recording these latter two
12 types of deferrals, for reasons including the fact that they are expected
13 to be relatively immaterial and recording these deferrals would
14 otherwise require costly systems modifications.

15 **Q. Can you provide an overview of the schedules and calculations that**
16 **will be provided with the Company's annual ARM filing each May?**

17 A. Yes. The Company proposes that its annual ARM filing contain over
18 50 schedules and supporting workpapers, which are listed in Section IV
19 of the proposed ARM Tariff shown in Exhibit_(BPB-1). Piedmont is
20 committed to full transparency of the Company's books and records
21 along with all ratemaking computations used for each annual ARM

¹⁴ Piedmont's proposed ARM and Atmos' approved ARM each include the regulatory asset with the plant-related deferrals in rate base for the historic period.

1 filing. We reviewed the schedules and supporting workpapers
2 associated with Piedmont's last general rate case application and 2020
3 Rate Case Settlement, in addition to the schedules and supporting
4 workpapers that Atmos and CGC provide in their annual ARM filings.
5 From that, Piedmont developed its proposed list of schedules and
6 supporting workpapers to accompany each of Piedmont's annual ARM
7 filings. The twelve lead annual ARM filing schedules include the same
8 kind of information as was shown in Settlement Attachment B to the
9 2020 Rate Case Settlement. They have been modified as necessary to
10 make them appropriate for calculating the Company's two major ARM
11 components as I have described throughout my testimony. The format
12 of each of the following proposed twelve lead annual ARM filing
13 schedule is shown in Exhibit_(BPB-2).

14 **Lead Annual ARM Filing Schedules**

15 Schedule 1: Results of Operations for the HBP Reconciliation and
16 Annual Base Rate Reset

17 Schedule 2: Rate Base for the HBP Reconciliation and Annual Base
18 Rate Reset

19 Schedule 3: Overview of Lead Lag Results for the HBP
20 Reconciliation and Annual Base Rate Reset

21 Schedule 4A: Working Capital Expense Lag for the HBP
22 Reconciliation

23 Schedule 4B: Working Capital Expense Lag for the Annual Base Rate

Reset

Schedule 5: Operations & Maintenance Expense Summary for the
HBP Reconciliation and Annual Base Rate Reset

Schedule 6A: Summary of Revenue for the HBP Reconciliation and
the Annual Base Rate Reset

Schedule 6B: Revenue for the Annual Base Rate Reset, by Customer
Class

Schedule 7: Summary of General Taxes for the HBP Reconciliation
and the Annual Base Rate Reset

Schedule 8: Excise and Income Taxes for the for the HBP
Reconciliation and the Annual Base Rate Reset

Schedule 9: Income Statement for the HBP Reconciliation, the
Annual Base Rate Reset and per Proposed Base Rates

Schedule 10: Cost of Capital Summary

Schedule 11: Revenue Conversion Factor

Schedule 12: Carrying Cost and ARM Reconciliation Deferred
Account Balance

**Q. Will the annual ARM filing schedules clearly indicate where and
how adjustments were made to actual per book amounts in order to
perform the HBP Reconciliation and the Annual Base Rate Reset?**

A. Yes. By design, the Company's templates for the lead ARM filing
schedules are laid out in a manner to clearly identify differences
between actual per books amounts and the amounts used for the HBP

1 Reconciliation and/or Annual Base Rate Reset. Such differences are
2 identified in the lead ARM filing schedules under columns labeled
3 “Adjustments”. The accompanying additional ARM filing schedules
4 and workpapers will show how the adjustments were computed. Each
5 annual ARM filing will also contain direct Company testimony
6 explaining the adjustments and all other aspects of the development of
7 the proposed new base rates and ARM rider rates.

8 **Q. In general, why will there be adjustments to the actual per book**
9 **amounts in order to perform the HBP Reconciliation and the**
10 **Annual Base Rate Reset under Piedmont’s ARM?**

11 A. The approved ratemaking methodologies from Docket No. 20-00086 (or
12 any general rate case, for that matter) cause there to be unavoidable
13 differences between certain per book amounts and the amount that
14 should be used for the HBP Reconciliation and/or Annual Base Rate
15 Reset. While many components of the cost of service computation
16 under Piedmont’s ARM will use unadjusted amounts from the HBP,
17 certain ratemaking components require adjustment from per book
18 actuals. Piedmont’s proposed ARM Tariff specifically describes what
19 constitutes each element of rate base, operating revenues, operating
20 expenses and capitalization. From those descriptions one can ascertain
21 whether or not a certain difference between per book actuals and the
22 amounts to be employed under the ARM will arise. Rate base is largely
23 unadjusted, which revenues, operating expenses and capitalized have

1 relatively more adjustments. Here are some examples:

- 2 • Incentive Compensation for the HBP Reconciliation and Annual
3 Base Rate Reset: The approved methodology from Docket No.
4 20-00086 calls for fifty percent of the incentive compensation
5 costs for the Company's short-term incentive plan and one
6 hundred percent of the incentive compensation cost for the long-
7 term incentive plan to be removed from operating expense and
8 rate base. Accordingly, the annual ARM filing schedules will
9 identify these differences between the per books amounts and
10 the amounts used for the HBP reconciliation and the Annual
11 Base Rate Reset. A supporting workpaper in the annual ARM
12 filing will provide the details supporting these adjustments.
- 13 • Operating Revenues for the HBP Reconciliation: Per books
14 operating revenues must be adjusted to remove the effect of
15 unbilled revenue accounting entries and revenues related to non-
16 base rate billing components such the Unprotected EDIT Refund
17 Rider rates. These revenue adjustments are necessary to
18 conform the actual revenues used in the ARM with the approved
19 ratemaking methodology from the last general rate case. For this
20 reason, Section II(1) of Piedmont's ARM Tariff states that the
21 gas sales and transportation revenues used in the HBP
22 Reconciliation "shall reflect such actual revenues from *Base*
23 *Rates* billed...and recorded during the HBP" [*emphasis added*].

1 Simply put, the result of reflecting gas sales and transportation
2 revenues as only “such actual revenues from Base Rates
3 billed...and recorded during the HBP” is that no unbilled
4 revenue accounting entries nor revenues related to non-base rate
5 billing components will be included in the amount of gas sales
6 and transportation revenues used in the HBP Reconciliation.
7 Without making this adjustment, neither the HBP Reconciliation
8 nor the Annual Base Rate Reset will achieve its intended
9 purpose. Supporting schedules and workpapers in the annual
10 ARM filing will provide the details supporting this adjustment.

- 11 • Operating Revenues for the Annual Base Rate Reset: Section
12 III(1) of Piedmont’s ARM Tariff explains that the gas sales and
13 transportation revenues for the Annual base Rate Reset shall be
14 the actual customer usage in the HBP normalized for the effect
15 of weather using an updated 30-year average of actual heating
16 degree days. The weather-normalized customer usage in
17 conjunction with actual customer counts shall then be priced out
18 at present base rates. These operating revenue adjustments for
19 the Annual Base Rate Reset conform with the ratemaking
20 methodology in Docket No. 20-00086. Supporting schedules
21 and workpapers in the annual ARM filing will provide the
22 details supporting this adjustment.

- Purchased Gas Expenses [Cost of Gas] for the HBP Reconciliation and Annual Base Rate Reset: The explanation in ARM Tariff Section II(5) and Section III(5) sets forth the requirement to align purchased gas expenses with the PGA portion of the gas sales and transportation revenues for the HBP Reconciliation and Annual Base Rate Reset, respectively. Doing so gives rise to a difference between the actual per book purchased gas expense and that used for the HBP Reconciliation and Annual Base Rate Reset. This adjustment is needed to conform with the ratemaking methodology in Docket No. 20-00086. Without making this adjustment, neither the HBP Reconciliation nor the Annual Base Rate Reset will achieve its intended purpose. Supporting schedules and workpapers in the annual ARM filing will provide the details supporting this adjustment.

Q. Can you identify the approved ratemaking methodologies that need to be used in Piedmont's approved ARM?

A. Yes. See Exhibits (BPB-3) and (BPB-4) for the schedules supporting the 2020 Rate Case Settlement, which identify all of the components of rate base, operating revenues, operating expenses, capitalization and the revenue conversion factor that the Commission approved. These components are the foundation for calculating the operating income deficiency and revenue requirement deficiency. The amounts shown in

1 the 2020 Rate Case Settlement schedules embody the Company's
2 proposal presented in its December 16, 2020 rebuttal testimony in
3 Docket No. 20-00086, as further modified by the adjustments cited in
4 paragraphs 14 and 17 of the 2020 Settlement Agreement.

5 **IV. PIEDMONT'S CONDITIONAL REQUEST TO**
6 **TERMINATE THE INTEGRITY MANAGEMENT**
7 **RIDER MECHANISM.**

8 **Q. What is Piedmont's proposal regarding its existing Integrity**
9 **Management Rider mechanism as reflected in its Service Schedule**
10 **No. 317?**

11 A. Subject to the Commission's approval of Piedmont's ARM Tariff as
12 proposed herein, Piedmont proposes to withdraw Service Schedule No.
13 317 as it will no longer be needed to reduce lag on Piedmont's safety
14 and integrity related investments for Tennessee.

15 **Q. Do you have anything further to add to your testimony?**

16 A. No, not at this time. Thank you.

Docket No. 21-00135

Exhibit_(BPB-1)

SERVICE SCHEDULE NO. 318

Annual Review Mechanism (ARM)

I. OVERVIEW

Applicable

To service provided to customers under all Rate Schedules, including service provided to customers under approved special contracts.

Purpose

This Annual Review Mechanism (“ARM”) is implemented under the provisions of Tennessee Code Annotated Section 65-5-103(d)(6), which authorizes the Company to elect operation under an annual review of the Company’s rates. Pursuant to this ARM and the annual filings described herein, the Company’s rates shall be adjusted to provide that the Company earns its Authorized Return on Equity. The rate adjustments implemented under the ARM, which are to the Company’s Base Margin Rates and its ARM Rider Rates, will reflect changes in the Company’s jurisdictional operating revenues, cost of service, and rate base. Jurisdictional operating revenues and expenses exclude gains or losses related to gas supply hedging activities, off system sales, other gas supply and capacity secondary marketing activities, and other non-jurisdictional transactions as determined by the Commission. The ARM may be terminated or modified as provided under of Tennessee Code Annotated Section 65-5-103(d)(6)(D).

Piedmont’s Base Margin Rates and ARM Rider Rates shall be reset on an annual basis pursuant to the procedures and information specified in this Tariff.

Global Definitions

- A. **Annual ARM Filing** shall consist of the components described below. The Company will simultaneously copy the Consumer Advocate on all Annual ARM Filings.
- B. **Annual ARM Filing Date** shall be the date the Company submits its Annual ARM Filing to the TPUC. The Annual ARM Filing date shall be no later than May 20 of each year.
- C. **Annual ARM Proceeding** refers to the annual docketed proceedings in which the Company’s Annual ARM Filings shall be reviewed.
- D. **Historic Base Period (“HBP”)** is defined as the Company’s most recently completed 12-month fiscal year ended December 31 prior to each ARM Annual Filing Date.
- E. **Effective Date of ARM Rates** refers to the date that new ARM Rider Rates and new Base Margin Rates take effect. The Effective Date of ARM Rates shall be October 1 of each

Effective: _____

year pursuant to the Annual ARM Filing. As such, all bills rendered starting with October cycle 1 each year shall be billed under the new ARM Rider Rates and new Base Margin Rates.

- F. **2020 Rate Case Settlement** refers to the Stipulation and Settlement Agreement between Piedmont and the Consumer Advocate filed with the TPUC on February 2, 2021 in Docket No. 20-00086, which was subsequently approved by the TPUC.
- G. **Authorized Return on Equity** is defined as the 9.80% return on equity established in Docket No. 20-00086, or that which is established by the TPUC in any subsequent general rate case for the Company.
- H. **Overall Cost of Capital** is defined as the overall cost of capital for the applicable period, as stated on ARM Filing Schedule 10.
- I. **HBP Net Operating Income Deficiency (Sufficiency)** shall be computed as the difference between the net operating income for return in the HBP and the net operating income for return in the HBP that is required to produce the Authorized Return on Equity.
- J. **HBP Revenue Requirement Deficiency (Sufficiency)** shall be the HBP Net Operating Income Deficiency (Sufficiency) multiplied by the Revenue Conversion Factor.
- K. **Carrying Costs** are computed by applying an interest rate to the HBP Revenue Requirement Deficiency (Sufficiency) from the midpoint date of the HBP to the effective date of the ARM Rider Rates, which reflects a total of 15 months from July 1 of the HBP thru Sept 30 of the following year. The interest rate used shall be the net-of-tax Overall Cost of Capital rate including the Authorized Return on Equity, for the HBP.
- L. **ARM Reconciliation Deferred Account** shall be the interest-bearing regulatory asset or liability account to which the approved HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs are recorded each October. The actual collections from customers (or refunds to customers) arising from the ARM Rider Rates shall be applied to the ARM Reconciliation Deferred Account each month in order to relieve its balance. Interest shall be accrued monthly to the ARM Reconciliation Deferred Account at a rate equivalent to the Company's net-of-tax Overall Cost of Capital under which Base Margin Rates were last established. Interest shall be applied to the average of the beginning and ending monthly balances. The ARM Reconciliation Deferred Account shall not be included in rate base for purposes of determining the HBP Net Operating Income Deficiency (Sufficiency) or the Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency).
- M. **ARM Regulatory Asset** shall be the account(s) to which the Company records Interest Deferrals and Depreciation Expense Deferrals associated with plant in service that has not yet been included in rate base. The Company shall be authorized to establish and include in rate base this ARM Regulatory Asset. The Company shall segregate its deferrals to the ARM Regulatory Asset by HBP. Upon the effective date of new Base Margin Rates each year, the Dec 31 balance of the ARM Regulatory Asset for the most recent HBP shall begin to be amortized evenly over a period of time equivalent to the depreciable life of its underlying plant assets.

Effective: _____

- i. **Interest Deferrals:** On a monthly basis, the Company shall record deferred interest to the ARM Regulatory Asset. The rate for such deferred interest shall be the pretax Overall Cost of Capital under which Base Margin Rates were last established. Such deferred interest shall be calculated on all plant placed into service that is not yet included in rate base, and shall continue to accrue and be added to balance of the ARM Regulatory Asset during and after the HBP until such time that the underlying plant is included in rate base. The plant balance upon which the interest deferrals are calculated shall account for incremental plant additions net of a) incremental plant retirements; b) a provision adding or subtracting incremental deferred income taxes on plant assets not yet in rate base; c) a provision subtracting the increase in accumulated depreciation on assets already included in rate base; and d) a provision adding the depreciation expense deferred on assets not yet included in rate base.
 - ii. **Depreciation Expense Deferrals:** On a monthly basis, the Company shall record deferred depreciation expense to the ARM Regulatory Asset on plant not yet included in rate base. The deferred depreciation expense shall be calculated on all plant placed into service that is not yet included in rate base, and shall continue to be added to the balance of the ARM Regulatory Asset during and after the HBP until such time that the underlying plant is included in rate base.
- N. **Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency)** shall be computed as the difference in the net operating income for return for the Annual Base Rate Reset period under present Base Rates less the net operating income for return for the Annual Base Rate Reset period that is required to produce the Authorized Return on Equity.
- O. **Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency)** shall be the Annual Base Rate Reset Net Operating Income Deficiency (Sufficiency) multiplied by the Revenue Conversion Factor.
- P. **New Matters** refers to any issue, adjustment and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the TPUC regarding the Company since the 2020 Rate Case Settlement.
- Q. **ARM Rider Rates** refer to the customer billing rates per therm intended to relieve the ARM Reconciliation Deferred Account Balance over a 12-month period. The ARM Rider Rates will be updated each year on the Effective Date of ARM Rates. In each Annual ARM Filing, the Company shall propose new ARM Rider Rates based on the ARM Deferred Account Balance at March 31 of the year after the HBP plus the current Annual ARM proceeding's HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs.
- R. **Base Rates** refer to those base rates per therm shown in Columns <1>, <2> and <3> of the Company's Tariff Sheet No. 1.
 - i. **Base Margin Rates** refer to those base rates per therm shown in Column <1> of the Company's Tariff Sheet No. 1. The Base Margin Rates will be adjusted each year on the Effective Date of ARM Rates in accordance with the approved Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency).

Effective: _____

- ii. **Base PGA Rates** refer to those base rates per therm shown in Columns <2> and <3> of the Company's Tariff Sheet No. 1, which are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider".
- S. **Applicable Rate Schedules** are the Rate Schedules for which the ARM Rider Rates and the Base Margin Rates as updated under the ARM shall apply. The Applicable Rate Schedules are Rate Schedules 301, 302, 343, 352, 303, 304, 310, 313 and 314, which represent all of Piedmont's Rate Schedules.
- T. **Revenue Conversion Factor** shall be computed consistent with the paragraph 14.m. of the 2020 Rate Case Settlement.

Components of the Annual ARM Filing

On the Annual ARM Filing Date each year, the Company shall file with the TPUC schedules and workpapers that calculate the HBP Revenue Requirement Deficiency (Sufficiency) and the Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency) in accordance with this tariff. The Company's Annual ARM Filing shall specifically include the following:

1. ARM Filing Schedules, described in Section IV herein.
2. Workpapers supporting the ARM Filing Schedules (in electronic, native format with formulas intact).
3. Direct Testimony supporting the ARM Filing Schedules and requested rate adjustments, and also specifically including:
 - a. An explanation of the nature and extent of incremental deferred environmental expenses, pursuant to the requirements of para. 17.i. of the 2020 Rate Case Settlement; and
 - b. An explanation and support to demonstrate that incremental pension deferral amounts were prudently incurred to meet the Company's obligation to qualified employees and retirees, pursuant to the requirements of para. 17.c. of the 2020 Rate Case Settlement.
4. Attestation from a Company officer, signed and notarized.
5. Proposed Tariff Changes.
6. Proposed Procedural Schedule.

II. HBP RECONCILIATION

The following methodologies shall be used in the ARM Filing Schedules, supporting workpapers and computations necessary to calculate the Company's HBP Revenue Requirement Deficiency (Sufficiency). These methodologies incorporate the approved methodologies underlying the revenue requirement from the 2020 Rate Case Settlement.

Effective: _____

The HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs shall be recovered through the ARM Rider Rates. The ARM Rider rates shall be established for the Applicable Rate Schedules, across which a pro rata allocation of the amount of the ARM Reconciliation Deferred Account balance at March 31 of the year after the HBP plus the current Annual ARM proceeding's HBP Revenue Requirement Deficiency (Sufficiency) and Carrying Costs is applied. The ARM Rider rates shall be developed for each Applicable Rate Schedule based upon the respective customer billing determinants used in the computation of the Gas Sales and Transportation Revenues under Section III of this tariff.

Operating Revenues

- 1) **Gas Sales and Transportation Revenues** shall reflect such actual revenues from Base Rates billed for service provided to customers pursuant to the provisions of the Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP.
- 2) **Forfeited Discount Revenues** shall reflect such actual revenues related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP.
- 3) **Other Revenues** shall reflect such actual revenues including those related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP, exclusive of revenues related to off system sales, other gas supply and capacity secondary marketing activities, and customer cash-out activities.
- 4) **Margin Revenues** shall reflect the sum of the Gas Sales and Transportation Revenues, Forfeited Discount Revenues and Other Revenues described herein, less Purchased Gas Expenses [Cost of Gas].

Operating Expenses

- 5) **Purchased Gas Expenses [Cost of Gas]** shall be set equivalent to the PGA portion of the actual Gas Sales and Transportation Revenues during the HBP. Note that the actual purchased gas expenses are recorded to general ledger account 804, and are recovered by the Company through the PGA mechanism.
- 6) **Other Purchased Gas Expenses** shall reflect such actual expenses recorded during the HBP. Note that these are expenses not eligible for recovery by the Company through the PGA mechanism.
- 7) **Uncollectible & Bad Debt Expenses** shall reflect such actual expenses recorded during the HBP.
- 8) **Lobbying Expenses** recorded during the HBP shall be entirely excluded from the computation of Operating Expense.

Effective: _____

- 9) **Employee Salaries & Wages Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities.
- 10) **Employee Incentive Compensation Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities. Also, fifty percent of the STIP expenses recorded during the HBP and one hundred percent of the LTIP expenses recorded during the HBP shall be excluded from the computation of Operating Expenses, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 11) **Amortization Expenses for Deferred Rate Case Expenses for Docket No. 20-00086** recorded during the HBP shall be entirely excluded from the computation of Operating Expense, consistent with paragraphs 14.k. and 17.f. of the 2020 Rate Case Settlement.
- 12) **Amortization Expenses for Deferred Environmental Costs** shall reflect such actual expenses recorded during the HBP.
- 13) **Amortization Expenses for Deferred Pension Costs** shall reflect such actual expenses recorded during the HBP.
- 14) **Other Pension Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of the ASC 2017 expenses (formerly FAS 87) recorded during the HBP.
- 15) **Other Employee Benefit Expenses, including OPEB** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities.
- 16) **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses recorded during the HBP, adjusted to reflect a return based on the Authorized Return on Equity, and exclusive of any such expense related to return on DEBS pension assets.
- 17) **Expense for TPUC Fee** shall reflect such actual expenses recorded during the HBP.
- 18) **Other O&M Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities.
- 19) **Other Expense Adjustments** shall reflect adjustments made by the Company to exclude any known expenses improperly recorded as an Operating Expense during the HBP.
- 20) **Depreciation Expenses** shall reflect such actual expenses recorded during the HBP, including any credits recorded during the HBP related to Depreciation Expense Deferrals.
- 21) **Amortization Expenses for ARM Regulatory Asset** shall reflect such actual expenses recorded during the HBP related to relieving the ARM Regulatory Asset pursuant to approvals granted in prior Annual ARM Proceedings.
- 22) **Payroll Tax Expenses** shall reflect such actual expenses recorded during HBP, adjusted to comport with the labor and other compensation expense adjustments described herein.
- 23) **Property Tax Expenses** shall reflect such actual expenses recorded during the HBP.
- 24) **Other General Tax Expense** shall reflect such actual expenses recorded during the HBP.
- 25) **Amortization of Investment Tax Credit** shall reflect such actual expenses recorded during the HBP.
- 26) **State Excise Tax Expense** shall be computed using the Company's composite state tax rate in effect December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt.
- 27) **Federal Income Tax Expense** shall be computed using the statutory federal tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt. Federal

Effective: _____

Income Tax Expense shall be further adjusted for the amortized return of protected federal excess accumulated deferred income taxes (“EDIT”) resulting from the 2017 Tax Act.

Adjustments to Net Operating Income

- 28) **AFUDC** shall be computed as the CWIP balance described below multiplied by the last authorized Overall Cost of Capital for the Company.
- 29) **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

Rate Base Components

- 30) **Utility Plant in Service** shall reflect the 13-month average of the actual end-of-month (“EOM”) balances for the HBP and the month prior to the HBP.
- 31) **Accumulated Depreciation** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP.
- 32) **CWIP** shall reflect the 13-month average of the actual EOM balances, exclusive of fifty percent of STIP costs and one hundred percent of LTIP costs recorded to CWIP during the HBP and the month prior to the HBP, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 33) **ARM Regulatory Asset** shall reflect the 13-month average of the actual EOM balances for the HBP, excluding the components of such balance associated with the Interest Deferrals.
- 34) **ADIT** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, exclusive of any amounts related to unprotected federal EDIT subject to refund to customers pursuant to the TPUC’s August 6, 2019 Order in Docket No. 18-00040.
- 35) **Cash Working Capital (Lead-Lag)** shall be computed in conformity with the lag days and categories of revenue and expense in the 2020 Rate Case Settlement.
- 36) **Other Working Capital** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, for the following:
- a. Material and Supplies
 - b. Gas Inventory
 - c. Prepaid Insurance
 - d. Fleets & Overheads
 - e. Accounts Payables applicable to CWIP
 - f. Accounts Payables applicable to Materials and Supplies
 - g. Customer Deposits
 - h. Interest on Customer Deposits
 - i. Accrued Vacation
 - j. Deferred Debits for Environmental Costs
 - k. Deferred Debits for Pension Costs, reduced by an amount equivalent to the pension expense amortization during the period of time comprising the HBP.

Effective: _____

Capitalization

- 37) **Capital Structure** shall reflect the long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total capitalization as of December 31 of the HBP.
- 38) **Long Term Debt Cost** shall reflect the actual embedded cost of long-term debt as of December 31 of the HBP. The computation of the embedded cost of long-term debt shall include an adjustment for unamortized loss on reacquired debt and credit facility fees.
- 39) **Short Term Debt Cost** shall reflect the computed average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) during the HBP.
- 40) **Authorized Return on Equity** as defined in Section I of this tariff.

III. ANNUAL BASE RATE RESET

The following methodologies shall be used in the ARM Filing Schedules, supporting workpapers and computations necessary to calculate the Company's Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency). These methodologies incorporate the approved methodologies underlying the revenue requirement from the 2020 Rate Case Settlement.

A pro rata allocation of the amount of the Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency) shall be applied to each Applicable Rate Schedule. The updated Base Rates for each Applicable Rate Schedule shall be developed based upon the respective customer billing determinants the used in the computation of the Gas Sales and Transportation Revenues as set forth below.

Operating Revenues

- 1) **Gas Sales and Transportation Revenues** shall be computed, as follows:
 - a. For service rendered under Rate Schedules 301 (Residential), 302 (Small General) and 352 (Medium General) respectively, the actual usage during the 12-month period comprising the HBP shall be normalized for weather. For this purpose, Normal Heating Degree Days (NHDD) shall be the average of the actual daily heating degree days experienced in the 30-year period ending December 31 of each HBP. A regression analysis using actual heating degree days for each month of the HBP, actual usage by rate schedule for each month of the HBP, and the monthly NHDD will be performed to derive the normalized base load usage and heat-sensitive usage per customer for each rate schedule. Such normalized base load usage and heat-sensitive usage per customer for each rate schedule shall then be

Effective: _____

aligned with the monthly NHDD and actual number of bills rendered each month of the HBP to establish the total normalized customer usage by month by rate schedule. Normalized revenues shall then be computed by applying the present Base Rates (clean rates, which are the rate components shown in columns <1>, <2> and <3> on the Company's Tariff Sheet No. 1, and excluding ARM Rider Rates and all other non-base rates) to the derived normalized monthly customer usage and associated monthly customer count for each rate schedule.

- b. For service rendered under Rate Schedules 303 (Large General Sales – Firm), 304 (Large General Sales – Interruptible), 310 (Resale Service), 313 (Large General Transportation – Firm), 314 (Large General Transportation – Interruptible) and 343 (Motor Vehicle Fuel Service), revenues shall be computed by applying the present Base Rates (clean rates, which are the rate components shown in columns <1>, <2> and <3> on the Company's Tariff Sheet No. 1, and excluding ARM Rider Rates and all other non-base rates) to the actual monthly customer usage and customer count for each rate schedule during the HBP.
 - c. For service rendered under special contracts, revenues shall be the actuals recorded during the HBP. Should a special contract customer move to a tariff rate during or after the completion of the HBP, the revenue for that customer shall instead be computed pursuant to subpart a or b above, as warranted.
- 2) **Forfeited Discount Revenues** shall reflect such actual revenues related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP.
 - 3) **Other Revenues** shall reflect such actual revenues including those related to service provided to customers pursuant to the provisions of Company's TPUC-approved rates and charges (including special contracts) and recorded during the HBP, exclusive of revenues related to off system sales, other gas supply and capacity secondary marketing activities, and customer cash-out activities.
 - 4) **Margin Revenues** shall reflect the sum of the Gas Sales and Transportation Revenues, Forfeited Discount Revenues and Other Revenues, net of the amount of Purchased Gas Expenses.

Operating Expenses

- 5) **Purchased Gas Expenses [Cost of Gas]** shall be set equivalent to the computed PGA portion of Gas Sales and Transportation Revenues.
- 6) **Other Purchased Gas Expenses** shall reflect such actual expenses recorded during the HBP. Note that these are expenses not recovered by the Company through the PGA mechanism.
- 7) **Uncollectible & Bad Debt Expenses** shall reflect such actual expenses recorded during the HBP.
- 8) **Lobbying Expenses** recorded during the HBP shall be entirely excluded from the computation of Operating Expense.

Effective: _____

- 9) **Employee Salaries & Wages Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities.
- 10) **Employee Incentive Compensation Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities. Also, fifty percent of the STIP expenses recorded during the HBP and one hundred percent of the LTIP expenses recorded during the HBP shall be excluded from Operating Expenses, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 11) **Amortization Expenses for Deferred Rate Case Expenses for Docket No. 20-00086** recorded during the HBP shall be entirely excluded from the computation of Operating Expense, consistent with paragraphs 14.k. and 17.f. of the 2020 Rate Case Settlement.
- 12) **Amortization Expenses for Deferred Environmental Costs** shall reflect the amount of such expenses to be recorded during the 12-month period in which the prompt Annual Base Rate Reset rates are to be effective. Incremental deferred environmental costs for which the Company seeks recovery through the Annual Base Rate Reset shall be amortized over a one-year period.
- 13) **Amortization Expenses for Deferred Pension Costs** shall reflect the amount of such expenses to be recorded during the 12-month period in which the prompt Annual Base Rate Reset rates are to be effective. Incremental deferred pension costs for which the Company seeks recovery through the Annual Base Rate Reset shall be amortized over a one-year period.
- 14) **Other Pension Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of the ASC 2017 expenses (formerly FAS 87) recorded during the HBP.
- 15) **Other Employee Benefit Expenses, including OPEB** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities.
- 16) **Expense for Allocated Return on DEBS Assets** shall reflect such actual expenses recorded during the HBP, adjusted to reflect a return based on the allowed return on equity authorized in the Company's last general rate case, and exclusive of any such expense related to return on DEBS pension assets.
- 17) **Expense for TPUC Fee** shall reflect such actual expenses recorded during the HBP.
- 18) **Other O&M Expenses** shall reflect such actual expenses recorded during the HBP, exclusive of any such expenses related to lobbying activities.
- 19) **Other Expense Adjustments** shall reflect adjustments made by the Company to exclude any known expenses improperly recorded as an Operating Expense during the HBP.
- 20) **Depreciation Expenses** shall be computed as annualized depreciation expense aligned with the actual December 31 HBP balance of Utility Plant in Service. Depreciation expenses shall be computed using the depreciation rates approved by the Commission in the Company's most recent general rate case or any subsequent approval.
- 21) **Amortization Expenses for ARM Regulatory Asset** shall be computed as annualized amortization expense aligned with the actual December 31 HBP balance of the ARM Regulatory Asset pursuant to approvals granted in prior Annual ARM Proceedings.
- 22) **Payroll Tax Expenses** shall reflect such actual expenses recorded during HBP, adjusted to comport with the labor and other compensation expense adjustments.
- 23) **Property Tax Expenses** shall reflect such actual expenses recorded during the HBP.
- 24) **Other General Tax Expense** shall reflect such actual expenses recorded during the HBP.

Effective: _____

- 25) **Amortization of Investment Tax Credit** shall reflect such actual expenses recorded during the HBP.
- 26) **State Excise Tax Expense** shall be computed using the Company's composite state tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses as described including synchronized interest on debt.
- 27) **Federal Income Tax Expense** shall be computed using the statutory federal tax rate in effect as of December 31 of the HBP, and in alignment with the representation of the adjusted revenues and expenses herein including synchronized interest on debt. Federal Income Tax Expense shall be further adjusted for the amortized return of protected federal excess accumulated deferred income taxes ("EDIT") resulting from the 2017 Tax Cuts and Jobs Act.

Adjustments to Net Operating Income

- 28) **AFUDC** shall be computed as the CWIP balance described below multiplied by the Overall Cost of Capital including the Authorized Return on Equity, for the HBP.
- 29) **Interest on Customer Deposits** shall reflect such actuals recorded during the HBP.

Rate Base

- 30) **Utility Plant in Service** shall reflect the actual December 31 HBP balance.
- 31) **Accumulated Depreciation** shall reflect the actual December 31 HBP balance.
- 32) **CWIP** shall reflect the actual December 31 HBP balance, exclusive of fifty percent of STIP costs and one hundred percent of LTIP costs recorded to CWIP during the HBP, consistent with paragraph 14.h. of the 2020 Rate Case Settlement.
- 33) **ARM Regulatory Asset** shall reflect the actual unamortized December 31 HBP balance.
- 34) **ADIT** shall reflect the actual December 31 HBP balance, exclusive of any amounts related to the unprotected federal EDIT subject to refund to customers pursuant to the TPUC's August 6, 2019 Order in Docket No. 18-00040.
- 35) **Cash Working Capital (Lead-Lag)** shall be computed in conformity with the lag days and categories of revenue and expense in the 2020 Rate Case Settlement.
- 36) **Other Working Capital** shall reflect the 13-month average of the actual EOM balances for the HBP and the month prior to the HBP, for the following:
 - l. Material and Supplies
 - m. Gas Inventory
 - n. Prepaid Insurance
 - o. Fleets & Overheads
 - p. Accounts Payables applicable to CWIP
 - q. Accounts Payables applicable to Materials and Supplies
 - r. Customer Deposits
 - s. Interest on Customer Deposits

Effective: _____

- t. Accrued Vacation
- u. Deferred Debits for Environmental Costs
- v. Deferred Debits for Pension Costs, reduced by an amount equivalent to the pension expense amortization during the period of time comprising the HBP.

Capitalization Components

- 37) **Capital Structure** shall reflect the long-term debt, short-term-debt and common equity (not including the impact of goodwill) each as a percentage of total capitalization as of December 31 of the HBP.
- 38) **Long Term Debt Cost** shall reflect the actual embedded cost of long-term debt as of December 31 of the HBP. The computation of the embedded cost of long-term best shall include an adjustment for unamortized loss on reacquired debt and credit facility fees.
- 39) **Short Term Debt Cost** shall reflect the computed average cost rate of short-term debt borrowings (Piedmont's intercompany money pool borrowings) during the HBP.
- 40) **Authorized Return on Equity** as defined in Section I of this tariff.

IV. ARM FILING SCHEDULES

LEAD SCHEDULES	
1	Results of Operations
2	Rate Base
3	Lead Lag Results
4A	Working Capital Expense Lag for HBP
4B	Working Capital Expense Lag for Annual Base Rate Reset
5	O&M Expense Summary
6A	Revenue Summary
6B	Revenue Detail
7	General Tax Summary
8	Excise and Income Tax Summary
9	Income Statement under Present Rates & Proposed Rates
10	Cost of Capital Summary
11	Revenue Conversion Factor & Tax Gross Up Factor
12	Carrying Costs and ARM Reconciliation Deferred Account Balance

Effective: _____

RATE BASE SCHEDULES	
13	Utility Plant in Service - End of Month Balances, calculation of 13 month average balance
14	Depreciation Expense - Calculation of Depreciation and Amortization Expense based on HBP Utility Plant in Service
15	Construction Work in Progress - End of Month Balances, calculation of 13 month average balance
16	Accumulated Depreciation - End of Month Balances, calculation of 13 month average balance
17	Contributions in Aid of Construction - End of Month Balances, calculation of 13 month average balance
18	ADIT - End of Month Balances, calculation of 13 month average balance
19	Cash Working Capital - Summary of 13 month average balance
20	ARM Regulatory Asset Balances and Activity by Month

REVENUE SCHEDULES	
21	Historic Base Period Revenue Components by Rate Schedule & Special Contract
22A	Annual Base Rate Reset Total Revenues by Rate Schedule and Special Contract
22B	Annual Base Rate Reset Revenue Components by Rate Schedule and Special Contract
23	Annual Base Rate Reset Other Revenues
24	Summary of Normalized Billing Determinants and Proposed Margin Revenues
25	Proof of Revenue at Proposed Rates
26	Revenue Changes by Rate Schedule
27	Normal Heating Degree Days
28	Factors for Weather Normalization Adjustment (WNA)

O&M EXPENSE SCHEDULES	
29	Customer Accounts & Service Expense, including uncollectible ratio calculation
30	Employee Salary and Wage Expense
31	Employee Short Term Compensation Expense
32	Employee Long Term Compensation Expense
33	Deferred Environmental Regulatory Amortization and Cost Support
34	Deferred Pension Regulatory Amortization and Pension Plan Contribution Support
35	Return on Service Company (DEBS) Assets
36	Other Pension Expense
37	Lobbying Expense, Charitable Contribution, Social Club Membership Adjustment
38	Advertising Expense

Effective: _____

FINANCIAL REPORTS	
39	Tennessee Allocated Income Statement
40A	Total Piedmont Regulatory View Year End Income Statement
40B	Total Piedmont SEC View Year End Income Statement
40C	Parent (Duke Energy Corporation) Year End Income Statement
40D	Service Company (DEBS) Year End Income Statement
40E	Total Piedmont Regulatory View Year End Balance Sheet
40F	Total Piedmont SEC View Year End Balance Sheet
40G	Parent (Duke Energy Corporation) Year End Balance Sheet
40H	Service Company (DEBS) Year End Balance Sheet
41A	Total Piedmont Monthly Trial Balance Regulatory View
41B	Total Piedmont Monthly Trial Balance SEC View
41C	Parent (Duke Energy Corporation) Monthly Trial Balance Regulatory View
41D	Parent (Duke Energy Corporation) Monthly Trial Balance SEC View
41E	Service Company (DEBS) Monthly Trial Balance Regulatory View
41F	Service Company (DEBS) Monthly Trial Balance SEC View

OTHER INFORMATIONAL SCHEDULES	
42	Piedmont Capital Budget for Tennessee operations for year subsequent to HBP
43	Piedmont Operating Budget for the year subsequent to the HBP
44	Piedmont Jurisdictional Allocation Factors: Composite Factors
45	Piedmont Jurisdictional Allocation Factors: Net Plant Factors
46	Cost Allocation Manual
47	Corporate Organizational Structure
48	List of Company Officers
49	Pension and OPEB actuarial reports
50	Employee Incentive Compensation Plan documents
51	Impact of any new accounting pronouncements
52	Additional workpapers as required, and referenced to applicable ARM Filing Schedule

Effective: _____

Schedule 52: List of Additional Workpapers	
RATE BASE WORKPAPERS	
UPIS - Monthly Activity by plant account, to provide support for ARM Schedule 13 and 14	
CWIP - Actual Capital Expenditures by Category and Project Number, to provide support for ARM Schedule 15	
ACC DEPR - Monthly Activity by plant account, to provide support for ARM Schedule 16	
WC - Calculation of 13 month average balance of Working Capital by category, to provide support for ARM Schedule 19	
ARM Reg Asset - Monthly Activity, to provide support for ARM Schedule 20	
REVENUE WORKPAPERS	
Regression Analysis for the Computation of Base Rate Reset Billing Determinants, to provide support for ARM Schedules 22A, 22B & 28	
Calculation of 30-year Average Heating Degree Days, to provide support for ARM Schedule 27	
Per Books for the 12ME 12/31/20__ Revenue Catagories, to provide support for ARM Schedule 6A Column A	
ADIT Refund Elimination, to provide support for ARM Schedule 6A, Line 7, Column A	
O&M EXPENSE WORKPAPERS	
Other Purchased Gas Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 1	
Gas Storage Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 2	
Transmission Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 3	
Distribution Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 4	
Sales Expense Excluding Payroll and Incentive Compensation, to provide support for ARM Schedule 5 Line 8	
Other Admin & General Expense, to provide support for ARM Schedule 5 Line 18	
General Ledger transaction level detail for all O&M Charges	
General Ledger transaction level detail for all O&M Charges allocated to Tennessee operations from the Service Corporation (DEBS)	
Calculation of depreciation expense allocated to Tennessee operations from the Service Corporation (DEBS) pursuant to Section 17.m. of the 2020 Rate Case Settlement	
OTHER WORKPAPERS	
Calculation of O&M Expense for Lead/Lag, to provide support for ARM Schedules 4A and 4B Lines 5 through 19	
Calculation of General Taxes, to provide support for ARM Schedule 7	
Calculation of Composite Excise Tax Rate, to provide support for ARM Schedule 11 Line 6 and 12	
Calculation of Annual EDIT Amortization for Protected PPE, to provide support for ARM Schedule 8 Line 21	
Capital Structure and Cost Rates, to provide support for ARM Schedule 10	
ARM Reconciliation Deferred Account Activity by month, to provide support for ARM Schedule 12	

Effective: _____

Docket No. 21-00135

Exhibit_(BPB-2)

Docket No. 21-00135
Exhibit_(BPB-2)

Description of Lead ARM Schedules

Schedule		Description
1	Results of Operations	This schedule shows the calculation of the HBP Revenue Requirement Deficiency (Sufficiency) and the Annual Base Rate Reset Revenue Requirement Deficiency (Sufficiency).
2	Rate Base	This schedule shows each of the components of Rate Base for the HBP Reconciliation and Annual Base Rate Reset.
3	Lead Lag Results	This schedule shows the summary of the Lead/Lag results for the HBP Reconciliation and Annual Base Rate Reset.
4A	Working Capital Expense Lag for HBP	This schedule shows the calculation of the expense lag using the expense amounts and the lag days approved in Docket No. 20-00086 for the HBP Reconciliation.
4B	Working Capital Expense Lag for Annual Base Rate Reset	This schedule shows the calculation of the expense lag using the expense amounts and the lag days approved in Docket No. 20-00086 for the Annual Base Rate Reset.
5	O&M Expense Summary	This schedule is a summary of per books O&M expense by major category, and as adjusted for the HBP Reconciliation & Annual Base Rate Reset in accordance with the approved methodologies from Docket No. 20-00086.
6A	Revenue Summary	This schedule is a summary of per books operating revenues, and as adjusted for the HBP Reconciliation and Annual Base Rate Reset in accordance with the approved methodologies from Docket No. 20-00086.
6B	Revenue Detail	This schedule provides operating revenue detail by rate schedule for the Annual Base Rate Reset.
7	General Tax Summary	This schedule is a summary of per books taxes other than income tax, and as adjusted for the HBP Reconciliation and Annual Base Rate Reset.
8	Excise and Income Tax Summary	This schedule shows the calculation of the Tennessee Excise Tax Expense and Federal Income Tax Expense for the HBP and Annual Base Rate Reset using the methodology approved in Docket No. 20-00086.
9	Income Statement under Present Rates & Proposed Rates	This schedule shows the calculation of Net Operating Income for Return for the HBP Reconciliation, and for the Annual Base Rate Reset under present rates and proposed rates.
10	Cost of Capital Summary	This schedule shows the capital structure, the cost of debt, authorized return on equity, the weighted cost of debt, the weighted cost of equity, the pre-tax overall cost of capital, the net of tax overall cost of capital and synchronized interest expense for the HBP Reconciliation and Annual Base Rate Reset.
11	Revenue Conversion Factor & Tax Gross Up Factor	This schedule shows the calculation of the Revenue Conversion Factor and Tax Gross Up Factor using the methodology adopted by the Commission in Docket No. 20-00086.
12	Carrying Costs and ARM Reconciliation Deferred Account Balance	This schedule shows the calculation of the Carrying Costs, and the ARM Reconciliation Deferred Account Balances.

Piedmont Natural Gas Company, Inc.
Results of Operations

Line No.		Formula, Schedule or Workpaper Reference	[A]	[B]
			HBP Ending 12/31/20__	Annual Base Rate Reset
1	Rate Base	Schedule 2	\$ Sch 2, Col C, L22	\$ Sch 2, Col E, L22
2	Net Operating Income For Return	Schedule 9	Sch 9, Col C, L21	Sch 9, Col E, L21
3	Earned Rate of Return	L2 / L1		
4	Fair Rate of Return	Schedule 10	Sch 10, Col C, L4	Sch 10, Col C, L4
5	Required Net Operating Income	L4 x L1		
6	Net Operating Income Deficiency (Sufficiency)	L5 - L2		
7	Gross Revenue Conversion Factor	Schedule 11	Sch 11, Col B, L10	Sch 11, Col B, L10
8	Total Revenue Requirement Deficiency (Sufficiency)	L6 x L7	\$ <u>-</u>	\$ <u>-</u>

Note: The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Docket No. 21-00135
Exhibit_(BPB-2)

ARM Annual Filing
Schedule 2

Piedmont Natural Gas Company, Inc. Rate Base							
			[A]	[B]	[C]	[D]	[E]
Line No.		Formula, Schedule or Workpaper Reference	13 Month Average Actual Balances Ending 12/31/20	Adjustments	13 Month Average HBP Balances Ending 12/31/20	Adjustments	Annual Base Rate Reset
Net Utility Plant Investment:							
1	Utility Plant in Service	Schedule 13	\$ -	\$ -	\$ -	\$ -	\$ -
2	Construction Work in Progress	Schedule 15	-	-	-	-	-
3	Accumulated Depreciation	Schedule 16	-	-	-	-	-
4	Contributions in Aid of Construction	Schedule 17	-	-	-	-	-
5	Accumulated Deferred Income Taxes	Schedule 18	-	-	-	-	-
6	Total Net Utility Plant Investment	L1:L5	\$ -	\$ -	\$ -	\$ -	\$ -
Working Capital:							
7	Gas Inventory	Schedule 19	\$ -	\$ -	\$ -	\$ -	\$ -
8	Customer Deposits	Schedule 19	-	-	-	-	-
9	Accrued Interest on Customer Deposits	Schedule 19	-	-	-	-	-
10	Materials & Supplies	Schedule 19	-	-	-	-	-
11	Deferred Debits - Hedging	Schedule 19	-	-	-	-	-
12	Deferred Debits - Deferred Environmental	Schedule 19	-	-	-	-	-
13	Deferred Debits - Deferred Pension	Schedule 19	-	-	-	-	-
14	Prepaid Insurance	Schedule 19	-	-	-	-	-
15	Fleets & Other Overheads	Schedule 19	-	-	-	-	-
16	Accounts Payable Related to CWIP	Schedule 19	-	-	-	-	-
17	Accounts Payable Related to M&S	Schedule 19	-	-	-	-	-
18	Accrued Vacation	Schedule 19	-	-	-	-	-
19	Lead/Lag Study Requirement	Schedule 3	n/a	n/a	Sch 3 Col A, L5		Sch 3 Col B, L5
20	Total Working Capital	L7:L19	\$ -	\$ -	\$ -	\$ -	\$ -
ARM Regulatory Assets:							
21	ARM Regulatory Asset	Schedule 20	\$ -	\$ -	\$ -	\$ -	\$ -
22	Total Rate Base	L6 + L20 + L21	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The adjustments in column [B] and [D] would encompass any adjustments necessary to conform with the approved methodologies from the last rate case. The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
Lead Lag Results

Line No.		Formula, Schedule or Workpaper Reference	[A]	[B]
			HBP Ending 12/31/20__	Annual Base Rate Reset
1	Revenue Lag	Schedules 4A & 4B	\$ -	\$ -
2	Expense Lead	Schedules 4A & 4B	-	-
3	Net Lag	L1 - L2		
4	Daily Cost of Service	Schedules 4A & 4B	\$ -	\$ -
5	Net Cash Working Capital Required	L3 x L4	\$ -	\$ -

Note: The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Docket No. 21-00135
Exhibit_(BPB-2)

ARM Annual Filing
Schedule 4A

Piedmont Natural Gas Company, Inc.
Working Capital Expense Lag for the Historic Base Period

Line No.	Formula, Schedule or Workpaper Reference	[A] HBP Ending 12/31/20	[B] Lag Days per from Docket No. 20-00086	[C] Dollar Days
Revenues:				
1	Sales & Transportation Revenues	Schedule 9	\$ -	\$ -
2	Forfeited Discounts Revenue	Schedule 9	-	-
3	Other Operating Revenues	Schedule 9	-	-
4	Total Revenue Lag	L1:L3	\$ -	\$ -
Purchased Gas and O&M Expense:				
5	Purchased Gas	Schedule 52	\$ -	\$ -
6	Employee Salaries and Wages (Labor Expense)	Schedule 52	-	-
7	Incentive Pay - STIP	Schedule 52	-	-
8	Incentive Pay - LTIP	Schedule 52	-	-
9	Pension & Other Employee Benefits	Schedule 52	-	-
10	Prepaid Insurance	Schedule 52	-	-
11	Fleet Expense	Schedule 52	-	-
12	Credit Card Expense	Schedule 52	-	-
13	Virtual Card Expense	Schedule 52	-	-
14	Service Company Charges	Schedule 52	-	-
15	Outside Services	Schedule 52	-	-
16	Regulatory Amortizations	Schedule 52	-	-
17	TPUC Fee Expense	Schedule 52	-	-
18	Uncollectible (Bad Debt) Expense	Schedule 52	-	-
19	Other O&M Expenses	Schedule 52	-	-
20	Depreciation Expense	Schedule 9	-	-
General Taxes:				
21	Gross Receipts Tax	Schedule 7	-	-
22	Franchise Tax	Schedule 7	-	-
23	Property Tax	Schedule 7	-	-
24	Payroll Tax	Schedule 7	-	-
25	Sales & Use Tax	Schedule 7	-	-
26	Amortization of Investment Tax Credit	Schedule 9	-	-
Income Taxes:				
27	State Income Taxes	Schedule 8	-	-
28	Provision for Excess Deferred Income Tax (EDIT)	Schedule 8	-	-
29	Federal Income Taxes	Schedule 8	-	-
30	Interest on Customer Deposits	Schedule 9	-	-
Return:				
31	Interest on Long-Term Debt	Schedule 10	-	-
32	Interest on Short-Term Debt	Schedule 10	-	-
33	Income for Return	Schedule 10	-	-
34	Total Expense Lag	L5:L33	\$ -	\$ -
35	Daily Cost of Service	L34 / 365	\$ -	

Note: The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Docket No. 21-00135
Exhibit_(BPB-2)

ARM Annual Filing
Schedule 4B

Piedmont Natural Gas Company, Inc.
Working Capital Expense Lag for the Annual Base Rate Reset

Line No.	Formula, Schedule or Workpaper Reference	[A] Annual Base Rate Reset	[B] Lag Days from Docket No. 20-00086	[C] Dollar Days
Revenues:				
1	Sales & Transportation Revenues	Schedule 9	\$ -	\$ -
2	Forfeited Discounts Revenue	Schedule 9	-	-
3	Other Operating Revenues	Schedule 9	-	-
4	Total Revenue Lag	L1:L3	<u>\$ -</u>	<u>\$ -</u>
Cost of Gas and O&M Expense:				
5	Purchased Gas	Schedule 52	\$ -	\$ -
6	Employee Salaries and Wages (Labor Expense)	Schedule 52	-	-
7	Incentive Pay - STIP	Schedule 52	-	-
8	Incentive Pay - LTIP	Schedule 52	-	-
9	Pension & Other Employee Benefits	Schedule 52	-	-
10	Prepaid Insurance - Other Injuries & Damages	Schedule 52	-	-
11	Fleet Expense	Schedule 52	-	-
12	Credit Card Expense	Schedule 52	-	-
13	Virtual Card Expense	Schedule 52	-	-
14	Service Company Charges	Schedule 52	-	-
15	Outside Services	Schedule 52	-	-
16	Regulatory Amortizations	Schedule 52	-	-
17	TPUC Fee Expense	Schedule 52	-	-
18	Uncollectible (Bad Debt) Expense	Schedule 52	-	-
19	Other O&M Expenses	Schedule 52	-	-
20	Depreciation Expense	Schedule 9	-	-
General Taxes:				
21	Gross Receipts Tax	Schedule 7	-	-
22	Franchise Tax	Schedule 7	-	-
23	Property Tax	Schedule 7	-	-
24	Payroll Tax	Schedule 7	-	-
25	Sales & Use Tax	Schedule 7	-	-
26	Amortization of Investment Tax Credit	Schedule 9	-	-
Income Taxes:				
27	State Income Taxes	Schedule 8	-	-
28	Provision for Excess Deferred Income Tax (EDIT)	Schedule 8	-	-
29	Federal Income Taxes	Schedule 8	-	-
30	Interest on Customer Deposits	Schedule 9	-	-
Return:				
31	Interest on Long-Term Debt	Schedule 10	-	-
32	Interest on Short-Term Debt	Schedule 10	-	-
33	Income for Return	Schedule 10	-	-
34	Total Expense Lag	L5:L33	<u>\$ -</u>	<u>\$ -</u>
35	Daily Cost of Service	L34 / 365	<u>\$ -</u>	

Note: The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
O&M Expense Summary Under Present Rates

Line No.	O&M Expense Category	Formula, Schedule or Workpaper Reference	[A] Per Books for the 12 ME 12/31/20	[B] Adjustments	[C] HBP Ending 12/31/20	[D] Adjustments	[E] Annual Base Rate Reset
1	Other Purchased Gas Expense (excluding payroll) ¹	Schedule 52	\$ -	\$ -	\$ -	\$ -	\$ -
2	Gas Storage Expense (excluding payroll) ¹	Schedule 52	-	-	-	-	-
3	Transmission Expense (excluding payroll) ¹	Schedule 52	-	-	-	-	-
4	Distribution Expense (excluding payroll) ¹	Schedule 52	-	-	-	-	-
	Customer Accounts & Service Expense:						
5	Uncollectible & Bad Debt Expense (excluding payroll) ¹	Schedule 29	-	-	-	-	-
6	Other Customer Accounts & Service Expense(excluding payroll) ¹	Schedule 29	-	-	-	-	-
7	Total Customer Accounts & Service Expense	L5 + L6	-	-	-	-	-
8	Sales Expense (excluding payroll) ¹	Schedule 52	-	-	-	-	-
	Administrative & General Expense:						
9	Employee Salaries and Wages Expense ²	Schedule 30	-	-	-	-	-
10	Employee STIP Compensation Expense ²	Schedule 31	-	-	-	-	-
11	Employee LTIP Compensation Expense ²	Schedule 31	-	-	-	-	-
12	Amortization Expense for Deferred Environmental Costs	Schedule 33	-	-	-	-	-
13	Amortization Expense for Deferred Pension Costs	Schedule 34	-	-	-	-	-
14	Expense for Allocated Return on DEBS Assets	Schedule 35	-	-	-	-	-
15	Other Pension Expense	Schedule 36	-	-	-	-	-
16	Lobbying Expense, Charitable Contribution, Social Club Membership Adjustment	Schedule 37	-	-	-	-	-
17	Advertising Expense	Schedule 38	-	-	-	-	-
18	Other A&G Expense	Schedule 52	-	-	-	-	-
19	Total A&G Expense	L9:L18	-	-	-	-	-
20	Total O&M Expense	L1:L4 + L7 + L8 + L19	\$ -	\$ -	\$ -	\$ -	\$ -

1/ Excludes employee salaries, wages and incentive compensation (STIP & LTIP) expenses recorded to accounts in these functional groups.

2/ Includes the employee salaries, wages and incentive compensation (STIP & LTIP) expenses recorded to accounts in the non-A&G functional groups listed in L1:L8.

Note: The adjustments in columns [B] and [D] would encompass any adjustments necessary to conform with the approved methodologies from the last rate case. The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
Summary of Revenue

Line No.	Formula, Schedule or Workpaper Reference	[A] Per Books for the 12 ME 12/31/20	[B] Adjustments	[C] HBP Ending 12/31/20	[D] Adjustments	[E] Annual Base Rate Reset
Sales & Transportation Margin Revenue:						
1	Sales and Transportation Margin Revenue Excluding Special Contracts	Schedules 52, 21, 22B & 6B	\$ -	\$ -	\$ -	\$ <i>Sch 6B, Col A, L9</i>
2	Special Contracts Margin Revenue	Schedules 52, 21, 22B & 6B	-	-	-	<i>Sch 6B, Col A, L10</i>
3	Total Margin Revenue	L1 + L2	-	-	-	-
4	Purchased Gas	Schedules 52, 21, 22B & 6B	-	-	-	-
5	Total Sales & Transportation Revenue	L3 + 4	-	-	-	-
Other Revenue:						
6	HomeServe Warranty Operating Margin	Schedule 23	-	-	-	-
7	ADIT Refund Elimination	Schedule 52	-	-	-	-
8	Other Revenue - Forfeited Discounts	Schedule 23	-	-	-	-
9	Other Revenue - Miscellaneous	Schedule 23	-	-	-	-
10	Other Revenue - Off-System Sales, Secondary Marketing, Cash-Outs	Schedule 23	-	-	-	-
11	Total Other Revenue	L6:L10	-	-	-	-
12	Total Revenue	L5 + L11	\$ -	\$ -	\$ -	\$ -

Note: The adjustments in columns [B] and [D] would encompass any adjustments necessary to conform with the approved methodologies from the last rate case. The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
Detail of Revenue for Annual Base Rate Reset

Line No.		Formula, Schedule or Workpaper Reference	[A] Annual Base Rate Reset
	Sales & Transportation Margin Revenue:		
1	RS 301: Residential Service ¹	Schedule 22B	\$ -
2	RS 302: Small General Service ¹	Schedule 22B	-
3	RS 352: Medium General Service ¹	Schedule 22B	-
4	RS 303: Large General Sales Service - Firm ¹	Schedule 22B	-
5	RS 304: Large General Sales Service - Interruptible ¹	Schedule 22B	-
6	RS 313: Large General Transportation Service - Firm ¹	Schedule 22B	-
7	RS 314: Large General Transportation Service - Interruptible ¹	Schedule 22B	-
8	RS 310: Resale Service ¹	Schedule 22B	-
9	Total Margin Revenue	L1:L8	-
10	Special Contracts	Schedule 22B	-
11	Total Base Rate Margin Revenue	L9 + L10	-
12	Purchased Gas	Schedule 22B	-
13	Total Sales & Transportation Revenue	L11 + L12	-
	Other Revenue:		
14	HomeServe Warranty Operating Margin	Schedule 23	-
15	ADIT Refund Elimination	Schedule 52	-
16	Other Revenue - Forfeited Discounts	Schedule 23	-
17	Other Revenue - Miscellaneous	Schedule 23	-
18	Other Revenue - Off-System Sales, Secondary Marketing, Cash-Outs	Schedule 23	-
19	Total Other Revenue	L14:L18	-
20	Total Revenue	L13 + L19	\$ -

1/ Includes revenue from RS 343 billed under this corresponding rate schedule.

Note: The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
Summary of General Taxes

Line No.		Formula, Schedule or Workpaper Reference	[A] Per Books for the 12 ME 12/31/20	[B] Adjustments	[C] HBP Ending 12/31/20	[D] Adjustments	[E] Annual Base Rate Reset
1	Property Taxes	Schedule 52	\$ -	\$ -	\$ -	\$ -	\$ -
2	Franchise Tax	Schedule 52	-	-	-	-	-
3	Gross Receipts Tax	Schedule 52	-	-	-	-	-
4	Payroll Taxes	Schedule 52	-	-	-	-	-
5	Allocated & Other Taxes	Schedule 52	-	-	-	-	-
6	Total	L1:L5	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The adjustments in columns [B] and [D] would encompass any adjustments necessary to conform with the approved methodologies from the last rate case. The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
Excise and Income Taxes

Line No.	Formula, Schedule or Workpaper Reference	[A] HBP Ending 12/31/20__	[B] Adjustments	[C] Annual Base Rate Reset
1	Operating Revenues, Excluding AFUDC	Schedule 9	\$ -	\$ -
	Operating Expenses:			
2	Purchased Gas Expense	Schedule 9	-	-
3	O&M Expense	Schedule 9	-	-
4	Depreciation Expense	Schedule 9	-	-
5	Interest on Customer Deposits	Schedule 9	-	-
6	Amortization Expense for ARM Regulatory Asset	Schedule 9	-	-
6	Amortization of Investment Tax Credit	Schedule 9	-	-
7	General Taxes	Schedule 9	-	-
8	Total Operating Expenses	L2:L7	-	-
9	NOI Before Excise and Income Taxes	L1 - L8	-	-
10	AFUDC debt	Schedule 9	-	-
11	Interest Expense	Schedule 10	-	-
12	Net Income Before Income Taxes	L9:L11	-	-
	Tennessee Excise Tax Calculation:			
13	Net Income Before Income Taxes	L12	-	-
14	Composite State Excise Tax Rate	Schedule 11	0.00%	0.00%
15	Excise Tax Expense	L13 x L14	-	-
	Federal Income Tax Calculation:			
16	Net Income Before Income Taxes	L12	-	-
17	State Excise Tax Expense	L15	-	-
18	Net Income Before Federal Income Tax	L16 - L17	-	-
19	Federal Income Tax Rate	Schedule 11	0.00%	0.00%
20	Federal Income Tax Expense, Pre-Adjusted	L18 x L19	-	-
21	Annual EDIT Amortization Expense for Protected PPE	Schedule 52	-	-
22	Net Federal Income Tax Expense	L20 - L21	\$ -	\$ -

Note: The adjustments in column [B] would encompass any adjustments necessary to conform with the approved methodologies from the last rate case. The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Docket No. 21-00135
Exhibit_(BPB-2)

ARM Annual Filing
Schedule 9

Piedmont Natural Gas Company, Inc.
Income Statement

Line No.	Formula, Schedule or Workpaper Reference	[A]	[B]	[A + B] [C]	[D]		[E]	[F]	[G]
		Per Books for the 12 ME 12/31/20	Adjustments	HBP Ending 12/31/20	At Present Rates		At Proposed Rates		
					Adjustments	Annual Base Rate Reset	Rate Increase	At Proposed Rates	
Operating Revenues:									
1	Gas Sales & Transportation Revenues	Schedule 6A, L5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ Sch 1, Col B, L8	\$ -
2	Forfeited Discount Revenues	Schedule 6A, L8	-	-	-	-	-	-	-
3	Other Operating Revenues	Schedule 6A, L11 - L8	-	-	-	-	-	-	-
4	Total Operating Revenue	L1:L3	-	-	-	-	-	-	-
5	Purchased Gas Expense	Schedule 6A, L4	-	-	-	-	-	-	-
6	Total Margin Operating Revenues	L4 - L5	-	-	-	-	-	-	-
7	Operating & Maintenance Expenses	Schedule 5, L20	-	-	-	-	-	-	-
Other Operating Expenses:									
8	Depreciation Expense	Schedule 14	-	-	-	-	-	-	-
9	Amortization Expense for ARM Regulatory Asset	Schedule 20	-	-	-	-	-	-	-
10	Amortization Expense for Investment Tax Credit	Schedule 39	-	-	-	-	-	-	-
11	General Tax Expense	Schedule 7	-	-	-	-	-	-	-
12	State Excise Tax Expense	Schedule 8	-	-	-	-	-	-	-
13	Federal Income Tax Expense	Schedule 8	-	-	-	-	-	-	-
14	Total Other Operating Expenses	L8:L13	-	-	-	-	-	-	-
15	Total Operating Expenses	L7+L14	-	-	-	-	-	-	-
16	Net Operating Income	L6 - L15	-	-	-	-	-	-	-
Adjustments to Net Operating Income:									
17	AFUDC - Debt	Schedules 39 & 15	-	-	-	-	-	-	-
18	AFUDC - Equity	Schedules 39 & 15	-	-	-	-	-	-	-
19	Interest on Customer Deposits	Schedule 39	-	-	-	-	-	-	-
20	Total Adjustments to Net Operating Income	L17:L19	-	-	-	-	-	-	-
21	Net Operating Income For Return	L16 + L20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The adjustments in column [B] and [D] would encompass any adjustments necessary to conform with the approved methodologies.
The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
Cost of Capital Summary

Line No.	Formula, Schedule or Workpaper Reference	[A] Percent of Total	[B] Cost Rate	[C] = [A * B] Pre-Tax Overall Cost of Capital	[D] Tax Factor	[E] = [C * D] Net of Tax Overall Cost of Capital
Class Cost of Capital:						
1	Short-Term Debt	Schedule 52 %	%	%	Sch 11, L15	%
2	Long-Term Debt	Schedule 52			Sch 11, L15	
3	Common Equity	Schedule 52	9.80 %		1.000000	
4	Total	L1 + L2 + L3 %		%		%
Interest Expense of Debt for HBP Reconciliation:						
5	Rate Base	Schedule 2	\$ Sch 2, Col C, L22			
6	Short-Term Debt Interest Expense	L1, Col C x L5	-			
7	Long-Term Debt Interest Expense	L2, Col C x L5	-			
8	Total Interest Expense	L6 + L7	\$ -			
Interest Expense of Debt for Annual Base Rate Reset:						
9	Rate Base	Schedule 2	\$ Sch 2, Col E, L22			
10	Short-Term Debt Interest Expense	L1, Col C x L9	-			
11	Long-Term Debt Interest Expense	L2, Col C x L9	-			
12	Total Interest Expense	L10 + L11	\$ -			

Note: The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
Revenue Conversion Factor & Tax Gross Up Factor

Line No.		Formula, Schedule or Workpaper Reference	[A] Rate	[B] Balance
1	Revenue Conversion Factor: \$1.00 of Operating Revenues			1.000000
2	Forfeited Discounts Factor	Schedule 21	[1]	_____
3	Balance	L1 + L2		
4	Uncollectible Ratio	Schedule 29	[2]	_____
5	Balance	L3 - L4		
6	Composite State Excise Tax Rate	Schedule 52		_____
7	Balance	L5 - L6		
8	Statutory Federal Income Tax Rate			_____
9	Balance	L7 - L8		_____
10	Revenue Conversion Factor	L1 / L9		=====
11	Tax Factor: \$1.00 of Operating Revenues			1.000000
12	Composite State Excise Tax Rate	Schedule 52		_____
13	Balance	L11 - L12		
14	Statutory Federal Income Tax Rate			_____
15	Tax Factor	L13 - L14		=====
1/	Factor to reflect Forfeited Discount Revenues for the HBP / Gas Sales and Transportation Revenues for the HBP			
2/	Factor to Reflect Margin Revenue Portion of Uncollectible Write-Offs for the HBP / Gas Sales and Transportation Revenues + Forfeited Discount Revenues + Other Revenues for the HBP			

Note: The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Piedmont Natural Gas Company, Inc.
Carrying Cost and ARM Reconciliation Deferred Account

Line No.		Formula, Schedule or Workpaper Reference	[A]	
			<u>Amount</u>	
	Carrying Cost:			
1	Total HBP Revenue Requirement Deficiency (Sufficiency)	Schedule 1, L8 Col A	\$	
2	Net of Tax Overall Cost of Capital	Schedule 10, L4 Col E		%
3	Annual Carrying Cost	L1 * L2		
4	Monthly Carrying Cost	L3 / 12		
5	Carrying Cost from July 1 of the HBP through September 30 of year after HBP (15 months)	L4 * 15		
6	HBP Revenue Requirement Deficiency (Sufficiency) plus Carrying Costs	L1 + L5		
7	ARM Reconciliation Deferred Account Balance @ March 31 of year after HBP	Schedule 52		
8	Amount to be Collected from (or Refunded to) Customers through new ARM Rider Rates	L6 + L7	\$	<u><u> </u></u>

Note: The referenced Schedule and/or Supporting Workpaper would provide full support for the non-formulaic amounts shown on each row of this schedule.

Docket No. 21-00135

Exhibit_(BPB-3)

Electronically Filed in TPUC Docket Room on February 2, 2021 at 5:19 p.m.

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:

**PIEDMONT NATURAL GAS COMPANY,
INC. PETITION FOR AN ADJUSTMENT
OF RATES, CHARGES, AND TARIFFS
APPLICABLE TO SERVICE IN
TENNESSEE**

Docket No. 20-00086

STIPULATION AND SETTLEMENT AGREEMENT

Piedmont Natural Gas Company, Inc. ("Piedmont" or "the Company") and Herbert H. Slatery III, the Tennessee Attorney General and Reporter, through the Consumer Advocate Unit in the Financial Division ("Consumer Advocate") (collectively, the "Parties") constituting all of the parties to the above-captioned general rate proceeding and in comprehensive settlement of the matters at issue therein, do hereby stipulate and agree as follows:

BACKGROUND

1. Piedmont is a subsidiary of Duke Energy Corporation and is incorporated under the laws of the State of North Carolina. Piedmont is engaged in the business of transporting, distributing, and selling natural gas in the states of Tennessee, North Carolina, and South Carolina. Piedmont's principal office and place of business is located at 4720 Piedmont Row Drive, Charlotte, North Carolina.

2. Piedmont is a public utility under the laws of Tennessee, and its public utility operations in Tennessee are subject to regulation and supervision by the Tennessee Public Utility Commission ("TPUC" or "Commission") pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

3. Piedmont is engaged in the business of distributing natural gas to customers located

in Nashville and the remainder of Davidson County as well as portions of the adjoining counties of Cheatham, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson, and Wilson and in certain incorporated towns and cities located therein. Piedmont currently provides natural gas service to approximately 191,000 residential, commercial, and industrial customers in Tennessee.

4. On July 2, 2020, Piedmont filed a Petition for an Adjustment of Rates, Charges, and Tariffs Applicable to Service in Tennessee ("Petition") in the instant docket. In its Petition, Piedmont sought an increase in its annual operating revenues of \$29,919,130, representing an increase of 14.7% to total operating revenues or alternatively viewed as an increase of 19.8% to margin operating revenues.

5. On July 30, 2020, the Consumer Advocate filed a Petition to Intervene in the instant proceeding. On August 24, 2020, the Commission issued an order granting the Consumer Advocate's request to intervene. No other entity has sought or been granted party status in this proceeding.

6. Since the filing of Piedmont's Petition, the Parties have engaged in substantial discovery, informal information exchanges, and extensive communication. In addition to the information provided pursuant to the Commission's Minimum Filing Requirements, Piedmont responded to one data request from Commission Staff and three sets of data requests, consisting of multiple items, from the Consumer Advocate. The Consumer Advocate responded to one data request from Commission Staff and a set of discovery requests from the Company. Piedmont representatives and representatives from the Consumer Advocate have also spent a significant amount of time discussing the various aspects of Piedmont's rate case.

7. On November 30, 2020, the Consumer Advocate filed direct testimony in this proceeding challenging numerous aspects of Piedmont's Petition, including the requested revenue

increase. In this testimony, witnesses for the Consumer Advocate recommended a number of changes to the relief sought by Piedmont, including a proposed reduction in Piedmont's attrition period revenue requirement. The Consumer Advocate initially proposed a revenue decrease of \$3,795,187.

8. On December 16, 2020, Piedmont filed rebuttal testimony addressing concerns raised in the direct testimony of the Consumer Advocate. In rebuttal testimony, the Company also revised its requested increase in this proceeding from \$29,919,130 (representing a 14.7% and 19.8% requested increase to total operating revenues and margin operating revenues, respectively) to \$25,802,067 (representing a 12.1% and 17.0% requested increase to total operating revenues and margin operating revenues, respectively) in agreement with certain findings of the Consumer Advocate. Such revised requested increase was explained in the rebuttal testimony of Piedmont witnesses Quynh Bowman and Kally Couzens.

9. On December 23, 2020, the Consumer Advocate filed its Updated Testimony of David N. Dittmore which included a correction to the Consumer Advocate's pre-filed direct testimony. The correction resulted in an updated proposed revenue requirement of \$244,888.

10. On November 6, 2020, Piedmont submitted its Notice of Intent to Implement Rates Subject to Refund Pursuant to Tenn. Code Ann. § 65-5-103(b)(1) ("Notice"), and the Consumer Advocate filed a response to Piedmont's Notice on December 3, 2020. The Commission held a hearing on Piedmont's Notice on December 14, 2020, and issued an oral decision based on the parties' arguments. On January 2, 2021, the Tariff Base Rates proposed by the Company and as reflected in column <1> on Rebuttal Exhibit_(KAC-4) of Piedmont witness Kally Couzens, which are designed to recover an additional \$25.8 million in revenue, took effect for customer billings. Pursuant to the TPUC's approved motion at its December 14, 2020 Remote Commission

Conference, this revenue increase is subject to refund based on the final rates approved by the Commission in this proceeding.

SETTLEMENT

11. Following Piedmont's review of the Consumer Advocate's testimony, representatives of Piedmont and the Consumer Advocate engaged in extensive discussions, by telephone and electronic mail, to discuss the differences in position reflected in their respective testimony filings and to explore the possibility of a settlement in this proceeding.

12. Based on the exchange of information and discussions described above, and in order to resolve all disputed issues in this case through settlement and avoid the need for further litigation, Piedmont and the Consumer Advocate have agreed to certain adjustments to Piedmont's Petition, including adjustments to its proposed revenues, expenses, net operating income, net operating income for return, rate base, and return on rate base, among others. Piedmont and the Consumer Advocate have also agreed to the disposition of a variety of non-rate matters at issue in this proceeding. Piedmont's and the Consumer Advocate's agreements encompass the matters discussed below.

13. **Attrition Period.** Piedmont and the Consumer Advocate agree that the appropriate attrition period for use in this proceeding is the 12 months ended December 31, 2021.

14. **Revenue Requirement.** Piedmont and the Consumer Advocate agree that Piedmont's attrition period cost of service should include the components set forth on Attachments A and B hereto, which the parties agree can be adopted by the Commission for purposes of settlement:

- a. Required Net Operating Income for Return of \$61,451,135;

- b. A rate base of \$897,267,145;
- c. An overall rate of return of 6.85%;
- d. A return on common equity of 9.80%;
- e. A capital structure consisting of 50.50% common equity, 4.00% short-term debt, and 45.50% long-term debt;
- f. A cost of short-term debt of 0.40%; and
- g. A cost of long-term debt of 4.14%.

The stipulated Revenue Requirement embeds the following matters that were specifically agreed to by the Parties:

- h. Employee Incentive Compensation. 50% of the incentive compensation costs for the Company's short-term incentive plan (STIP) and 100% of the incentive compensation costs for the Company's long-term incentive plan (LTIP) shall be removed from operating expense and rate base.
- i. Deferred Pension Expense. The Company's unamortized deferred pension expense balance of \$11,862,981 in this proceeding shall be amortized to operating expense over a period of 8 years and recovered from customers in base rates. The Attrition Period deferred debits balance for pension included in rate base shall be aligned with the stipulated amortization of the unamortized deferred pension balance, as further reduced by an amount equivalent to one year's deferred pension expense amortization.
- j. GTI Program Funding. No costs for funding of GTI programs shall be included in Piedmont's base rates agreed to herein.
- k. Rate Case Expense. No externally incurred costs related to the preparation

and litigation of this rate case proceeding (rate case expense) shall be included in Piedmont's base rates agreed to herein.

- l. Lead-Lag Study. The lead-lag value included in the rate base shall be calculated consistent with the manner supported by Piedmont witness Paul M. Normand.
- m. Revenue Conversion Factor. The revenue conversion factor shall be calculated consistent with the methodology advocated by Consumer Advocate witness Novak.
- n. HomeServe Revenues. Home Serve revenues and expenses shall be treated below the line for purposes of calculating Attrition Period Revenues in this proceeding.
- o. Forfeited Discount Revenue. The Consumer Advocate's level of Forfeited Discount revenue for the Attrition Period is appropriate for use in setting rates in this proceeding.
- p. Unless otherwise expressed in this Stipulation, all other components used in the computation of the stipulated Revenue Requirement for this proceeding shall reflect the amounts and/or methodologies supported by Company in its filed Rebuttal position.

15. **Revenue Deficiency**. The adjustments to Piedmont's filed case described in paragraph 14 above collectively reduce Piedmont's Attrition Period revenue deficiency from \$25,802,067¹ to \$16,250,000. Subject to Commission approval, Piedmont and the Consumer Advocate agree that this reduction in Piedmont's attrition period revenue deficiency is appropriate

¹ Per Piedmont's Rebuttal position.

for resolution of this case. The Company and Consumer Advocate agree that the methodologies used to reach this revenue deficiency, as reflected in this Agreement and the attachments hereto, are appropriate for use in this proceeding and should be approved.

16. **Rates.** Piedmont and the Consumer Advocate agree that the rates, billing determinants, WNA Factors, and HDDs reflected on Attachments D and C are appropriate for use in this proceeding. The Parties further agree that, subject to Commission approval, the proposed base tariff rates set forth on Attachment D shall be effective for bills rendered on and after the first day of the month following approval of such rates by the Commission and shall be used to calculate refunds due Piedmont's customers as provided in paragraph 17.p. below.

17. Piedmont and the Consumer Advocate further stipulate and agree as follows:

- a. Rate Design. The rate design underlying the rates set forth on Attachment B hereto, including the constituent components of rates for each of Piedmont's customer classes, which is based on a pro rata allocation of the agreed revenue deficiency between each of Piedmont's customer classes, is appropriate for use in this proceeding.
- b. Future Pension Deferrals. . The Company may capitalize future pension contributions as a deferred debit. The deferral of such contributions does not limit the right of the Consumer Advocate or other parties to contest the amount of incremental deferred pension costs that the Company seeks to recover in future rate proceedings. Furthermore, in future rate adjustment applications, the Company shall provide explanation and support to demonstrate its position that such incremental pension deferral amounts were prudently incurred to meet the Company's obligation to qualified

employees and retirees and shall bear the burden of rate recovery in future rate proceedings. Going forward, the Company will preserve all relevant documents pertaining to incremental deferred pension costs necessary to justify cost recovery, including but not limited to actuarial reports, for use by the parties and the Commission in evaluating the Company's pension contributions.

- c. HomeServe Revenues. The Parties reserve all rights in future rate proceedings to argue the extent to which HomeServe revenues and expenses should be considered above the line for ratemaking purposes.
- d. Information Sharing. Piedmont does not object to a future generic Commission proceeding to address policy issues raised by the Consumer Advocate in its testimony, including but not limited to whether it is appropriate to share customer information with third parties without customer consent, absent a legal requirement to do so.
- e. Minimum Margin Agreements. No refunds and/or penalties shall be made or imposed upon the Company related to service rendered under the two existing Minimum Margin Agreements. On a going forward basis, Piedmont shall be entitled to continue to operate under existing Minimum Margin Agreements but shall file any new proposed Minimum Margin Agreements with the Commission for review.
- f. Rate Case Expense. Rate Case expense shall be limited to no more than \$900,000 in actual rate case costs and shall be amortized over a three (3) year period and collected through a separate rider mechanism. The rates of

such rider mechanism shall be approved by the Commission upon the filing of invoices supporting such expense and the audit and approval thereof. At the conclusion of the three-year rider period, any amount that is over collected or under collected under this rider shall be refunded to or collected from customers by transferring such overcollection or under collection to Piedmont's Actual Cost Adjustment account. The Consumer Advocate reserves its right to review the rate case invoices provided by Piedmont and file comments concerning the information for consideration by the Commission.

- g. Tariff. Piedmont agrees to continue to publish its base rates in each of its Rate Schedules. All other tariff changes proposed by Piedmont in this case should be approved. Attachments F and G reflect all the tariff changes, as agreed to by the Parties.
- h. Annual Review Mechanism ("ARM"). The Consumer Advocate reserves its right to challenge whether any ARM filing made by Piedmont subsequent to this proceeding is in the public interest or otherwise should be approved by the Commission. Piedmont may identify and propose that the methodologies incorporated within the revenue requirement, if approved by the Commission, constitute the methodologies that should be utilized to implement any approved ARM mechanism for Piedmont. If Piedmont petitions for an alternative regulatory mechanism, the methodologies adopted in this case should be reviewed for appropriateness, and the Consumer Advocate reserves all rights in that future proceeding.

- i. Future Environmental Deferrals. Piedmont agrees that in future rate proceedings, to the extent its environmental expenses for which recovery is sought exceed \$100,000, it will submit testimony fully explaining the nature and extent of its request.
- j. Billing Determinants. The Parties agree that Piedmont's Attrition Period billing determinants are appropriate for use in setting rates in this proceeding. Such Attrition Period billing determinants are set forth in Attachment B hereto.
- k. PGA Billing Demand Rates. No changes to PGA billing demand rates shall be made in this proceeding. These charges are removed from base rates and instead are considered rates to be recovered within the PGA mechanism.
- l. Special Contract. The existing Bridgestone Special Contract shall expire at the end of its current renewal term.
- m. Depreciation Study on Piedmont common assets. Piedmont agrees to submit to the Commission a depreciation study of Piedmont common assets no later than December 31, 2022. In the event that this depreciation study is addressed by the Commission, Piedmont does not object to the Consumer Advocate's participation in the proceeding.
- n. Allocated Depreciation Expense from Service Company. Piedmont agrees that in future rate proceedings it will clearly and separately present detailed support for the underlying depreciation rates embedded in the depreciation expense allocated from the Service Company (Duke Energy Business Service – DEBS). Further the Company will provide support for the assets

whose depreciation expenses are allocated to Piedmont's Tennessee operations.

- o. Depreciation Rates on Piedmont Tennessee direct assets. The depreciation rates set forth in the depreciation study filed by Piedmont witness Dane A. Watson and applied to the Company's Tennessee direct property are appropriate for use in this proceeding and should be approved by the Commission.
- p. Refunds. Piedmont shall fully credit its customer's accounts for refunds due and required by Tenn. Code Ann. § 65-5-103-(b)(1) no later than 90 days following the entry of a Commission order approving this Stipulation. Such refunds shall include interest accrued at the Company's overall rate of return, as shown in paragraph 14c herein and shall be calculated to ensure that the overcharge, calculated based upon specific customer usage, shall be the amount refunded to such customer.

18. The Parties hereby agree that the revised rates, tariffs, rate schedules, and service regulations agreed to herein, both individually and in the aggregate, are acceptable for purposes of settlement to all customer classes and will provide Piedmont with a reasonable opportunity to recover the agreed upon operating revenue requirement and a reasonable rate of return on investment.

19. The resolution of issues reflected herein is the result of give-and-take negotiations between the Parties and does not necessarily reflect the position of any single Party on any discrete issue, and no Party waives the right to assert any position in any future proceeding.

20. None of the Parties waives its right to take other positions with respect to matters

similar to those settled herein in future proceedings before the Commission.

21. Except to the limited extent necessary to allow the Commission to implement or evaluate whether an ARM pursuant to Tenn. Code Ann. § 65-5-103(d)(6) is appropriate, conforms with statutory requirements, and is in the public interest, the Parties acknowledge and agree as follows:

- a. This Settlement Agreement shall not have any precedential effect in any other proceeding or be binding upon any of the Parties in this or any other jurisdiction;
- b. None of the signatories hereto shall be deemed to have acquiesced in any ratemaking or procedural principle, including without limitation, any cost of service determination or cost allocation or revenue related methodology; and
- c. No provision of this Settlement Agreement shall be deemed an admission of any Party. Further, no provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this Docket or any other docket.

22. The Parties agree that all pre-filed testimony and exhibits of the Parties may be admitted into evidence without objection and the Parties hereby waive their right to cross-examine all witnesses with respect to such pre-filed testimony and exhibits; provided, however, that should questions be asked of such witnesses by any person at the hearing of this matter (including any questions by Directors or Commission staff), the Parties may cross-examine any witness with respect to such questions consistent with the agreements set forth in this Stipulation and Agreement.

23. The Parties jointly agree that the provisions in this Stipulation and Settlement Agreement are appropriate for purposes of global resolution of this matter. The Parties jointly recommend that the Commission issue an order adopting this Stipulation and Settlement Agreement in its entirety without modification.

24. If the Commission does not accept the Stipulation and Settlement Agreement in whole and as full and final settlement of the issues in this Docket, this Stipulation and Settlement Agreement shall terminate and the Parties shall not be bound by any position set forth in this Stipulation and Settlement Agreement. Should this Stipulation and Settlement Agreement terminate, it will be considered void and have no binding effect, and the signatories to this Stipulation and Settlement Agreement reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Stipulation and Settlement Agreement. The provisions of this Stipulation and Settlement Agreement are not severable.

25. By agreeing to this Stipulation and Settlement Agreement, no Party waives any right to continue litigating this matter should the Stipulation and Settlement Agreement be rejected by the Commission in whole or in part.

26. The Parties agree to support this Stipulation and Settlement Agreement in any proceeding before the Commission in this Docket; however, the Parties further agree and request the Commission to order that the settlement of any issue pursuant to this Stipulation and Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Commission or any court, state or federal.

27. The acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of the Company's acts or practices.

28. This Stipulation and Settlement Agreement shall be governed by and construed

under the laws of the State of Tennessee, notwithstanding conflict of law provisions.

29. The Parties agree that this Stipulation and Settlement Agreement constitutes the complete understanding among the Parties and any and all oral statements, representations, or agreements made prior to the execution of this Stipulation and Settlement Agreement shall be null and void and shall be deemed to have been merged into this Stipulation and Settlement Agreement.

30. The signatories to this Stipulation and Settlement Agreement warrant that they have informed, advised, and otherwise consulted with the parties for whom they sign regarding the contents and significance of this Stipulation and Settlement Agreement, and, based upon those communications, the signatories represent they are authorized to execute this Stipulation and Settlement Agreement on behalf of the parties.

31. The date set forth immediately following shall be the Effective Date for purposes of this Settlement Agreement.

The foregoing is agreed and stipulated to this 2nd day of February, 2021.

**PIEDMONT NATURAL GAS
COMPANY, INC.**



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TPUC Docket No. 20-00086
Stipulation and Settlement Agreement

Attachment A

Piedmont Natural Gas Company, Inc.
TPUC Docket No. 20-00086
12-Months Ending December 31, 2021 (Attrition Period)

Reconciliation of Settled Revenue Increase to Piedmont's Requested Increase per Rebuttal Position

<u>Settlement Adjustments</u>	<u>PNG Rebuttal Position</u>	<u>Settlement Position</u>	<u>Settlement Adjustment Amount</u>	<u>Settlement Impact to Revenue Deficiency</u>
Revenue Deficiency per Piedmont Rebuttal Position			\$	25,802,067
<u>Return on Equity and Capital Structure</u>				
Reduce Return on Equity from 10.30% to 9.80%				(3,017,718)
<u>Revenues and Expenses</u>				
Adopt CA's amount for Attrition Period Forfeited Discount Revenues	816,982	1,747,193	930,211	(932,084)
Remove 50% STIP and 100% LTIP Incentive Compensation Expense from Attrition Period	2,392,687	854,016	(1,538,670)	(1,541,668)
Eliminate GTI Expense from Attrition Period	100,000	-	(100,000)	(100,194)
Lengthen Amortization Period for Deferred Pension Expense from 3 years to 8 years	3,954,327	1,482,873	(2,471,454)	(2,476,381)
Eliminate deferred rate case expenses (to be recovered through separate rider instead)	307,333	-	(307,333)	(307,927)
Calibration adjustment to O&M expense to achieve settled revenue requirement	-	(116,611)	(116,611)	(117,113)
<u>Rate Base</u>				
Remove 50% STIP and 100% LTIP Attrition Period Incentive Compensation Costs from CWIP	42,271,971	42,007,504	(264,467)	(22,230)
Update Attrition Period deferred pension in working capital for settled amortization period, plus remove one year of amortization from working capital balance	9,885,818	9,638,672	(247,146)	(20,774)
Eliminate OPEB assets and liabilities from working capital	12,028,380	-	(12,028,380)	(1,010,987)
Eliminate deferred rate case expenses from working capital	768,333	-	(768,333)	(64,578)
Update revenue conversion factors for settled Attrition Period Forfeited Discounts Revenues				1,078
Updated lead lag requirement for settlement adjustments	10,525,589	11,217,372	691,784	58,510
Revenue Deficiency Per Settlement			\$	16,250,000

TPUC Docket No. 20-00086
Stipulation and Settlement Agreement

Attachment B

Piedmont Natural Gas Company
Results of Operations
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Per Settlement</u>
1	Average Rate Base	\$ 897,267,145 A/
2	Operating Income At Current Rates	49,082,469 B/
3	Earned Rate Of Return	5.47%
4	Fair Rate Of Return	6.85% C/
5	Required Operating Income	61,451,135
6	Operating Income Deficiency (Surplus)	12,368,666
7	Gross Revenue Conversion Factor	<u>1.300889</u> D/
8	Gas Sales & Transportation Revenue Deficiency (Surplus)	16,090,261
9	Other Revenues - Forfeited Discounts	159,739 B/
10	Total Revenue Deficiency (Surplus)	\$ <u><u>16,250,000</u></u>

A/ Schedule 3.
B/ Schedule 6.
C/ Schedule 13.
D/ Schedule 14.

Piedmont Natural Gas Company
Average Rate Base
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Test Period	Adjustments	Attrition Period
	Net Plant Investment:			
1	Utility Plant in Service	\$ 1,316,834,205	\$ 224,779,637	\$ 1,541,613,842
2	Construction Work in Progress	54,974,331	-12,966,827	42,007,504
3	Accumulated Depreciation	-462,673,218	-38,852,211	-501,525,429
4	Contributions in Aid of Construction	-5,828,754	0	-5,828,754
5	Accumulated Deferred Income Taxes	<u>-191,462,556</u>	<u>-1,372,022</u>	<u>-192,834,578</u>
6	Total Net Plant Investment	\$ <u>711,844,007</u>	\$ <u>171,588,578</u>	\$ <u>883,432,585</u>
	Working Capital:			
7	Gas Inventory	\$ 8,374,205	\$ 0	\$ 8,374,205
8	Customer Deposits	-4,244,585	-123,012	-4,367,597
9	Accrued Interest on Customer Deposits	-303,252	-8,788	-312,040
10	Cash Working Funds	-559,657	559,657	0
11	Materials & Supplies	166,593	10,267	176,859
12	Deferred Debits	16,209,584	-5,744,332	10,465,252
13	Prepaid Insurance	209,503	-64,966	144,537
14	Deferred Pension & Other Post-Employment Expenses	19,663,434	-19,663,434	0
15	Fleets & Overheads	122,544	5,449	127,993
16	Accounts Payable Related to CWIP	-9,193,005	-364,771	-9,557,776
17	Accounts Payable Related to M&S	-20,492	-813	-21,305
18	Accrued Vacation	-2,305,163	-107,777	-2,412,940
19	Lead/Lag Study Requirement	<u>2,318,927</u>	<u>8,898,445</u>	<u>11,217,372</u> A/
20	Total Working Capital	\$ <u>30,438,636</u>	\$ <u>-16,604,075</u>	\$ <u>13,834,560</u>
21	Rate Base	\$ <u>742,282,643</u>	\$ <u>154,984,503</u>	\$ <u>897,267,145</u>

Piedmont Natural Gas Company
Comparative Rate Base (13-month Average)
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Per Settlement</u>	A/
	Net Plant Investment:		
1	Utility Plant in Service	\$ 1,541,613,842	
2	Construction Work in Progress	42,007,504	
3	Accumulated Depreciation	-501,525,429	
4	Contributions in Aid of Construction	-5,828,754	
5	Accumulated Deferred Income Taxes	<u>-192,834,578</u>	
6	Total Net Plant Investment	<u>\$ 883,432,585</u>	
	Working Capital:		
7	Gas Inventory	\$ 8,374,205	
8	Customer Deposits	-4,367,597	
9	Accrued Interest on Customer Deposits	-312,040	
10	Cash Working Funds	0	
11	Materials & Supplies	176,859	
12	Deferred Debits	10,465,252	
13	Prepaid Insurance	144,537	
14	Deferred Pension & Other Post-Employment Expenses	0	
15	Fleets & Overheads	127,993	
16	Accounts Payable Related to CWIP	-9,557,776	
17	Accounts Payable Related to M&S	-21,305	
18	Accrued Vacation	-2,412,940	
19	Lead/Lag Study Requirement	<u>11,217,372</u>	
20	Total Working Capital	<u>\$ 13,834,560</u>	
21	Rate Base	<u>\$ 897,267,145</u>	

Piedmont Natural Gas Company
Lead Lag Results
For the 12 Months Ending December 31, 2021 (Attrition Period)

<u>Line No.</u>		<u>Per Settlement</u>
1	Revenue Lag	52.13 A/
2	Expense Lead	<u>34.34 A/</u>
3	Net Lag	17.79
4	Daily Cost of Service	\$ <u>630,536 A/</u>
5	Net Cash Working Capital Required	\$ <u><u>11,217,372</u></u>

A/ Schedule 5.

A/ Schedule 5.

Piedmont Natural Gas Company
Working Capital Expense Lag
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Proposed Amount</u>	<u>A/</u>	<u>Lag</u>	<u>Dollar Days</u>
	Revenues:				
1	Sales & Transportation Revenues	\$ 227,935,416		52.22	\$ 11,902,183,925
2	Warranty Revenues	0		0.00	0
3	Other Revenues	2,210,226		42.80	94,604,670
4	Total Revenue Lag	\$ 230,145,642		52.13	\$ 11,996,788,595
	Operation & Maintenance Expense:				
5	Purchased Gas	\$ 61,273,479		38.57	\$ 2,363,141,695
6	Labor	18,601,265		10.03	186,478,744
7	Incentive Pay - STIP	854,016		256.15	218,755,293
8	Incentive Pay - LTIP	0		621.50	0
9	Employee Pension & Benefits	5,039,041		11.55	58,211,113
10	Prepaid Insurance - Other Injuries & Damages	415,481		0.00	0
11	Prepaid Insurance - Property Insurance	58,922		0.00	0
12	Prepaid Insurance - Liability Insurance	217,627		0.00	0
13	Fleet Expense	752,537		38.54	29,001,925
14	Credit Card Expense	1,988,901		31.63	62,917,709
15	Virtual Company Charges	978,522		31.55	30,871,111
16	Service Company Charges	3,312,491		20.66	68,439,135
17	Outside Services	3,289,810		71.95	236,701,497
18	Regulatory Commission Amortization	-2,315,850		0.00	0
19	Regulatory Commission Expense	867,158		270.00	234,132,660
20	Uncollectible Expense	443,683		0.00	0
21	Other O&M Expenses	17,344,918		42.25	732,898,420
22	Depreciation Expense	34,785,468		0.00	0
	General Taxes:				
23	Gross Receipts Tax	548,912		-158.50	-87,002,490
24	Franchise Tax	2,511,721		45.00	113,027,460
25	Property Tax	6,657,411		228.98	1,524,393,978
26	Payroll Tax	1,514,050		28.49	43,136,763
27	Sales & Use Tax	-6,699		35.21	-235,870
28	Amortization of Investment Tax Credit	-5,077		0.00	0
	Income Taxes:				
29	State Income Taxes	1,950,846		45.00	87,788,070
30	Provision for Deferred Income Tax	-1,075,590		0.00	0
31	Federal Income Taxes	11,430,719		37.50	428,651,963
32	Interest on Customer Deposits	262,056		0.00	0
	Return:				
33	Interest on Long-Term Debt	16,901,821	A/	92.94	1,570,916,264
34	Interest on Short-Term Debt	143,563	A/	1.49	213,523
35	Income for Return	41,404,440		0.00	0
36	Total Expense Lag	\$ 230,145,642		34.34	\$ 7,902,438,963
37	Daily Cost of Service	\$ 630,536			

A/ Schedule 13.

Piedmont Natural Gas Company
Income Statement at Current Rates
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Test Period	Adjustments	Attrition Amount
	Operating Revenues:			
1	Gas Sales & Transportation Revenues and IMR Revenues	\$ 204,501,277	\$ 7,343,878	\$ 211,845,155 A/
2	Other Revenues	2,141,270	-90,783	2,050,487 A/
3	AFUDC	3,152,246	-150,936	3,001,310
4	Total Operating Revenue	\$ 209,794,793	\$ 7,102,159	\$ 216,896,951
	Operating & Maintenance Expenses:			
5	Purchased Gas Expense	\$ 68,307,024	\$ -7,033,545	\$ 61,273,479
6	Operations & Maintenance Expense	53,648,240	-1,832,047	51,816,193 B/
7	Total Operating & Maintenance Expenses	\$ 121,955,263	\$ -8,865,591	\$ 113,089,672
	Other Expenses:			
8	Depreciation Expense	\$ 31,366,960	\$ 3,418,508	\$ 34,785,468
9	Interest on Customer Deposits	254,689	7,367	262,056
10	Amortization of Investment Tax Credit	-2,906	-2,172	-5,077
11	General Taxes	11,103,405	121,990	11,225,394 C/
12	State Excise Taxes	733,225	656,490	1,389,715 D/
13	Federal Income Taxes	-1,580,594	8,647,849	7,067,255 D/
14	Total Other Expenses	\$ 41,874,779	\$ 12,850,032	\$ 54,724,811
15	Total Operating Expenses	\$ 163,830,042	\$ 3,984,441	\$ 167,814,483
16	Utility Operating Income	\$ 45,964,751	\$ 3,117,718	\$ 49,082,469

A/ Schedule 8.
B/ Schedule 9.
C/ Schedule 10.
D/ Schedule 11.

Piedmont Natural Gas Company
Comparative Income Statement at Current Rates
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Per Settlement</u> A/
	Operating Revenues:	
1	Gas Sales & Transportation Revenues	\$ 211,845,155
2	Other Revenues	2,050,487
3	AFUDC	3,001,310
4	Total Operating Revenue	\$ <u>216,896,951</u>
	Operating & Maintenance Expenses:	
5	Purchased Gas Expense	\$ 61,273,479
6	Operations & Maintenance Expense	51,816,193
7	Total Operating & Maintenance Expenses	\$ <u>113,089,672</u>
	Other Expenses:	
8	Depreciation Expense	\$ 34,785,468
9	Interest on Customer Deposits	262,056
10	Amortization of Investment Tax Credit	-5,077
11	General Taxes	11,225,394
12	State Excise Taxes	1,389,715
13	Federal Income Taxes	7,067,255
15	Total Other Expenses	\$ <u>54,724,811</u>
16	Total Operating Expenses	\$ <u>167,814,483</u>
17	Utility Operating Income	\$ <u>49,082,469</u>

A/ Schedule 6.

Piedmont Natural Gas Company
Comparative Revenue Summary
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.	Customer Class	Per Settlement
	Sales & Transportation Base Rate Margin:	
1	(301) Residential	\$ 67,883,267
2	(302) Small General Service	27,865,410
3	(352) Medium General Service	8,478,174
4	(303) Large General Service	1,870,648
5	(304) Interruptible Service	42,011
6	(313) Firm Transportation Service	3,996,638
7	(314) Interruptible Transportation Service	4,306,604
8	(310) Resale Service	16,734
9	Special Contracts	259,159
10	Total Base Rate Margin	\$ 114,718,645
11	PGA Revenues	61,273,479
12	Total Base Rate & PGA Revenue	\$ 175,992,125
	Other Revenue:	
13	HomeServe Warranty Operating Margin	\$ 0
14	IMR Rider Elimination	35,853,030
15	ADIT Refund Elimination	0
16	Other Revenue - Forfeited Discounts	1,747,193
17	Other Revenue - Miscellaneous	303,294
18	Total Other Revenue	\$ 37,903,517
19	Total Revenue	\$ 213,895,642

Piedmont Natural Gas Company
Comparative O&M Expense Summary
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.	Expense	Per Settlement
1	Other Purchased Gas Expense	\$ 423,962
2	Gas Storage Expense	1,460,062
3	Transmission Expense	3,947,156
4	Distribution Expense	16,840,592
5	Customer Accounts & Service Expense	4,387,512
6	Sales Expense	1,075,638
7	Administrative & General Expense	<u>23,681,271</u>
8	Total O&M Expense	\$ <u>51,816,193</u>

Piedmont Natural Gas Company
Taxes Other than Income Income Taxes
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Per Settlement
1	Property Taxes	\$ 6,657,411
2	Franchise Tax	2,511,721
3	Gross Receipts Tax	548,912
4	Payroll Taxes	1,514,050
5	Allocated & Other Taxes	<u>-6,699</u>
6	Total	\$ <u>11,225,394</u>

Piedmont Natural Gas Company
Excise and Income Taxes
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Per Settlement</u>
1	Operating Revenues	\$ <u>213,895,642</u> A/
	Operating Expenses:	
2	Purchased Gas Expense	\$ 61,273,479 A/
3	O&M Expense	51,816,193 A/
4	Depreciation Expense	34,785,468 A/
5	Interest on Customer Deposits	262,056 A/
6	Amortization of Investment Tax Credit	0 B/
7	General Taxes	11,225,394 A/
8	Total Operating Expenses	\$ <u>159,362,590</u>
9	NOI Before Excise and Income Taxes	\$ 54,533,051
10	AFUDC	2,677,500 C/
11	Interest Expense	-17,045,384 D/
12	Net Income Before Income Taxes	\$ <u>40,165,167</u>
	Tennessee Excise Tax Calculation:	
13	Net Income Before Income Taxes	\$ 40,165,167
14	Composite Excise Tax Rate	3.46%
15	Excise Tax Expense	\$ <u>1,389,715</u>
	Federal Income Tax Calculation:	
16	Net Income Before Income Taxes	\$ 40,165,167
17	Net Excise Tax Expense	<u>1,389,715</u>
18	Net Income Before Federal Income Tax	\$ 38,775,452
19	FIT Rate	21.00%
20	Federal Income Tax Expense-Pre-Adjusted	\$ <u>8,142,845</u>
21	Less EDFIT Amortization	-1,075,590 E/
22	Net Federal Income Tax Expense	\$ <u>7,067,255</u>

A/ Schedule 6.

B/ Tax calculation does not include amortization of investment tax credit of \$-5,077.

C/ This amount excludes the equity portion of AFUDC. See discussion in Rebuttal Testimony of Piedmont witness Quynh Bowman pages 26-27.

D/ Schedule 13.

E/ Schedule 5 Row 30.

Piedmont Natural Gas Company
Income Statement at Proposed Rates
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		Current Rates	A/ 	Rate Increase	B/ 	Proposed Rates
	Operating Revenues:					
1	Gas Sales & Transportation Revenues	\$ 211,845,155		\$ 16,090,261		\$ 227,935,416
2	Other Revenues	2,050,487		159,739		2,210,226
3	AFUDC	3,001,310		0		3,001,310
4	Total Operating Revenue	\$ 216,896,952		\$ 16,250,000		\$ 233,146,952
	Operating & Maintenance Expenses:					
5	Purchased Gas Expense	\$ 61,273,479		\$ 0		\$ 61,273,479
6	Operations & Maintenance Expense	51,816,193		32,329		51,848,522
7	Total Operating & Maintenance Expenses	\$ 113,089,672		\$ 32,329		\$ 113,122,001
	Other Expenses:					
8	Depreciation Expense	\$ 34,785,468		\$ 0		\$ 34,785,468
9	Interest on Customer Deposits	262,056		0		262,056
10	Amortization of Investment Tax Credit	-5,077		0		-5,077
11	General Taxes	11,225,394		0		11,225,394
12	State Excise Taxes	1,389,715		561,131		1,950,846
13	Federal Income Taxes	7,067,255		3,287,874		10,355,129
14	Total Other Expenses	\$ 54,724,811		\$ 3,849,005		\$ 58,573,816
15	Total Operating Expenses	\$ 167,814,483		\$ 3,881,334		\$ 171,695,817
16	Utility Operating Income	\$ 49,082,470		\$ 12,368,666		\$ 61,451,135

A/ Schedule 6.

B/ Schedule 1.

Piedmont Natural Gas Company
Rate of Return Summary
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.	Class of Capital	Per Settlement		
		Percent of Total	Cost Rate	Weighted Cost Rate
1	Short-Term Debt	4.00%	0.40%	0.02%
2	Long-Term Debt	45.50%	4.14%	1.88%
3	Common Equity	50.50%	9.80%	4.95%
4	Total	100.00%		6.85%
Interest Expense Short-Term Debt:				
5	Rate Base			\$ 897,267,145 A/
6	Short-Term Weighted Debt Cost			0.02%
7	Short-Term Debt Interest Expense			\$ 143,563
Interest Expense Long-Term Debt:				
8	Rate Base			\$ 897,267,145 A/
9	Long-Term Weighted Debt Cost			1.88%
10	Long-Term Debt Interest Expense			\$ 16,901,821
11	Total Interest Expense			\$ 17,045,384

A/ Schedule 2.

Piedmont Natural Gas Company
Revenue Conversion Factor
For the 12 Months Ending December 31, 2021 (Attrition Period)

Line No.		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.009928	<u>0.009928</u>
3	Balance		1.009927677
4	Uncollectible Ratio	0.001990	<u>0.002009551</u>
5	Balance		1.007918126
6	State Excise Tax (Company's composite effective rate)	0.034600 A/	<u>0.034874000</u>
7	Balance		0.973044
8	Federal Income Tax	0.210000 A/	<u>0.204339</u>
9	Balance		<u><u>0.768705</u></u>
10	Revenue Conversion Factor (Line 1 / Line 9)		<u><u>1.300889</u></u>

A/ Schedule 11

TPUC Docket No. 20-00086
Stipulation and Settlement Agreement

Attachment C

Piedmont Natural Gas Company, Inc.
TPUC Docket No. 20-00086
Proposed Revenue Change, as Settled

Changes to Operating Revenue by Class				
Revenue Class	Attrition Period Revenues at Current "Clean" Rates	Proposed Revenue Increase	Revenues at Proposed "Clean" Rates	% Change
301 - Residential	124,565,600	9,539,221	134,104,821	7.7%
302 - Small General	53,085,300	3,936,320	57,021,619	7.4%
352 - Medium General	16,778,748	1,142,761	17,921,509	6.8%
303 - Large General Sales	4,591,960	251,086	4,843,045	5.5%
304 - Interruptible General Sales	96,741	4,987	101,728	5.2%
313 - Firm Transportation	6,608,846	564,361	7,173,207	8.5%
314 - Interruptible Transportation	5,810,997	620,970	6,431,967	10.7%
310 - Resale Service	47,805	2,861	50,666	6.0%
Special Contract	259,159	27,694	286,853	10.7%
Sales & Transportation Revenue	\$ 211,845,155	\$ 16,090,261	\$ 227,935,416	7.6%
Other Revenue - Forfeited Discounts	1,747,193	159,739	1,906,932	9.1%
Other Revenue - Miscellaneous ¹	303,294	-	303,294	0.0%
Total Operating Revenue	\$ 213,895,642	\$ 16,250,000	\$ 230,145,642	7.6%

1/ Represents various other regulated operating revenues, including returned check charges and reconnect fees. These revenues do not include unregulated revenues recorded below-the-line.

Piedmont Natural Gas Company, Inc.
TPUC Docket No. 20-00086
Proposed Revenue Change, as Settled

Changes to Operating Revenue by Class and Type				
Revenue Class and Type	Attrition Period Revenues at Current "Clean" Rates	Proposed Revenue Increase	Revenues at Proposed "Clean" Rates	% Change
301 - Residential Margin	89,267,448	9,539,221	98,806,670	10.7%
302 - Small General Margin	36,835,838	3,936,320	40,772,158	10.7%
352 - Medium General Margin	10,693,891	1,142,761	11,836,653	10.7%
303 - Large General Sales Margin	2,349,644	251,086	2,600,730	10.7%
304 - Interruptible General Sales Margin	46,672	4,987	51,659	10.7%
313 - Firm Transportation Margin	5,281,252	564,361	5,845,613	10.7%
314 - Interruptible Transportation Margin	5,810,997	620,970	6,431,967	10.7%
310 - Resale Service Margin	26,773	2,861	29,634	10.7%
Special Contract Margin	259,159	27,694	286,853	10.7%
Sales & Transportation Margin Revenue	\$ 150,571,675	\$ 16,090,261	\$ 166,661,936	10.7%
Sales & Transportation PGA Revenue	61,273,479	-	61,273,479	0.0%
Sales & Transportation Revenue (Margin + PGA)	\$ 211,845,155	\$ 16,090,261	\$ 227,935,416	7.6%
Other Revenue - Forfeited Discounts	1,747,193	159,739	1,906,932	9.1%
Other Revenue - Miscellaneous ¹	303,294	-	303,294	0.0%
Total Operating Revenue	\$ 213,895,642	\$ 16,250,000	\$ 230,145,642	7.6%

1/ Represents various other regulated operating revenues, including returned check charges and reconnect fees. These revenues do not include unregulated revenues recorded below-the-line.

TPUC Docket No. 20-00086
Stipulation and Settlement Agreement

Attachment D

Piedmont Natural Gas Company
TPUC Docket No. 20-00086
Summary of Attrition Period Billing Determinants & Proposed Margin Revenues per Settlement

Rate Class	Number of Customer Bills			Normalized Customer Usage				Annual Tariff Base Revenues	
	Winter (Nov - Mar)	Summer (Apr - Oct)	Annual	Winter Therms (Nov - Mar)	Summer Therms (Nov - Mar)	Annual Therms	%	\$	%
301 - Residential Service	879,725	1,224,674	2,104,399	100,207,954	29,117,728	129,325,682	37.93%	98,806,670	59.29%
302 - Small General Service	89,300	123,505	212,805	40,688,172	18,846,749	59,534,921	17.46%	40,772,158	24.46%
352 - Medium General Service	2,862	3,958	6,820	15,520,069	6,773,684	22,293,753	6.54%	11,836,653	7.10%
303 - Large General Service Sales Service	262	357	619	4,915,032	3,056,502	7,971,534	2.34%	2,600,730	1.56%
304 - Interruptible General Sales Service	10	14	24	145,390	108,546	253,936	0.07%	51,659	0.03%
313 - Firm Transportation Service	382	546	928	10,960,930	10,070,485	21,031,415	6.17%	5,845,613	3.51%
314 - Interruptible Transportation Service	245	343	588	45,786,344	48,687,879	94,474,223	27.71%	6,431,967	3.86%
310 - Resale Service	10	14	24	25,383	5,667	31,050	0.01%	29,634	0.02%
Special Contract Service	5	7	12	2,470,419	3,562,690	6,033,109	1.77%	286,853	0.17%
Total	972,801	1,353,418	2,326,219	220,719,693	120,229,930	340,949,623	100.00%	166,661,936	100.00%

Piedmont Natural Gas Company
TPUC Docket No. 20-00086
Attrition Period Billing Determinants and Proposed Revenues per Settlement

(dekattherms)	Attrition Period Billing Determinants (1)	Proposed "Clean" Billing Rates (2)	Proposed Revenues (3)	Proposed Margin Rates (4)	Proposed Margin Revenues (5)	PGA Demand Rates ¹ (6)	PGA Demand Revenues (7)	PGA Commodity Rates ¹ (8)	PGA Commodity Revenues (9)	Proposed Rate Case Expense Rider Rates (10)	Proposed Rate Case Expense Rider Revenues (11)
Rate Schedule											
Residential Service - 301											
Bills - winter (Nov - Mar)	879,725	\$17.45	\$15,351,201	\$17.45	\$15,351,201						
Bills - summer (Apr - Oct)	1,224,674	\$13.45	\$16,471,865	\$13.45	\$16,471,865						
Winter (Nov - Mar)	10,020,795	\$8.1180	\$81,348,817	\$5.3886	\$53,998,058	\$0.7577	\$7,592,757	\$1.9717	\$19,758,002	\$0.0000	\$0
Summer (Apr - Oct)	2,911,773	\$7.1892	\$20,933,317	\$4.4598	\$12,985,924	\$0.7577	\$2,206,250	\$1.9717	\$5,741,142	\$0.0000	\$0
Total	12,932,568		\$134,105,201		\$98,807,049		\$9,799,007		\$25,499,145		\$0
Total Residential Service											
Bills	2,104,399		\$31,823,067		\$31,823,067		\$0		\$0		\$0
DTs	12,932,568		\$102,282,134		\$66,983,982		\$9,799,007		\$25,499,145		\$0
Small General Service - 302											
Bills	212,805	\$44.00	\$9,363,420	\$44.00	\$9,363,420						
Winter (Nov - Mar)	4,058,817	\$8.2953	\$33,752,059	\$5.5659	\$22,646,630	\$0.7577	\$3,082,943	\$1.9717	\$8,022,487	\$0.0000	\$0
Summer (Apr - Oct)	1,884,675	\$7.3786	\$13,906,262	\$4.6492	\$8,762,231	\$0.7577	\$1,428,018	\$1.9717	\$3,716,014	\$0.0000	\$0
Total	5,953,492		\$57,021,742		\$40,772,280		\$4,510,961		\$11,738,500		\$0
Medium General Service - 352											
Bills	6,820	\$225.00	\$1,534,500	\$225.00	\$1,534,500						
Winter (Nov - Mar)	1,552,007	\$7.5939	\$11,785,785	\$4.8645	\$7,549,738	\$0.7577	\$1,175,956	\$1.9717	\$3,060,092	\$0.0000	\$0
Summer (Apr - Oct)	677,368	\$6.7927	\$4,601,160	\$4.0633	\$2,752,351	\$0.7577	\$513,242	\$1.9717	\$1,335,567	\$0.0000	\$0
Total	2,229,375		\$17,921,446		\$11,836,589		\$1,689,198		\$4,395,659		\$0
Total Small / Medium General Service											
Bills	219,625		\$10,897,920		\$10,897,920		\$0		\$0		\$0
DTs	8,182,867		\$74,943,187		\$52,608,869		\$6,200,159		\$16,134,160		\$0
Large General Sales Service - 303											
Bills	619	\$800.00	\$495,200	\$800.00	\$495,200						
Demand dt	80,958	\$16.2829	\$1,318,233	\$8.0000	\$647,665	\$8.2829	\$670,568		\$0		\$0
First 1,500 dt	570,665	\$3.8417	\$2,192,325	\$1.8700	\$1,067,144		\$0	\$1.9717	\$1,125,181	\$0.0000	\$0
Next 2,500 dt	217,725	\$3.6517	\$795,065	\$1.6800	\$365,777		\$0	\$1.9717	\$429,288	\$0.0000	\$0
Next 5,000 dt	8,763	\$3.3717	\$29,548	\$1.4000	\$12,269		\$0	\$1.9717	\$17,279	\$0.0000	\$0
Over 9,000 dt	0	\$2.7717	\$0	\$0.8000	\$0		\$0	\$1.9717	\$0	\$0.0000	\$0
Minimum Margin Revenues			\$13,505		\$13,505						
Total	797,153		\$4,843,875		\$2,601,560		\$670,568		\$1,571,747		\$0
Interruptible Sales Service - 304											
Bills	24	\$800.00	\$19,200	\$800.00	\$19,200						
First 1,500 dt	18,010	\$3.3217	\$59,822	\$1.3500	\$24,313		\$0	\$1.9717	\$35,559	\$0.0000	\$0
Next 2,500 dt	7,384	\$3.0767	\$22,719	\$1.1050	\$8,159		\$0	\$1.9717	\$14,559	\$0.0000	\$0
Next 5,000 dt	0	\$2.8817	\$0	\$0.9100	\$0		\$0	\$1.9717	\$0	\$0.0000	\$0
Over 9,000 dt	0	\$2.3752	\$0	\$0.4035	\$0		\$0	\$1.9717	\$0	\$0.0000	\$0
Total	25,394		\$101,741		\$51,672		\$0		\$50,069		\$0
Firm Transportation Service - 313											
Bills	928	\$800.00	\$742,400	\$800.00	\$742,400						
Demand dt	160,281	\$16.2829	\$2,609,844	\$8.0000	\$1,282,250	\$8.2829	\$1,327,594		\$0		\$0
First 1,500 dt	1,075,090	\$1.8700	\$2,010,418	\$1.8700	\$2,010,418		\$0		\$0	0.00000	\$0
Next 2,500 dt	643,262	\$1.6800	\$1,080,680	\$1.6800	\$1,080,680		\$0		\$0	0.00000	\$0
Next 5,000 dt	305,047	\$1.4000	\$427,066	\$1.4000	\$427,066		\$0		\$0	0.00000	\$0
Over 9,000 dt	79,743	\$0.8000	\$63,794	\$0.8000	\$63,794		\$0		\$0	0.00000	\$0
Minimum Margin Revenues			\$238,800		\$238,800						
Total	2,103,142		\$7,173,003		\$5,845,409		\$1,327,594		\$0		\$0
Interruptible Transportation Service - 314											
Bills	588	\$800.00	\$470,400	\$800.00	\$470,400						
First 1,500 dt	828,004	\$1.3500	\$1,117,805	\$1.3500	\$1,117,805		\$0		\$0	0.00000	\$0
Next 2,500 dt	1,092,995	\$1.1050	\$1,207,760	\$1.1050	\$1,207,760		\$0		\$0	0.00000	\$0
Next 5,000 dt	1,182,198	\$0.9100	\$1,075,800	\$0.9100	\$1,075,800		\$0		\$0	0.00000	\$0
Over 9,000 dt	6,344,226	\$0.4035	\$2,559,895	\$0.4035	\$2,559,895		\$0		\$0	0.00000	\$0
Total	9,447,422		\$6,431,660		\$6,431,660		\$0		\$0		\$0
Total Large Volume Service											
Bills	2,159		\$1,727,200		\$1,727,200		\$0		\$0		\$0
Demand	241,239		\$3,928,077		\$1,929,915		\$1,998,162		\$0		\$0
DTs	12,373,111		\$18,550,278		\$14,930,301		\$1,998,162		\$1,621,816		\$0
Resale Service - 310											
Bills	24										
Demand	1,800	\$16.2829	\$29,309	\$8.0000	\$14,400	\$8.2829	\$14,909		\$0		\$0
Commodity	3,105	\$6.8780	\$21,356	\$4.9063	\$15,234		\$0	\$1.9717	\$6,122	\$0.0000	\$0
Special Contract Service											
Bills	12		\$0		\$0		\$0		\$0		\$0
DTs	603,311		\$286,853		\$286,853		\$0		\$0		\$0
TOTAL THROUGHPUT - SALES CUSTOMERS	21,941,088		\$214,044,669		\$154,098,784		\$16,684,643		\$43,261,242		\$0
TOTAL THROUGHPUT - TRANSPORTATION CUSTOMERS	11,550,564		\$13,604,662		\$12,277,068		\$1,327,594		\$0		\$0
TOTAL THROUGHPUT - SPECIAL CONTRACTS	603,311		\$286,853		\$286,853		\$0		\$0		\$0
TOTAL	34,094,962		\$227,936,185		\$166,662,706		\$18,012,237		\$43,261,242		\$0
OTHER REVENUES			\$2,210,226		\$2,210,226		\$0		\$0		\$0
GRAND TOTAL OPERATING REVENUES			\$230,146,411		\$168,872,932		\$18,012,237		\$43,261,242		\$0
ATTRITION PERIOD OPERATING REVENUES AT CURRENT RATES			\$213,895,642		\$152,622,163		\$18,012,237		\$43,261,242		\$0
REVENUE ADJUSTMENT FOR FORFEITED DISCOUNTS			\$159,739		\$159,739		\$0		\$0		\$0
REVENUE ADJUSTMENT FOR SALES & TRANSPORTATION REVENUES²			\$16,091,030		\$16,091,030		(\$0)		(\$0)		\$0
GRAND TOTAL OPERATING REVENUES			\$230,146,411		\$168,872,932		\$18,012,237		\$43,261,242		\$0

1/ No changes have been proposed to these rate components as part of this Settlement Agreement.

2/ The proposed revenue increase for Sales & Transportation Revenue as reflected on Settlement Attachment C is \$16,090,261. The \$769 variance from the revenue adjustment reflected herein is due to rounding.

TPUC Docket No. 20-00086
Stipulation and Settlement Agreement

Attachment E

Piedmont Natural Gas Company
TPUC Docket No. 20-00086
Factors for Weather Normalization Adjustment (WNA)

Effective with January 2021 cycle bills

Rate Schedule	November thru March "R" Value (\$ / therm)	October & April "R" Value (\$ / therm)	Heat Sensitive Factor (HSF) (therms / HDD)	Base Load Factor (BL) (therms / month)
301 - Residential Service	0.53886	0.44598	0.17420	11.85981
302 - Small General Service	0.55659	0.46492	0.58534	112.36283
352 - Medium General Service	0.48645	0.40633	7.18985	1,214.27255
<u>Normal Heating Degree Days</u>	<u>15 - 15</u>			
January	748.8			
February	779.6			
March	509.5			
April	302.4			
May	99.1			
June	13.8			
July	-			
August	0.1			
September	1.3			
October	60.3			
November	322.4			
December	570.1			
Winter	2,930.4			
Summer	477.0			
 Annual	 <u><u>3,407.4</u></u>			

Piedmont Natural Gas Company
TPUC Docket No. 20-00086
Normal Heating Degree Days^{1,3}

Effective with January 2021 cycle bills

DAY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1	25.1	22.9	17.4	9.9	2.8	0.5	0.0	0.0	0.0	1.8	9.5	19.5	
2	24.0	23.4	18.1	7.9	2.4	0.2	0.0	0.0	0.0	2.1	10.6	19.1	
3	24.3	24.3	21.8	7.8	3.3	0.2	0.0	0.0	0.0	2.5	11.6	18.7	
4	25.0	24.8	19.2	9.9	4.0	0.1	0.0	0.0	0.0	2.3	11.4	18.4	
5	26.0	25.1	18.0	10.9	3.6	0.1	0.0	0.0	0.1	2.1	11.2	21.8	
6	26.6	23.6	17.3	9.8	2.4	0.1	0.0	0.0	0.3	2.5	12.5	23.1	
7	27.1	22.9	16.6	8.0	1.7	0.1	0.0	0.0	0.1	3.7	13.3	23.1	
8	26.6	23.6	15.7	7.9	0.9	0.0	0.0	0.0	0.1	3.1	14.6	22.6	
9	24.5	24.6	15.6	7.9	0.8	0.0	0.0	0.0	0.0	3.0	13.6	21.3	
10	23.5	24.4	15.7	6.6	1.4	0.0	0.0	0.0	0.0	3.8	14.2	23.5	
11	22.7	23.3	16.9	4.9	1.4	0.0	0.0	0.0	0.1	4.2	13.7	23.5	
12	21.7	24.8	15.2	6.1	1.4	0.0	0.0	0.0	0.1	3.9	16.6	22.9	
13	24.0	25.5	14.8	7.0	2.1	0.0	0.0	0.1	0.3	3.4	16.4	21.1	
14	26.0	23.0	15.2	5.0	2.0	0.0	0.0	0.0	0.1	3.9	15.7	20.6	
15	27.3	22.5	13.7	5.9	2.2	0.0	0.0	0.0	0.1	4.4	16.5	21.2	
16	27.8	22.6	13.7	6.0	2.0	0.0	0.0	0.0	0.3	6.2	16.0	20.3	
17	27.2	23.2	12.4	5.9	1.5	0.0	0.0	0.0	0.2	6.5	15.9	21.1	
18	29.4	21.4	11.1	4.2	1.8	0.0	0.0	0.0	0.1	6.3	15.7	23.5	
19	28.9	20.4	12.0	4.4	1.2	0.0	0.0	0.0	0.4	8.1	14.5	24.1	
20	26.2	17.0	12.4	4.2	0.8	0.0	0.0	0.0	0.4	7.1	15.2	24.1	
21	26.3	15.6	13.8	5.1	1.3	0.0	0.0	0.0	0.6	5.9	15.0	21.9	
22	25.8	18.7	13.7	4.4	1.2	0.0	0.0	0.0	0.8	6.3	16.7	21.6	
23	26.1	17.7	11.7	4.7	0.3	0.0	0.0	0.0	1.1	7.1	17.0	23.0	
24	27.0	18.6	11.3	4.4	0.3	0.0	0.0	0.0	0.9	7.9	17.7	25.7	
25	27.4	19.3	11.6	3.4	0.5	0.0	0.0	0.0	0.9	7.9	17.5	28.2	
26	25.2	21.0	11.1	4.6	0.2	0.0	0.0	0.0	1.2	7.4	17.7	25.9	
27	24.5	19.7	10.5	5.1	0.3	0.0	0.0	0.0	1.4	8.7	18.2	23.3	
28	24.5	18.9	9.4	4.3	0.5	0.0	0.0	0.0	1.1	9.7	18.6	22.6	
29	24.0	4.2	11.1	3.5	0.2	0.0	0.0	0.0	1.9	10.0	17.2	22.4	
30	25.7	0.0	10.7	2.5	0.2	0.0	0.0	0.0	2.3	8.3	16.8	23.3	
31	24.9	0.0	10.4	0.0	0.2	0.0	0.0	0.0	0.0	7.6	0.0	23.4	
Calendar Total	795.3	617.0	438.1	182.2	44.9	1.3	0.0	0.1	14.9	167.7	451.1	694.8	3,407.4
Cycle Total	748.8	779.6	509.5	302.4	99.1	13.8	0.0	0.1	1.3	60.3	322.4	570.1	3,407.4

30-YEAR AVERAGE TOTAL	3,407.4
NON-LEAP YEAR TOTAL	3,403.2
LEAP YEAR TOTAL²	3,420.0

1/ Consistent with the requirements of the Company's billing system, daily heating degree days are reflected out to one decimal place.

2/ The Heating Degree Day value for February 29 is 16.8 (= 4.2 x 4).

3/ The values herein reflect the 30-year average degree days for the period ended March 31, 2020.

TPUC Docket No. 20-00086
Stipulation and Settlement Agreement

Attachment F

Piedmont Natural Gas Company, Inc. Tennessee

Index of Tariff & Service Regulations

<u>Tariff Sheet No. 1</u>	<u>Rate Components by Rate Schedule</u>
<u>Rate Schedule 301</u>	<u>Residential Service</u>
<u>Rate Schedule 302</u>	<u>Small General Service</u>
<u>Rate Schedule 303</u>	<u>Large General Sales Service - Firm</u>
<u>Rate Schedule 304</u>	<u>Large General Sales Service - Interruptible</u>
<u>Service Schedule 306</u>	<u>Schedule for Limiting and Curtailing Service</u>
<u>Service Schedule 307</u>	<u>Balancing, Cash-Out, and Agency Authorization</u>
<u>Rate Schedule 309</u>	<u>Special Availability Service</u>
<u>Rate Schedule 310</u>	<u>Resale Service</u>
<u>Service Schedule 311</u>	<u>Purchased Gas Adjustment (PGA) Rider</u>
<u>Service Schedule 312</u>	<u>Equal Payment Plan (EPP)</u>
<u>Rate Schedule 313</u>	<u>Large General-Transportation Service - Firm</u>
<u>Rate Schedule 314</u>	<u>Large General Transportation Service - Interruptible</u>
<u>Service Schedule 315</u>	<u>Weather Normalization Adjustment (WNA) Rider</u>
<u>Service Schedule 316</u>	<u>Performance Incentive Plan</u>
<u>Service Schedule 317</u>	<u>Integrity Management Rider</u>
<u>Rate Schedule 343</u>	<u>Motor Vehicle Fuel Service</u>
<u>Rate Schedule 352</u>	<u>Medium General Service</u>
 <u>Tennessee Service Regulations</u>	
<u>Appendix A - Customer Agent Agreement</u>	

PIEDMONT NATURAL GAS COMPANY, INC.
Tennessee Service Territory
Billing Rates Effective: January 2, 2021

Rate Schedule	Description	Tariff Base Rate Docket No. 20-00086 <1>	-----Cumulative PGA-----		-----Current ACA-----		Current IPA	Current IM Adjustment	Temporary Decrements Approved in Docket No.18-00040		Rate Case Rider	Total Adj. Factor (Sum Col.2 thru Col.9)	Billing Rate ³ (Col.1+Col.10)
			Demand	Commodity	Demand	Commodity			Deferred Base Revenue Refund	Unprotected Excess ADIT Refund			
<2>	<3>	<4a>	<4b>	<5>	<6>	<7>	<8>	<9>	<10>	<11>			
Residential 301 301	Monthly Charge-Nov.-Mar.	\$17.45											\$17.45
	Monthly Charge-Apr.-Oct.	\$13.45											\$13.45
	Nov.- Mar. per TH	0.53886	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03699)	(0.01958)	(0.04211)	0.00000	0.16031	0.69917
	Apr.- Oct. per TH	0.44598	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03699)	(0.01958)	(0.04211)	0.00000	0.16031	0.60629
Small General 302 302	Monthly Charge	\$44.00											\$44.00
	Nov.- Mar. per TH	0.55659	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03231)	(0.01710)	(0.03678)	0.00000	0.17280	0.72939
	Apr.- Oct. per TH	0.46492	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03231)	(0.01710)	(0.03678)	0.00000	0.17280	0.63772
Medium General 352 352	Monthly Charge	\$225.00											\$225.00
	Nov.- Mar. per TH	0.48645	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03231)	(0.01710)	(0.03678)	0.00000	0.17280	0.65925
	Apr.- Oct. per TH	0.40633	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03231)	(0.01710)	(0.03678)	0.00000	0.17280	0.57913
Motor Vehicle Fuel 343 343	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		(0.18957)							0.63872	1.43872
	First 15,000 TH/TH	0.18700		0.19717		(0.01044)	0.00830	(0.01435)	(0.00319)	(0.00685)	0.00000	0.17064	0.35764
	Next 25,000 TH/TH	0.16800		0.19717		(0.01044)	0.00830	(0.01435)	(0.00319)	(0.00685)	0.00000	0.17064	0.33864
	Next 50,000 TH/TH	0.14000		0.19717		(0.01044)	0.00830	(0.01435)	(0.00319)	(0.00685)	0.00000	0.17064	0.31064
	Over 90,000 TH/TH	0.08000		0.19717		(0.01044)	0.00830	(0.01435)	(0.00319)	(0.00685)	0.00000	0.17064	0.25064
304 Interruptible General Sales	Monthly Charge	\$800.00											\$800.00
	First 15,000 TH/TH	0.13500		0.19717		(0.01044)	0.00830	(0.00359)	(0.00319)	(0.00685)	0.00000	0.18140	0.31640
	Next 25,000 TH/TH	0.11050		0.19717		(0.01044)	0.00830	(0.00359)	(0.00319)	(0.00685)	0.00000	0.18140	0.29190
	Next 50,000 TH/TH	0.09100		0.19717		(0.01044)	0.00830	(0.00359)	(0.00319)	(0.00685)	0.00000	0.18140	0.27240
	Over 90,000 TH/TH	0.04035		0.19717		(0.01044)	0.00830	(0.00359)	(0.00319)	(0.00685)	0.00000	0.18140	0.22175
313 Firm Transportation	Monthly Charge	\$800.00											\$800.00
	Demand Charge per TH	0.80000	0.82829		(0.18957)							0.63872	1.43872
	First 15,000 TH/TH	0.18700						(0.01435)	(0.00319)	(0.00685)	0.00000	(0.02439)	0.16261
	Next 25,000 TH/TH	0.16800						(0.01435)	(0.00319)	(0.00685)	0.00000	(0.02439)	0.14361
	Next 50,000 TH/TH	0.14000						(0.01435)	(0.00319)	(0.00685)	0.00000	(0.02439)	0.11561
	Over 90,000 TH/TH	0.08000						(0.01435)	(0.00319)	(0.00685)	0.00000	(0.02439)	0.05561
314 Interruptible Transportation	Monthly Charge	\$800.00											\$800.00
	First 15,000 TH/TH	0.13500						(0.00359)	(0.00319)	(0.00685)	0.00000	(0.01363)	0.12137
	Next 25,000 TH/TH	0.11050						(0.00359)	(0.00319)	(0.00685)	0.00000	(0.01363)	0.09687
	Next 50,000 TH/TH	0.09100						(0.00359)	(0.00319)	(0.00685)	0.00000	(0.01363)	0.07737
	Over 90,000 TH/TH	0.04035						(0.00359)	(0.00319)	(0.00685)	0.00000	(0.01363)	0.02672
310 Resale Service	Demand Charge per TH	0.80000	0.82829		(0.18957)							0.63872	1.43872
	Commodity Charge	0.49063		0.19717		(0.01044)	0.00830	(0.01435)	(0.00970)	(0.02086)	0.00000	0.15012	0.64075

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 6.25% for collection of the Metro Franchise Fee. Customers served by the Ashland City, Fairview, Franklin, Greenbrier, Hartsville, Mt. Juliet and White House systems are required to pay 5.0%. Customers served by the Nolensville system are required to pay 3%.

RATE SCHEDULE NO. 301

Residential Service

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired ~~service~~Service.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. This Rate Schedule ~~301~~ applies to all residential Customers.

<u>BASE MARGIN RATE</u>	Winter	Summer
	<u>(November-March)</u>	<u>(April-October)</u>
Monthly Charge	\$17.45	\$13.45
Commodity Charge (per therm)	\$.32000 <u>53886</u>	
\$.27000 <u>44598</u>		

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas ~~service~~Service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial ~~service~~Service until ~~service~~Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

BACKUP SERVICE

~~When gas service is being supplied for use as a Backup Service for the dual fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.~~

~~Input shall be based upon individual Customer's applicable gas equipment rating in:~~

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers ~~purchasing gas~~served pursuant to this ~~Rate s~~Service Schedule shall be subject to the Company's standard contracts and/or ~~service~~Service applications and subject to the Company's Service Regulations~~as filed with the TRA.~~

PAYMENT TERMS

All bills for ~~service~~Service are due upon presentation and the net rates are applicable if payment is made on- or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~service~~Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," Rule No. 1220 4-1.12 of the TRA Rules and Regulations and the operation of Rate Schedule No. 316, "Performance Incentive Plan," Gas Service under this schedule is subject to the provisions contained within Service Schedule No. 315, "Weather Normalization Adjustment (WNA) Rider," and Service Schedule No. 317, "Integrity Management Rider (IMR)."

~~Purchased gas~~All adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional ~~service~~Service or the transfer of existing ~~service~~Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's ~~load~~ factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, and The Rules, Regulations, and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~service~~Service under this schedule is subject to the provisions contained within ~~TRA~~Service Schedule No. 306, "Schedule for Limiting and Curtailing ~~Service~~Service" and the Company's Service Regulations.

WEATHER NORMALIZATION ADJUSTMENT

~~Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider."~~

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RATE SCHEDULE NO. 302

Small General Service

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, whose average daily usage is less than 20 dekatherms per day. Average daily gas usage will be based on the Customer's usage during the most recent past calendar year ended on December 31. Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

<u>BASE MARGIN RATE</u>	<u>Winter</u> <u>(November-March)</u>	<u>Summer</u> <u>(April-October)</u>
Monthly Charge	\$44.00	\$44.00
Commodity Charge (per therm)	\$ 35400 <u>55659</u>	\$ 30000 <u>46492</u>

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas ~~s~~Service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial ~~service~~Service until ~~service~~Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

BACKUP SERVICE

~~When gas service is being supplied for use as a Backup Service for the dual fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate~~

~~Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.~~

~~Input shall be based upon individual Customer's applicable gas equipment rating in:~~

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers ~~purchasing gas pursuant to served under~~ this ~~Rate Schedule schedule~~ shall be subject to the Company's standard contracts and/or ~~service-Service~~ applications and subject to the Company's Service Regulations ~~as filed with the TRA.~~

PAYMENT TERMS

All bills for ~~Service-service~~ are due upon presentation and the net rates are applicable if payment is made on- or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~service-Service~~ are subject to adjustment caused by changes in the cost of purchased gas in accordance with ~~Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider" Rule No. 1220-4-1-.12 of the TRA Rules and Regulations~~ and the operation of ~~Rate-Service~~ Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 315, "Weather Normalization Adjustment (WNA) Rider" and Service Schedule No. 317, "Integrity Management Rider (IMR)."

~~Purchased~~All gas-adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional ~~Service-service~~ or the transfer of existing ~~service-Service~~ to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, ~~and~~ The Rules, Regulations, and Orders of the ~~TRA Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~service~~Service under this ~~schedule~~Rate Schedule is subject to the provisions contained within ~~TRA Service~~ Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

~~WEATHER NORMALIZATION ADJUSTMENT~~

~~Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider."~~

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RATE SCHEDULE NO. 303

Large General Sales Service - Firm

AVAILABILITY

Gas ~~service-Service~~ under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule ~~303~~ and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

Once a qualified Customer elects ~~service-Service~~ under this Rate Schedule, all ~~services-Service~~ will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive ~~service-Service~~ under Rate Schedule No. 309, "Special Availability Service," concurrent with ~~service-Service~~ provided under ~~the this~~ Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue ~~service-Service~~ under this Rate Schedule and receive ~~service-Service~~ under Rate Schedule No. 313, "Large General Transportation Service - Firm," by giving written notice to the Company prior to March 1 of any year.

The Company will not withhold such consent provided (a) the Company continues to offer ~~large general~~ firm general transportation Service under Rate Schedule No. 313, (b) the Company is able to provide Service under Rate Schedule No. 313 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue ~~service-Service~~ under this Rate Schedule and Company shall provide Service under Rate Schedule No. 313 effective the first June 1 following the notice.

All gas delivered pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

BASE MARGIN RATE

Monthly Charge	\$800.00
Demand Charge (per therm of billing demand)	\$.80000
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.09682 18700
2 nd Step (15,001-40,000 therms)	\$.08953 16800
3 rd Step (40,001-90,000 therms)	\$.06450 14000
4 th Step (Over 90,000 therms)	\$.02764 08000

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge plus the monthly Demand Charge.

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas ~~Service-service~~. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial ~~service-Service~~ until ~~serviceService~~ is terminated at the Customer's request.

BILLING DEMAND

The billing demand shall be determined as follows:

A Customer's billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinant will become effective June 1 of each year. ~~The per unit demand charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.~~

For Customers commencing initial gas ~~serviceService~~ under this Rate Schedule and who do not have a consumption history from other ~~sServices~~ provided by the Company, the billing demand determinant shall be the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms. If a Customer has received gas ~~service-Service~~ from the Company prior to receiving ~~serviceService~~ under this ~~rate-scheduleRate Schedule~~, but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based upon the highest monthly level of consumption during the previous winter period multiplied by six percent (6%).

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers ~~purchasing gas-served~~ under this Rate Schedule shall be subject to the Company's standard contracts and/or ~~service-Service~~ applications and subject to the Company's ~~ServiceRules and Regulations-as filed with the TRA.~~

PAYMENT TERMS

All bills for ~~service-Service~~ are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~service-Service~~ are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," Rule No. 1220 4-1-12 of the TRA Rules and Regulations and the operation of Service Rate Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Rider (IMR)."

~~Purchased gas~~All adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional ~~service-Service~~ or the transfer of existing ~~service-Service~~ to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, ~~and~~ The Rules, Regulations, and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~service-Service~~ under this Rate Scheduleschedule is subject to the provisions contained within TRA-RateService Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RATE SCHEDULE NO. 304

Interruptible-Large General Sales Service - Interruptible

AVAILABILITY

Gas ~~service-Service~~ under this ~~rate-schedule-Rate Schedule~~ is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule~~304~~ and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

CHARACTER OF SERVICE

The nature of Service provided by the Company to Customer under this Rate Schedule is interruptible sales ~~service-Service~~. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

Once a qualified Customer elects ~~service-Service~~ under this Rate Schedule, all ~~services-Services~~ will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive ~~service-Service~~ under Rate Schedule No. 309, "Special Availability Service," concurrent with ~~service-Service~~ provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue ~~service-Service~~ under this Rate Schedule and receive ~~service-Service~~ under Rate Schedule No. 314, "Large General Transportation Service – Interruptible," by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer ~~large general-interruptible~~ transportation Service under Rate Schedule ~~No. 314~~~~313~~, (b) the Company is able to provide Service under Rate Schedule ~~No. 313~~~~314~~ under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue ~~service-Service~~ under this Rate Schedule and Company shall provide Service under Rate Schedule ~~No. 314~~ effective the first June 1 following the notice.

Customers ~~purchasing-gas-served~~ pursuant to this ~~schedule-Rate Schedule~~ shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas ~~service-Service~~ without further notice to the Customer in the event Customer fails to interrupt or curtail Customer's use of gas in accordance with the Company's notice of interruption or curtailment.

All gas delivered pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

~~Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.~~

BASE MARGIN RATE

Monthly Charge	\$800.00
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.09682 <u>13500</u>
2 nd Step (15,001-40,000 therms)	\$.08953 <u>11050</u>
3 rd Step (40,001-90,000 therms)	\$.06450 <u>09100</u>
4 th Step (Over 90,000 therms)	\$.02764 <u>04035</u>

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas ~~service~~Service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial ~~service~~Service until ~~service~~Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer.

SERVICE AGREEMENTS

All Customers ~~served purchasing gas~~ pursuant to this ~~Rate Scheduleschedule~~ shall be subject to the Company's standard contracts and/or ~~service~~Service applications and subject to the Company's ~~ServiceRules and Regulations as filed with the TRA.~~

PAYMENT TERMS

All bills for ~~service~~Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~service~~Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," Rule No.

~~1220-4-1-12 of the TRA Rules and Regulations~~ and the operation of ~~Rate Service~~ Schedule ~~No.~~ 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Rider (IMR)."

~~Purchased gas-~~All adjustments and ~~all~~-applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional ~~service-~~Service or the transfer of existing ~~service-~~Service to a higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations and The Rules, Regulations, and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~service-~~Service under ~~this-this Rate Schedule schedule-~~ is subject to the provisions contained within ~~TRA-Service~~ Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

SERVICE SCHEDULE NO. 306

Schedule for Limiting and Curtailing Service

This Service Schedule defines the types of Service interruptions and curtailment that the Company may invoke from time to time due to the occurrence of extreme weather conditions, operating conditions or force majeure events, and describes the process and procedures to be followed in the implementation of gas Sservice restrictions.

DISTRIBUTION PRESSURE INTERRUPTIONS AND CURTAILMENTS

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Company's Tennessee Service Regulations, Rules and Regulations Governing Supply and Consumption of Gas, or the demands of the Company's firm Customers as the same may ~~ea~~ffect the Company's ability to provide interruptible Sservice, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will interrupt or curtail Sservice to interruptible Customers served under Rate Schedule Nos. 304, ~~Rate Schedule No. 309; or Rate Schedule~~ 314, by priority of their margin contribution to the Company (interrupting or curtailment Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption or curtailment is required, the Company will proceed with interruption or curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA Tennessee Public Utility Commission and Laws of the State of Tennessee.

SUPPLY OR CAPACITY RELATED INTERRUPTIONS AND CURTAILMENTS

In situations when supply and capacity Sservices contracted by the Company are not sufficient to meet the full requirements of Customers desiring sales Sservices from the Company, the Company will first curtail Sservice to interruptible sales Customers receiving sSservice under Rate Schedule No. 304 by priority of their margin contribution to the Company. Customers receiving discounted sales sSservice under Rate Schedule No. 309 will also be curtailed according to the discounted rates. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 314 at market prices in order to serve Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA Tennessee Public Utility Commission and Laws of the State of Tennessee.

EMERGENCY SERVICE

~~The Company will make every reasonable effort to deliver plant protection volumes to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production.~~ All emergency gas sSservice is of a discretionary nature and implies no present or future obligation of the Company to any Customer to provide such sSservice on either a temporary or continuing basis. Deliveries of gas hereunder shall be made pursuant only to advance operating arrangements between the Company's authorized personnel and the Customer and shall be subject to curtailment and interruption at any time should the Company deem it necessary.

RATE FOR EMERGENCY SERVICE

If the Company has authorized the Customer to consume limited quantities of emergency gas as provided in the above paragraph, then all gas consumed by the Customer will be at a rate of \$1.00 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price", until otherwise notified that either (1) further gas sales will be under the Customer's regular rate schedule or (2) complete curtailment is unavoidable and that further gas sales will be considered unauthorized. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Bidweek Spot Gas Prices" and indicated specifically under "Northeast" for "Tennessee, zone 6 del." "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Northeast", "Tennessee, zone 6 del.", "Midpoint" price. For Days of consumption when the "Monthly Contract Index" is not published, the "Monthly Contract Index" shall equal the corresponding "Daily Price" published for the first day of the month of flow. For days of consumption when the "Daily Price" is not published, the "Daily Price" shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day by Gas Daily. Revenues realized from emergency ~~s~~Service transactions will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

UNAUTHORIZED OVER RUN PENALTY

If at any time a Customer exceeds specified contract entitlements or if during any curtailment period, any affected Customer takes, without the Company's advance written approval, a volume of natural gas in excess of the curtailment period quantity entitlement applicable to such Customer, said volume shall constitute an unauthorized over run volume. For each therm of such unauthorized over run volume taken by such Customer, such Customer shall pay to the Company a rate of \$1.50 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price". "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Bidweek Spot Gas Prices" and indicated specifically under "Northeast" for Tennessee, zone 6 del." "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Northeast", "Tennessee zone 6 del.", "Midpoint" price. For Days of consumption when the "Monthly Contract Index" is not published, the "Monthly Contract Index" shall equal the corresponding "Daily Price" published for the first day of the month of flow. For days of consumption when the "Daily Price" is not published, the "Daily Price" shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day by Gas Daily. The Customer shall be liable for the above charges together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the interstate pipeline during the time of the unauthorized usage by such Customer. The payment of a penalty for unauthorized over run volumes shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule. Revenues realized from unauthorized over run penalties will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

PAYMENT TERMS

All bills for ~~s~~Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~s~~Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311. "Purchased Gas Adjustment (PGA) Rider,"~~Rule No. 1220-4-1-12 of the TRA Rules and Regulations~~ and the operation of ~~Rate~~Service Schedule No. 316, "Performance Incentive Plan."

~~Purchased~~All gas adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

~~RATE~~SERVICE SCHEDULE NO. 307

Balancing, Cash-Out, and Agency Authorization

APPLICABILITY

The provisions of this ~~Rate-Service~~ Schedule ~~307~~ shall apply to all ~~tariffed~~ transportation ~~s~~Services provided by the Company under Rate Schedules ~~Nos.~~ 313 and 314, as well as all transportation ~~Service~~ special contracts, unless expressly provided otherwise therein.

LIMITATIONS ON INTRA-MONTH IMBALANCES

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalances. Customers (or its Agent) are responsible to match daily gas deliveries into the Company's system with daily gas consumption by Customer as closely as possible. Any imbalances shall be corrected by the Customer (or its Agent), insofar as practicable, during the month in which they occur. Customers (or its Agent) are expected to proactively manage intra-month imbalances. Customer (or its Agent) may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems, comply with balancing requirements of the upstream pipeline(s), and to mitigate the need to acquire additional daily supply at prices that would adversely affect sales customers. The Customer (or its Agent) will be responsible for any imbalance charges assessed by upstream pipeline(s) in connection with any gas transported by the Customer under this Rate Schedule.

In the event Customer (or its Agent) fails to abide by the requirements set forth above, the Company shall have the right to curtail deliveries to Customer (Customers in a transportation pool operated by a single Agent will be curtailed on a pro rata basis based on nominated quantities) if an imbalance is negative or reducing Customer's nominated quantities if an imbalance is positive. The Customer will be responsible for any imbalance charges assessed by upstream pipeline(s) in connection with any gas transported by the Customer. The Company reserves the right to take other reasonable action to mitigate system operational problems. The Company will use its reasonable efforts to notify the Customer or the Customer's Agent before proceeding with a unilateral nomination reduction or delivery curtailment and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company. The Company reserves the right to initiate Standby Sales Service if elected by the Customer pursuant to Rate Schedule No. 313 when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems resulting from the gas imbalances of the Customer. The Company will use reasonable efforts to notify the Customer or the Customers' Agent before initiating Standby Sales Service hereunder.

No later than one-hour prior to the NAESB deadline for the timely nomination cycle on the fifth business day prior to the beginning of each month, the Customer must inform the Company of the nominating Agent for gas to be transported. If no notification to the contrary is provided, the Agent providing ~~s~~Service during the prior month shall be deemed to be the nominating Agent by default. No later than one-hour prior to the NAESB deadline for the timely nomination cycle on the fourth business day prior to the beginning of each month, the Customer shall submit a timely and valid nomination for transportation. Changes to nominations for gas transportation within the month are due to the Company no later than one-hour prior to the NAESB deadline for the timely

nomination cycle on the business day prior to gas flow. The Company will have no obligation to accommodate "late" or "next day intraday" or "intraday" nomination changes.

BALANCING ON UPSTREAM PIPELINE(S)

It shall be the Customer's responsibility to remain in balance on a daily and monthly basis with upstream pipeline(s) to avoid any assessment of penalties by such pipeline(s) against the Company. If the Company is assessed a penalty by an upstream pipeline, the Company shall have the right to pass-through all such penalties to the Customer or its Agent if the Customer has had an imbalance with the Company during the period for which the penalty was assessed.

MONTHLY IMBALANCE RESOLUTION

Any differences between the monthly quantities delivered to the Company's city gate facilities for the account of the Customer, and the monthly quantities consumed by the Customer as metered by the Company, shall be the monthly imbalance. The Percentage of Imbalance is defined as the monthly imbalance divided by the monthly quantities consumed by the ~~e~~Customer. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than has been delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If Customer's monthly imbalance is less than or equal to 2% of the total monthly volume consumed or if the total aggregated monthly imbalance for the Agent is less than or equal to 2% of the total monthly volume consumed by all of the Agent's Customers in that transportation pool, and such imbalance or aggregated monthly imbalance is long, then the price paid by the Company will be the sum of (a) the average of the weekly "Weighted Index Price" as defined below plus (b) the pipelines Rate Schedule FT variable charges at the applicable pipeline percentages that comprise the "Weighted Index Price," including applicable fuel and surcharges, for delivery to the Company's city gate.

If Customer's monthly imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated monthly imbalance for the Agent is less than or equal to 2% of the total monthly volume consumed by all of Agent's Customers in that transportation pool, and such imbalance is short, then the price paid by the Customer (or Agent) will be the sum of (a) the average of the weekly "Weighted Index Price" as defined below plus (b) the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price," including applicable fuel and surcharges, for delivery to the Company's city gate.

If the Customer (or Agent) is "short" by more than 2% of the monthly volume consumed, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the highest "Weighted Index Price" for any week beginning in the calendar month as published in *Natural Gas Week*, plus the pipelines Rate Schedule IT charges at the

applicable pipeline percentages that comprise the “Weighted Index Price,” including applicable fuel and surcharges, and deliver to the Company’s city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume consumed, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the lowest “Weighted Index Price” for any week beginning in the calendar month as published in *Natural Gas Week*, plus the pipelines Rate Schedule FT variable charges, including applicable fuel and surcharges, at the applicable pipeline percentages that comprise the “Weighted Index Price” and deliver to the Company’s city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & equal to or less than 5%	110%	90%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

The “Weighted Index Price” shall be derived from the prices published in *Natural Gas Week* in the table Natural Gas Weekly Spot Prices for the following pipeline designations and weighted by the corresponding percentages set forth below:

GULF COAST, Tenn 500 So LA Z1	X	.5
+		
GULF COAST, Tenn 800 So LA Z1	X	.5

If an index listed in the table above fails to publish, the Company will use an average of the published corresponding Gas Daily indexes for the corresponding dates not published in *Natural Gas Week*.

The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Service Schedule No. 311, “Purchased Gas Adjustment (PGA) Rider.” ~~Rule No. 1220-4-1-12 of the TRA Rules and Regulations.~~ Increments or decrements which may result from the PGA adjustments will not apply to the cash-out of imbalances.

AGENCY AUTHORIZATION FORM

Certain Rate Schedules permit a Customer to appoint a Customer’s Agent to act on its behalf with respect to nominations, imbalance resolution, and/or billing. Customer shall authorize a Customer’s Agent by executing an Agency Authorization Form in the form attached to this Rate Schedule. In order to be considered a Customer’s Agent, a third-party must execute and be in compliance with all of the terms of the Customer Agent Agreement form set forth in Appendix A to the Company’s Service Regulations. To the extent that the Agent appointed by the Customer

is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering ~~s~~Service to such Agent. Once a Customer has designated an Agent, the Agent is then authorized to act on behalf of that Customer and as such, the Agent will be considered as the Customer in all corresponding references contained within this Rate Schedule. The Customer may not change Agents within the calendar month without the permission of the Company, unless the Agent's right to conduct business on the Company's system has been suspended by the Company, in which case, the Customer may act without an Agent or may provide written notice to the Company of the new Customer's Agent designated by the Customer. The Company will provide reasonable notice to Customer in the event of any suspension of Customer's Agent and will provide copies to Customer, on an expeditious basis and by electronic or other means, of any formal notices issued to the Customer's Agent. All Agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover from the Agent all costs incurred in providing the Agent access to the electronic bulletin board.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

Piedmont Natural Gas Company, Inc.
Page 5 of 5
Tennessee Service Schedule No. 307

~~First~~ Second Revised

AGENCY AUTHORIZATION FORM

EFFECTIVE DATE _____

CUSTOMER _____

NAME OF FACILITY _____

ACCOUNT NUMBER (S) _____

AGENT _____

AGENT CONTACT _____

AGENT PHONE # _____

This is to advise Piedmont Natural Gas Company that _____ (**Customer**) has authorized _____ (**Agent**) to act on its behalf for the following transactions:

_____ nominations.
_____ imbalance resolution.
_____ billing.

of gas for the above listed account(s). Piedmont Natural Gas Company is hereby authorized to deal with the Agent directly, and the **CUSTOMER AND THE AGENT UNDERSTAND THAT THEY ARE RESPONSIBLE, JOINTLY AND SEVERALLY, FOR ANY AMOUNTS DUE PIEDMONT NATURAL GAS COMPANY ARISING UNDER THIS RATE SCHEDULE, PIEDMONT'S TENNESSEE SERVICE REGULATIONS, OR AGENT'S CUSTOMER AGENT AGREEMENT** which are not paid on these accounts. Customer will provide Piedmont Natural Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least five (5) business days prior to the beginning of the month for the accounts designated, unless the Agent's right to conduct business has been suspended by Piedmont Natural Gas Company without prior notice.

CUSTOMER AUTHORIZED SIGNATURE

AGENT AUTHORIZED SIGNATURE

Please Print:

AGENT'S NAME _____ TITLE _____

PHONE # _____ ~~FAX #~~ EMAIL _____

~~MAILING ADDRESS~~

Please submit completed form to:

~~End User Transportation~~ Citygate Operations
—Piedmont Natural Gas Company —OR— GasCommercialOperations@duke-energy.com

Piedmont Natural Gas Company, Inc.
Page 6 of 5
Tennessee Service Schedule No. 307

~~First~~ Second Revised

~~Fax Number: (704) 364-8320~~
— P. O. Box 33068
— Charlotte, N.C. 28233

RATE SCHEDULE NO. 309

Special Availability Service

AVAILABILITY

Gas ~~S~~service under this ~~rate~~ Rate Schedule is available to any Customer served under TRA-Rate Schedule No. 303, 304, 313, or 314, ~~Customer~~ when the Company has gas supplies or ~~S~~services that it cannot sell at its established fixed rates where the Company's distribution mains are suitable for supplying the desired ~~S~~service. On such occasions, the opportunity is lost to the Company and its Customers. This Rate Schedule is designed to permit the Company to provide ~~sell~~ such gas ~~and~~ ~~S~~services at special rates for the purpose of enabling the Company to compete with alternative fuels and ~~S~~Services available for use by its Customers.

Gas ~~s~~Service under this Rate Schedule is available on a limited term basis to Customers who are connected to the Company's distribution system and would otherwise qualify for ~~commercial and industrial sales or transportation~~ large general-gas Sservice. Gas ~~s~~Service may be provided under this Rate Schedule only in the event that the Company has available supplies or ~~s~~Services that cannot competitively be provided under other ~~R~~ate ~~s~~Schedules. Service under this Rate Schedule is temporary and the Company has the right to discontinue such ~~s~~Service. Gas ~~s~~Service under this ~~R~~ate ~~s~~Schedule will be curtailed prior to ~~s~~Service under any other comparable ~~R~~ate ~~s~~Schedule.

In the event a Customer has zero consumption during any billing month, this ~~tariff~~ Rate Schedule will not apply and ~~s~~Service shall be rendered pursuant to the Customer's ~~company's~~ regular ~~R~~ate ~~s~~Schedules for the class of ~~s~~Service indicated for the purpose of determining a minimum bill and qualifying provisions.

BASE RATE

The Customer shall pay the Company for all gas supplied or ~~s~~Services provided under this ~~s~~Rate ~~S~~chedule at a predetermined rate negotiated prior to delivery for limited term periods up to seven consecutive months.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or ~~s~~Service applications and subject to the Company's Service Regulations ~~as filed with the TRA~~.

PAYMENT TERMS

All bills for ~~s~~Service are due upon presentation and the above stated net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~s~~Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," ~~Rule No. 1220-4-1-.12 of the TRA Rules and Regulations~~ and the operation of ~~Rate~~Service Schedule ~~No.~~ 316, "Performance Incentive Plan."

All Purchased gas adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated base rates in accordance with The Rules, Regulations and Orders of the ~~TRA~~Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional ~~s~~Service or the transfer of existing ~~s~~Service to a higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, the Company's Service Regulations, and The Rules, Regulations, and Orders of the ~~TRA~~Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~s~~Service under this schedule is subject to the provisions contained within ~~TRA~~Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

TREATMENT OF NEGOTIATED MARGIN LOSSES

Margin losses under this ~~r~~Rate ~~s~~Schedule shall be recovered by the Company through the Company's Actual Cost Adjustment (ACA) as provided in the Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider"~~Company's Purchased Gas Adjustment (PGA) Rider (TRA Service Schedule No. 311).~~

RATE SCHEDULE NO. 310

Resale Service

AVAILABILITY

Sales for ~~Resale-resale~~ Service is available under this rate schedule to any qualified local distribution company who purchases natural gas for the purpose of reselling same, where the Company's distribution mains are suitable for supplying the desired ~~S~~service.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule ~~310~~ is firm sales for resale Service.

BASE MARGIN RATE

Demand Charge (per therm of billing demand) \$.80000

Commodity Charge (per therm) \$.~~09000~~49063

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the monthly demand charge.

BILLING DEMAND

Demand determinants shall be those agreed to in the contract.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All ~~C~~customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or ~~s~~Service applications and subject to the Company's Service Rules and Regulations ~~as filed with the TRA~~.

PAYMENT TERMS

All bills for ~~s~~Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

EFFECTIVE: ~~March 1, 2012~~

In the event a ~~e~~Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the ~~C~~eustomer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~S~~service are subject to adjustment caused by changes in the cost of purchased gas in accordance with ~~Service Schedule No. 31, "Purchased Gas Adjustment (PGA) Rider," Rule No. 1220-4-1-.12 of the TRA Rules and Regulations~~ and the operation of ~~Service Rate~~ Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Rider (IMR)."

~~Purchased gas~~ All adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the ~~TRA~~Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional ~~S~~service or the transfer of existing ~~S~~service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, ~~e~~Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, ~~the~~ Company's Service Regulations, and The Rules, Regulations, and Orders of the ~~TRA~~Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~S~~service under this schedule is subject to the curtailment provisions contained within ~~TRA~~Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and ~~the~~ Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

SERVICE SCHEDULE NO. 311

Purchased Gas Adjustment (PGA) Rider

I. General Provisions.

- A. This Purchased Gas Adjustment (PGA) Rider is intended to permit the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its Customers and to assure that the Company does not over-collect or under-collect Gas Costs from its eCustomers.
- B. This Rider is intended to apply to all Gas Costs incurred in connection with the purchase, transportation and/or storage of gas purchased for general system supply, including, but not limited to, natural gas purchased from interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of liquefied natural gas (LNG), liquefied petroleum gas (LPG), compressed natural gas (CNG), renewable natural gas (RNG), substitute, supplemental or synthetic natural gas (SNG), and other hydrocarbons used as feed-stock, other distribution companies and end-users, whether or not the Gas Costs are regulated by the Federal Energy Regulatory Commission and whether or not the provider of the gas, transportation or storage is affiliated with the Company.
- C. To the extent practicable, any revision in the PGA shall be filed with the Authority Commission no less than thirty (30) days in advance of the proposed effective date and shall be accompanied by the computations and information required by this Rider. It is recognized, however, that in many instances the Company receives less than 30 days notice from its Suppliers and that other conditions may exist which may prevent the Company from providing 30 days advance notice. Therefore, should circumstances occur where information necessary for the determination of an adjustment under this Rider is not available to the Company so that the thirty (30) days requirement may be met, the Company may, upon good cause shown, be permitted to place such rates into effect with shorter advance notice.
- D. The rates for gas Service set forth in all of the Rate Schedules of the Company shall be adjusted pursuant to the terms of the PGA, or any -specified portion of the PGA as determined by individual Rate Schedule(s).
- E. No provision of this Rider shall supersede any provision of a Special Contract approved by the Authority Commission.

II. Definitions.

- A. "**Gas Costs**" shall mean the total delivered cost of gas paid or to be paid to Suppliers, including, but not limited to, all commodity/gas charges, demand charges, peaking charges, surcharges, emergency gas purchases, over-run charges, capacity charges, standby charges, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges and take-and-pay charges (except as provided below), storage charges, service fees and transportation charges and any other similar charges which are paid by the Company to its gas suppliers in connection with the purchase, storage or transportation of gas for the Company's system supply, including Company use and lost and unaccounted for gas..

- B. **"Fixed Gas Costs"** shall mean all Gas Costs based on the Company's right to demand gas or transportation on a daily or seasonal peak; but unless otherwise ordered by the ~~Authority~~ Commission, shall not include other charges paid for gas reserve dedication (e.g., reservation fees and gas inventory charges), minimum bill charges, minimum take charges, over-run charges, emergency gas charges, take-or-pay charges or take-and-pay charges (all of which shall be considered commodity costs).
- C. **"Gas Charge Adjustment"** shall mean the per unit amount billed by the Company to its ~~e~~Customers solely for Gas Costs. The Gas Charge Adjustment shall be separately stated for firm ~~e~~Customers and for non-firm Customers.
- D. **"Suppliers"** shall mean any person or entity, including affiliates of the Company, who locates, purchases, sells, stores and/or transports natural gas or its equivalent for or on behalf of the Company. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of LNG, LPG, CNG, RNG, SNG, and other hydrocarbons used as feed-stock, other distribution companies and end-users.
- E. **"Computation Period"** shall mean the twelve (12) month period utilized to compute Gas Costs. Such period shall be the twelve (12) month period ending on the last day of a month which is no more than 62 days prior to the filing date of a PGA.
- F. **"Demand Billing Determinants"** shall mean the annualized volumes for which the Company has contracted with Suppliers as of the first day of the Filing Month.
- G. **"Commodity Billing Determinants"** shall mean the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. Should the Company expect to purchase commodity gas from several Suppliers, the Company shall allocate to each supplier a percentage of the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. The percentage used to allocate among Suppliers shall be based on historical takes during the Computation Period, if appropriate; otherwise it shall be based upon the best estimate of the Company.
- H. **"Filing Month"** shall mean the month in which a proposed revision is to become effective.

III. Computation and Application of the PGA.

The PGA shall consist of three major components: (1) the Gas Charge Adjustment; (2) the Refund Adjustment; and (3) the Actual Cost Adjustment (ACA).

A. **Computation of Gas Charge Adjustment.**

The Company shall compute the jurisdictional Gas Charge Adjustment at such time that the Company determines that there is a significant change in its Gas Costs.

1. **Formulas.** The following formulas shall be used to compute the Gas Charge Adjustment:

$$Firm\ GCA = \left[\left(\frac{D \pm DACA}{SF} \right) - DB \right] + \left[\left(\frac{P + T + SR \pm CACA}{ST} \right) - CB \right]$$

$$Non - Firm\ GCA = \left(\frac{P + T + SR \pm CACA}{ST} \right) - CB$$

1. **Definitions of Formula Components.**

GCA =	The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
D =	The sum of all fixed Gas Costs.
DACA =	The demand portion of the ACA.
P =	The sum of all commodity/gas charges.
T =	The sum of all transportation charges.
SR =	The sum of all FERC approved surcharges.
CACA =	The commodity portion of the ACA.
DB =	The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Authority Commission so approves).
CB =	The per unit rate of variable Gas Costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Authority Commission so approves).
SF =	Firm sales.
ST =	Total sales.

2. **Determination of Factors for Gas Charge Adjustment.**

a. **Demand Charges (Factor D)**

All fixed Gas Costs that do not vary with the amount of gas purchased or transported, including, but not limited to, the product resulting from the multiplication of (1) the respective Demand Billing Determinants by (2) the demand rates effective the first day of the Filing Month and (3) any fixed storage charges.

b. Demand Actual Cost Adjustment (Factor DACA)

See Subsection C of Section III.

c. Purchased Commodity Charges (Factor P)

All commodity or other variable gas costs associated with the amount of gas purchased or transported including, but not limited to, the product resulting from the multiplication of (1) the respective Commodity Billing Determinants by (2) the respective supplier's commodity/gas rate which are known, or if not known which are reasonably anticipated, to be in effect on the first day of the Filing Month.

d. Transportation Charges (Factor T)

The transportation charges actually invoiced to the Company during the Computation Period or expected to be invoiced to the Company during the current period.

e. FERC Approved Surcharges (Factor SR)

The sum of all FERC approved surcharges, including gas inventory charges or its equivalent, actually invoiced or expected to be invoiced to the Company during the Computation Period or to be effective the first day of the Filing Month by respective Suppliers.

f. Actual Cost Adjustment (Factor ACA)

See Subsection C of Section III.

g. Firm Sales (Factor SF)

Total volumes billed to the Company's firm Customers during the Computation Period, regardless of source, adjusted for known and measurable changes.

h. Total Sales (Factor ST)

Total volumes billed to all the Company's eCustomers during the Computation Period, regardless of source, adjusted for known measurable changes.

3. Modification of Formulas.

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Authority-Commission shall act to suspend the proposed amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

4. Filing with the- CommissionAuthority.

The computation of the Gas Charge Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I of this Rider, and shall remain in effect until a revised Gas Charge Adjustment is computed and filed pursuant to this Rider.

The Company shall file with the Authority-Commission a transmittal letter, an exhibit showing the computation of the Gas Charge Adjustment, a PGA tariff sheet, and any applicable revised tariff sheets issued by Suppliers. The transmittal letter shall state the PGA tariff sheet number, the Sservice area(s), the primary reasons for revision, and the effective date.

If the Company proposes to recover any Gas Costs relating to (1) any payments to an affiliate or (2) any payments to a non-affiliate for emergency gas, over-run charges, take-or-pay charges and take-or-pay charges (except as provided below) or (3) the payment of any demand or fixed charges in connection with an increase in contract demand, the Company must file with the Authority-Commission a statement setting forth the reasons why such charges were incurred and sufficient information to permit the Authority-Commission to determine if such payments were prudently made under the conditions which existed at the time the purchase decisions were made.

Any filing of a rate change under this Rider shall be effective on the proposed effective date unless the Authority-Commission shall act to suspend the proposed change within thirty day after the filing, in which case the filing shall be subject to notice and hearing.

The recovery of pipeline take-or-pay charges which were the subject of Docket No. U-87-7590 shall continue to be handled under procedures approved by the Authority-Commission in that docket until such time as such procedures may be modified or amended by further order of the Authority-Commission.

B. Refund Adjustment.

The Refund Adjustment shall be separately stated for firm and non-firm Ccustomers, and may be either positive or negative.

1. Computation of Refund Adjustment.

The Company shall compute a Refund Adjustment on the last day of each calendar quarter using the following formulas:

$$Firm RA = \left(\frac{DR1 - DR2}{SFR} \right) + \left(\frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

$$Non - Firm RA = \left(\frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

2. Definitions of Formula Components.

RA =	The Refund Adjustment in dollars per Ccf/therm, rounded to no more than five decimal places.
DR1 =	Demand refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.
DR2 =	A demand surcharge from a Supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.
CR1 =	Commodity refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.
CR2 =	A commodity surcharge from a supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.
CR3 =	The residual balance of an expired Refund Adjustment.
I =	Interest on the "Refund Due Customers' Account," using the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate 2% below the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter
SFR =	Firm sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.
STR =	Total sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.

3. Modification of Formula.

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Authority Commission shall act to suspend the proposed amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

4. Filing with the Authority Commission.

The computation of the Refund Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I this Rider, and shall remain in effect for a period of twelve (12) months or for such longer or shorter period of time as required to appropriately refund the applicable refund amount.

The Company shall file with the Authority Commission a transmittal letter, exhibits showing the computation of the Refund Adjustment and interest calculations, and a PGA tariff sheet. The transmittal letter shall state the PGA tariff sheet number, the Service area(s), the reason for adjustment, and the effective date. Should the Company have a Gas Charge Adjustment filing to become effective the same date as a Refund Adjustment, a separate transmittal letter and PGA tariff sheet shall not be necessary.

C. Actual Cost Adjustment.

Commencing with the initial effective date of this Rider, the Company shall calculate the ACA monthly. The Company may, at its option, file monthly to include the ACA in its calculation of the Gas Charge Adjustment but shall be required to do so at least annually. The ACA shall be the difference between (1) revenues billed Customers by means of the Gas Charge Adjustment and (2) the cost of gas invoiced the Company by Suppliers plus margin loss (if allowed by order of the Authority Commission in another docket) as reflected in the Deferred Gas Cost account. The balance of said account shall be adjusted for interest at the rate provided for the calculation of interest with respect to the Refund Adjustment. The ACA shall be segregated into demand and commodity, and shall be added to or deducted from, as appropriate, the respective demand and commodity costs included in the Gas Charge Adjustment. Supplemental sheets showing the calculations of margin losses and cost savings shall also be provided.

D. Adjustments to Prior Period ACAs.

In the event that circumstances warrant a correction to or restatement of a prior period ACA, such correction or restatement shall be made in accordance with the ACA calculation in effect for the time period(s) to which the correction or restatement relates. The resulting adjustment shall then be added to or deducted from the appropriate ACA in the next ensuing ACA filing with the Authority Commission.

E. Annual Filing with the ~~Authority~~Commission.

Each year, the Company shall file with the ~~Authority~~Commission an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the ~~Authority~~Commission provides written notification to the Company within 180 days, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of this Rider.

IV. Gas Cost Accounting.

To appropriately match revenues with cost of purchased gas as contemplated under this rule, the Company shall originally record the cost of purchased gas in a "Deferred Gas Cost" account. Monthly, the Company shall debit "Natural Gas Purchases" with an amount equal to any gas cost component included in the Company's base tariff rates (base rate) plus the PGA rate, as calculated hereunder, multiplied by the appropriate sales volumes billed to ~~C~~eustomers. The corresponding monthly credit entry shall be made to the "Deferred Gas Cost" account.

SERVICE SCHEDULE NO. 312

Equal Payment Plan (EPP)

AVAILABILITY

The Equal Payment Plan (“EPP” ~~or “Plan”~~) is available to ~~e~~Cu~~s~~tomers~~s~~ receiving ~~s~~Service under Rate Schedules ~~Nos. 301, and 302 and 352~~ whose accounts are in good standing. For purposes of the EPP, a Customer shall be considered in Good standing shall be defined as if they have not had gas Service terminated for non-payment of bills during the last twelve (12) months or if they have not having been removed from the Plan EPP within the last twelve (12) months for non-payment of bills.

The ~~Plan EPP~~ is designed to provide the ~~e~~Cu~~s~~tom~~e~~r the option of paying equal payments over a twelve-month period and is available during any month of the year. The Company shall have the discretion, but shall not be required, to include existing balances in the calculation of monthly EPP payments Under circumstances where a eCustomer has a difficult time paying his their monthly bills. In circumstances where an existing balance exists, the Company may require that EPP may be used to catch up the past due balance. The customer will be asked to pay as much of the old balance as possible be paid up front in order to help keep future payments as low as possible.

GENERAL TERMS AND CONDITIONS

At the ~~C~~eustomer’s election, the Company will calculate payments under the ~~Plan EPP~~ based on the ~~C~~eustomer’s actual consumption history during the past 12-months adjusted for normal weather. The estimated monthly usage will be priced at the Company’s currently approved margin rates plus an estimated purchased gas adjustment factor based on the forward-looking NYMEX gas futures prices for upcoming 12-month period. Applicable franchise fees and ~~sales taxes~~ are then added to arrive at the estimated annual billing amount. If the ~~C~~eustomer has an outstanding balance and, the Company agrees to include some or all of that balance under the EPP, it will be added to the estimated annual amount. ~~The monthly EPP payment will be calculated by dividing the estimated annual billing amount by twelve. After 11 payments have been made, the eCustomer will be sent a twelfth-month “true-up” bill reflecting any underage or overage of the total of the past 11 payments. Underages will be treated as debits and overages will be treated as credits and applied to the next billing. Refunds may be made by check if the overage exceeds \$25.00. Unless otherwise requested, the customer-Customer will remain on EPP after the twelfth bill with a new monthly EPP amount calculated.~~

MID-YEAR ADJUSTMENTS

In order to avoid unusually large debit or credit balances to the ~~e~~Cu~~s~~tom~~e~~r’s account, the Company may make mid-year adjustments to the EPP payments. During periods of highly volatile wholesale gas prices, more frequent EPP adjustments may be required to avoid unusually large debit or credit balances. The Company will notify the ~~e~~Cu~~s~~tom~~e~~r with a notation on the bill, bill insert or

EFFECTIVE:

March 1, 2012

separate mailing of any adjustments to payments.

EFFECTIVE:

~~March 1, 2012~~

RATE SCHEDULE NO. 313

~~Firm~~-Large General Transportation Service - ~~Firm~~

AVAILABILITY

Gas ~~service~~-Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule ~~313~~ and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

CHARACTER OF SERVICE

The nature of ~~s~~Service provided by Company to Customer under this Rate Schedule is firm transportation Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

Once a qualified Customer elects ~~service~~-Service under this Rate Schedule, all ~~services~~-Services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive ~~service~~Service under Rate Schedule No. 309, "Special Availability Service," concurrent with ~~service~~Service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue ~~service~~Service under this Rate Schedule and receive ~~S~~service under Rate Schedule No. 303, "Large General Sales Service – Firm," by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer ~~Large-large G~~general ~~S~~sales Service under Rate Schedule No. 303, (b) the Company is able to provide Service under Rate Schedule No. 303 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue ~~service~~-Service under this Rate Schedule and Company shall provide Service under Rate Schedule No. 303 effective the first June 1 following the notice.

All gas delivered to pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

The Company will redeliver gas received by Company from upstream pipeline(s) for the Customer's account under this Rate Schedule in accordance with the Customer's scheduled and confirmed nominations and subject to the Company's Operating Conditions.

APPLICABILITY

Transportation ~~service~~-Service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations, subject to such maximum allowable daily deliveries as may be specified in the Gas Service Contract. The Company reserves the right to suspend ~~service-Service~~ on any day when, in the Company's sole opinion, its operating conditions are such that suspension of ~~service-Service~~ is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

STANDBY SALES SERVICE

At the option of the Customer, an election may be made monthly to receive Standby Sales Service from the Company under this Rate Schedule for delivery to the Customer at the Company's city gate. The Customer will also receive Standby Sales Service as a default if the Customer or the Customer's agent fails to submit a timely and valid nomination for transportation ~~S~~service. In addition to paying the Monthly Standby Index Price set forth below for Standby Sales Service hereunder, the Customer will utilize the transportation ~~services~~ Services and incur the charges otherwise applicable under this Rate Schedule to cause such gas supplies to be delivered to the Customer's meter. The price which the Customer shall pay for the gas supplied under this paragraph will be the "Monthly Standby Index Price" defined as follows: The weighted average index price for the applicable month as published in the first *Natural Gas Week* for such month in the table "Natural Gas Weekly Spot Prices" indicated specifically under the "Bid Week" column for:

GULF COAST, Tenn 500 So LA Z1	X	.5
+		
GULF COAST, Tenn 800 So LA Z1	X	.5

If the Customer nominates transportation ~~service-Service~~ hereunder and purchases gas supplies from a third--party supplier, and such Customer's consumption exceeds actual deliveries to the Company from such third party supplier to the point where operational problems are created for the Company, then the Company shall have the right, at its sole discretion, to initiate Standby Sales Service to the Customer. The price for such ~~serviceService~~ shall be the same as set forth above except when the Company is required by such imbalance shortfall to purchase incremental volumes of gas supplies. In this case the Customer receiving Standby Sales Service will pay the higher of (on a daily basis) the "Monthly Standby Index Price" or the "Daily Standby Index Price" defined as follows:

The "Daily Standby Index Price" will be equal to the "Midpoint" daily index price as published in Gas Daily for the day of consumption as stated in the "Daily Price Survey", "Louisiana/Southeast", "Tennessee, 500 Leg." For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day by Gas Daily.

For Days of consumption when any component of the "Monthly Standby Index Price" is not published, the component of the "Monthly Standby Index Price" that was not published shall equal the corresponding midpoint daily index price as published in Gas Daily for the first day of the month of flow. For days of consumption when the "Daily Standby Index Price" is not

published, the "Daily Price" shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day by Gas Daily.

Applicable firm transportation tariff commodity charges, fuel and any other surcharges as defined in the above transporters' FERC approved tariffs will be added to the above standby index prices. The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in accordance with Service Schedule No. 311, "Purchased Gas Adjustment Rider."~~in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220 4-1-12 of the TRA Rules and Regulations.~~ Increments or decrements which may result from the PGA rider adjustments will not apply to the standby index prices.

BASE MARGIN RATE

Monthly Charge	\$800.00
Demand Charge (per therm of billing demand)	\$.80000
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	<u>\$.09682-18700</u>
2 nd Step (15,001-40,000 therms)	<u>\$.08953-16800</u>
3 rd Step (40,001-90,000 therms)	<u>\$.06450-14000</u>
4 th Step (Over 90,000 therms)	<u>\$.02764-08000</u>

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge plus the Demand Charge~~multiplied by the billing demand determined as described below.~~

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas ~~service~~Service. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial ~~service~~Service until ~~service~~Service is terminated at the Customer's request.

BILLING DEMAND

The billing demand shall be determined as follows:

Customer billing demand determinate shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinate will become effective June 1 of each year. ~~The per unit charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.~~

For Customers commencing initial gas ~~service-Service~~ under this Rate Schedule and who do not have a consumption history from other ~~s~~Services provided by the Company, the billing demand determinate shall be based upon a reasonable assumption of usage considering the connected load. If a Customer has received gas ~~service-Service~~ from the Company prior to receiving ~~serviceService~~ under this Rate Schedule but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based on the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers ~~served receiving service~~ under this Rate Schedule shall be required to execute the Company's standard contracts and/or ~~service-Service~~ applications and shall be subject to the Company's ~~Rules and Service~~ Regulations ~~as filed with and approved by the Tennessee Regulatory Authority (TRA).~~

PAYMENT TERMS

All bills for ~~service~~ Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~transportation-s~~ Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with- Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider." ~~Rule No. 1220-4-1-12 of the TRA Rules and Regulations.~~ Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Rider (IMR)."

~~Purchased gas~~ All adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the ~~TRA-Tennessee~~ Public Utility Commission and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional ~~service~~ Service or the transfer of existing ~~service~~ Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, the ~~TRA-Rules, -and~~ Regulations, and Orders of the ~~TRA-Tennessee~~ Public Utility Commission and the Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~s~~ Service under this Rate Schedule ~~schedule~~ is subject to the provisions contained within ~~TRA-Service~~ Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

BALANCING, CASH-OUT, AND AGENCY AUTHORIZATION

Service under this Rate Schedule shall be subject to all of the provisions and requirements of ~~Rate-Service~~ Schedule No. 307, "Balancing, Cash-Out, and Agency Authorization."

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RATE SCHEDULE NO. 314
INTERRUPTIBLE TRANSPORTATION
SERVICE**Large General Transportation Service -**
Interruptible

AVAILABILITY

Gas ~~s~~Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule ~~314~~ and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is interruptible transportation ~~S~~service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

Once a qualified Customer elects ~~service~~ Service under this Rate Schedule, all ~~S~~services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive ~~s~~Service under Rate Schedule No. 309, "Special Availability Service," concurrent with ~~s~~Service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue ~~s~~Service under this Rate Schedule and receive ~~s~~Service under Rate Schedule No. 304, "Large General Sales Service – Interruptible," and/or ~~310~~ by giving written notice to the Company prior to April 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer ~~Interruptible-interruptible~~ ~~G~~general ~~S~~sales Service under Rate Schedule No. 304, (b) the Company is able to provide Service under Rate Schedule No. 304 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue ~~S~~service under this Rate Schedule and Company shall provide Service under Rate Schedule No. 304/310, as applicable, effective the first June 1 following the notice.

All gas delivered to pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

The Company will redeliver gas received by Company from upstream pipeline(s) for the

Customer's account under this Rate Schedule in accordance with the Customer's scheduled and confirmed nominations and subject to the Company's Operating Conditions.

Customers ~~receiving services underserved pursuant to~~ this Rate Schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas ~~s~~Service without further notice to the Customer in the event Customer fails to interrupt or curtail Customer's use of gas in accordance with the Company's notice of interruption or curtailment.

APPLICABILITY

Transportation ~~S~~service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver **ON AN INTERRUPTIBLE BASIS** gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations. The Company reserves the right to suspend ~~S~~service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of ~~s~~Service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

BASE MARGIN RATE

Monthly Charge	\$800.00
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$. 0968213500
2 nd Step (15,001-40,000 therms)	\$. 0895311050
3 rd Step (40,001-90,000 therms)	\$. 0645909100
4 th Step (Over 90,000 therms)	\$. 04035

\$.~~02764~~

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge.

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas ~~s~~Service. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial ~~s~~Service until ~~s~~Service is terminated at the Customer's request.

COMMODITY CHARGE

EFFECTIVE: ~~March 1, 2012~~

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers receiving ~~s~~Service pursuant to this Rate Schedule shall be required to execute the Company's standard contracts and/or ~~S~~service applications and shall be subject to the Company's ~~Rules and Service~~ Regulations ~~as filed with and approved by the Tennessee Regulatory Authority (TRA).~~

PAYMENT TERMS

All bills for ~~s~~Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~transportation~~ ~~S~~service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider." ~~Rule No. 1220 4-1-12 of the TRA Rules and Regulations.~~ Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Ride (IMR)r."

~~Purchase gas~~All adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the ~~TRA~~Tennessee Public Utility Commission and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional ~~s~~Service or the transfer of existing ~~s~~Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, the ~~TRA~~Rules, ~~and~~ Regulations, ~~the and~~ Orders of the ~~TRA~~Tennessee Public Utility Commission, and the Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~S~~service under this schedule is interruptible and is subject to the provisions contained within ~~TRA~~Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

BALANCING, CASH-OUT, AND AGENCY AUTHORIZATION

Service under this Rate Schedule shall be subject to all of the provisions and requirements of ~~Rate~~Service Schedule No. 307, "Balancing, Cash-Out, and Agency Authorization."

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those

described in Section 1 of the Company's Service Regulations.

SERVICE SCHEDULE NO. 315

Weather Normalization Adjustment

(WNA) Rider

I. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas ~~s~~Service set forth in any ~~r~~Rate ~~s~~Schedules utilized by the ~~Authority~~Commission in determining normalized test period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment".

The Weather Normalization Adjustment will be applicable for bills rendered on and after October 1 and continuing through the final billing cycle in April of each year.

II. Definitions

For the purposes of this Rider:

"~~Authority~~Commission" means the Tennessee ~~Regulatory Authority~~Public Utility Commission.

"Relevant Rate Order" means the final order of the ~~Authority~~Commission in the most recent litigated rate case of the Company or Annual Review Mechanism of the Company authorized by the Commission pursuant to T.C.A. § 65-5-103(d)(6), fixing the rates of the Company, or the most recent final order of the ~~Authority~~Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

III. Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment shall be computed to the nearest one-hundredth cent per therm by the following formula:

$$WNA_i = R_i \quad * \quad \frac{(HSF_i(NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where:

I = any particular rate schedule or billing classification within any particular rate schedule that contains more than one billing classification.

WNA_i = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per therm.

R_i = weighted average base rate (base rate less any embedded gas cost) of temperature sensitive sales for the i^{th} schedule or classification utilized by the ~~Authority~~Commission in the Relevant Rate Order for the purpose of

determining normalized test year revenues.

HSF_1 = heat sensitive factor for the i^{th} schedule or classification utilized by the ~~Authority~~Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

NDD = normal billing cycle heating degree days utilized by the ~~Authority~~Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

ADD = actual billing cycle heating degree days.

BL_i = base load sales for the i^{th} schedule or classification utilized by the ~~Authority~~Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

IV. Filing with ~~Authority~~Commission

The Company will file as directed by the ~~Authority~~Commission (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

SERVICE SCHEDULE NO. 316

Performance Incentive Plan

Applicability

The Performance Incentive Plan (the Plan) replaces the annual reasonableness or prudence review of the Company's gas purchasing activities overseen by the Tennessee Public Utility Commission Regulatory Authority (Authority Commission or ~~TRA~~TPUC). The Plan does not preclude the Authority Commission from conducting an independent investigation into or examination of any aspect of the Plan or the Company's conduct thereunder. The Plan is designed to provide incentives to the Company in a manner that will produce rewards for its customers and its stockholders and improvements in the Company's gas procurement and capacity management activities. Each plan year (Plan Year) will begin July 1st. The annual provisions and filings herein would apply to this annual period. The Plan will continue until the Plan is either (a) terminated at the end of a Plan Year by not less than 90 days notice by the Company to the Authority Commission or (b) the Plan is modified, amended or terminated by the Authority Commission on a prospective basis.

Overview of Structure

The Plan establishes a predefined benchmark index to which the Company's commodity cost of gas is compared. It also addresses the recovery of gas supply reservation fees and the treatment of off-system sales and wholesale interstate sale for resale transactions. The net incentive benefits or costs will be shared between the Company's customers and the Company on a 75%-customers / 25%- stockholders basis for the Plan Year commencing on July 1, 2006.

The Plan also is designed to encourage the Company to actively market off-peak unutilized transportation and storage capacity on pipelines in the secondary market. It also addresses the sharing of asset management fees paid by asset managers, and other forms of compensation received by the Company for the release and/or utilization of the Company's transportation and storage assets by third-parties. The Company shall notify the ~~TRA~~TPUC Staff and the Consumer Advocate and Protection Division of the Office of the Attorney General (CAD) of all "other forms of compensation" prior to inclusion of such compensation in the Plan. The net incentive benefits or costs of such activities will be shared between the Company's customers and the Company utilizing a 75%-customers / 25%-stockholders formula commencing on July 1, 2006.

Every three years the Company's activities under the Plan will be reviewed comprehensively by an independent consultant. The first triennial review shall occur in the autumn of 2008. The scope of the review may include all transactions and activities related to the Performance Incentive Plan, including, but not limited to, natural gas procurement, capacity management, storage, hedging, reserve margins, and off-system sales.

The Company is subject to a cap on overall incentive gains or losses of \$1.6 million annually. In connection with the Performance Incentive Plan, the Company shall file with the ~~Authority~~ TPUC Staff,

and supply a copy to the ~~Consumer Advocate and Protection Division of the Tennessee Attorney General~~ (CAD), and update each year, a Three Year Supply Plan. The Company will negotiate/obtain firm capacity, interruptible capacity and/or gas supply pursuant to such plan.

Commodity Costs

Each month the Company will compare its *total city gate commodity and cost of gas*¹ to a benchmark dollar amount. The benchmark gas cost will be computed by multiplying total actual purchase quantities for the month by a price index. The monthly price index is defined as:

$$I = F_f(P_0K_0 + P_1K_1 + P_cK_c + \dots P_\alpha K_\alpha) + F_0O + F_dD; \text{ where} \\ F_r + F_0 + F_d = 1; \text{ and}$$

I = the monthly city gate commodity gas cost index.

F_f = the fraction of gas supplies purchased in the first-of-the-month market which are transported to the city gate under the Company's FT, negotiated FT, and IT service agreements.

P = the Inside FERC Gas Market Report price index for the first-of-the-month edition for a geographic pricing region, where subscript 0 denotes Tennessee Gas Pipeline (TGP) Rate Zone 0; subscript 1 denotes TGP Rate Zone 1; subscript C denotes Columbia Gulf Transmission (CGT) - mainline, and subscript α denotes new incremental firm services to which the Company may subscribe in the future.² The indices used for calculating Midwestern capacity shall be those produced by Natural Gas Intelligence for monthly purchases and Gas Daily for daily purchases. The commodity index prices will be adjusted to include the appropriate pipeline

¹ Gas purchases associated with service provided under Texas Eastern Transmission Company Rate Schedule SCT shall be excluded from the incentive mechanism. The Company will continue to recover 100 percent of these costs through its PGA with no profit or loss potential. Extension or replacement of such contract shall be subject to the same competitive bidding procedures that will apply to other firm gas supply agreements. In addition, the Plan will measure storage gas supplies against the benchmark index during the months such quantities are purchased for injection. For purposes of comparing such gas purchase costs against the monthly city gate index price, the Company will exclude any commodity costs incurred downstream of the city gate to storage so that the Company's actual costs and the benchmark index are calculated on the same basis.

² To the extent that the Company renegotiates existing reservation fee supply contracts or executes new reservation fee supply contracts with commodity pricing provisions at a discount to the first-of-the-month price index, the Company shall modify the monthly commodity price index to reflect such discount.

firm transportation (FT) and interruptible transportation (IT) commodity transportation charges and fuel retention to the city gate under the Company's FT, negotiated FT, and IT service agreements.³

K = the fraction (relative to total maximum daily contract entitlement) of the Company's total firm, negotiated firm, and interruptible transportation capacity under contract in a geographic pricing region, where the subscripts are as above.⁴

F_o = the fraction of gas supplies purchased in the first-of-the-month spot market which are delivered to the Company's system using transportation arrangements other than the Company's FT, negotiated FT, and IT contracts.

O = the weighted average of Inside FERC Gas Market Report first-of-the-month price indices, plus applicable IT rates and fuel retention, from the source of the gas to the city gate, where the weights are computed based on actual purchases of gas supplies purchased by the Company and delivered to the Company's system using transportation arrangements other than the Company's FT, negotiated FT, and IT contracts.

F_d = the fraction of gas supplies purchased in the daily spot market.

D = the weighted average of daily average index commodity prices taken from Gas Daily for the appropriate geographic pricing regions, where the weights are computed based on actual purchases made during the month. The commodity index prices will be adjusted to include the appropriate transportation commodity charges and fuel retention to the city gate.

Gas Supply Reservation Fees

The Company will continue to recover 100% of gas supply reservation fee costs through its PGA with no profit or loss potential. For new contracts and/or contracts subject to renegotiation during the Plan Year, the Company will solicit bids for gas supply contracts containing a reservation fee.

Off-System Sales And Sale For Resale Transactions

³ Capacity released for a month shall be excluded from the benchmark calculation for that month, excluding capacity released under an agreement where the Company maintains city gate delivery rights for the released capacity during such month.

⁴ Because the aggregate maximum daily contract quantities in the Company's FT contract portfolio vary by month over the course of the year, the weights will be recalculated each month to reflect actual contract demand quantities for such month. The contract weights, and potentially the price indices used, will also vary as the Company renegotiates existing or adds new FT contracts. As new contracts are negotiated, the Company shall modify the index to reflect actual contract demand quantities and the commodity price indices appropriate for the supply regions reached by such FT agreements. Citygate benchmark calculations shall be computed utilizing the Company's Design Day delivery requirements (deliveries required on a peak day).

Margin on off-system sales and wholesale sale-for-resale transactions using the Company's firm, negotiated firm, and interruptible transportation and capacity entitlements (the costs of which are recovered from the Company's ratepayers) shall be credited to the Plan and will be shared with ratepayers. Margin on such sales will be defined as the difference between the sales proceeds and the total variable costs incurred by the Company in connection with the transaction, including transportation and gas costs, taxes, fuel, or other costs. For purposes of gas costs, the Company will impute such costs for its related supply purchases at the benchmark first-of-the-month or daily index, as appropriate, on the pipeline and in the zone in which the sale takes place. The difference between the Company's actual costs and such index price is taken into account under the Plan. After deducting the total transaction costs from the sales proceeds, any remaining margin will be credited to commodity gas costs and shared with customers on a 75%- customer / 25%-stockholders basis.

Capacity Management

To the extent the Company is able to release transportation or storage capacity, or generate transportation or storage margin associated with off-system or wholesale sales-for-resale, the associated cost savings and/or asset management fees, or other forms of compensation associated with such activities, shall be shared by the Company and customers according to the following sharing formula: 75%-customers / 25%-stockholders. The Company shall notify the ~~TRA~~-TPUC Staff and the Consumer Advocate and Protection Division of the Office of the Attorney General (CAD) of all "other forms of compensation" prior to inclusion of such compensation in the Plan.

Hedging Activities

The Company may engage in hedging transactions⁵ within the PGA/ACA mechanism. Costs related to hedging transactions may be recovered through the ACA account; provided, however, that such costs recovered through the ACA account shall not exceed one percent (1%) of total annual gas costs.⁶ Costs related to hedging transactions recoverable through the ACA account shall be defined as all direct, transaction related costs arising from the Company's prudent efforts to stabilize or hedge its commodity gas costs including, without limitation, brokerage fees, and the costs of financial instruments.

All costs related to hedging transactions, in addition to all gains and losses from hedging transactions, shall be credited/debited to the ACA account in the respective month that each hedging transaction closes. Costs related to hedging transactions that are incurred prior to the month that the hedging transaction closes shall be temporarily recorded in a separate, non-interest-bearing account for tracking purposes.

⁵ Hedging transactions, as used herein, shall include but not be limited to futures contracts, financial derivative products, storage swap arrangements, or other private agreements to hedge, manage or reduce gas costs.

⁶ One percent (1%) of total annual gas costs, for the purposes of establishing a recovery cap, shall be computed from the most current audited and approved gas costs for the Company in a TRA docket as of the first day of the month, 12 months prior to the first day of the period under audit.

Determination of Shared Saving

Each month during the term of the Plan, the Company will compute any gains or losses in accordance with the Plan. If the Company earns a gain, a separate Incentive Plan Account (IPA) will be debited with such gain. If the Company incurs a loss, that same IPA will be credited with such loss. During a Plan Year, the Company will be limited to overall gains or losses totaling \$1.6 million. Interest shall be computed on balances in the IPA using the same interest rate and methods as used in the Company's Actual Cost Adjustment (ACA) account. The offsetting entries to IPA gains or losses will be recorded to income or expense, as appropriate. At its option, however, the Company may temporarily record any monthly gains in a non-regulatory deferred credit balance sheet account until results for the entire Plan Year are available.

Gains or losses accruing to the Company under the Plan will form the basis for a rate increment or decrement to be filed and placed into effect separate from any other rate adjustments to recover or refund such amount over a prospective twelve-month period. The Company is subject to a cap on overall incentive gains or losses of \$1.6 million annually.

Each year, effective November 1, the rates for all customers, excluding transportation customers who receive no direct benefit from any gas cost reductions resulting from the Plan, will be increased or decreased by a separate rate increment or decrement designed to amortize the collection or refund of the June 30 IPA balance over the succeeding twelve-month period. The increment or decrement will be established by dividing the June 30 IPA balance by the appropriate volumetric billing determinants for the twelve months ended June 30. During the twelve-month amortization period, the amount collected or refunded each month will be computed by multiplying the billed volumetric determinants for such month by the increment or decrement, as applicable. The product will be credited or debited to the IPA, as appropriate. The balance in the IPA will be tracked as a separate collection mechanism. Subject to approval by the ~~TRA~~TPUC, the Company may also propose to refund positive IPA balances on an intra-year basis by making direct bill credits to all customers (except transportation customers) where such direct bill credit would be beneficial to customers.

Filing with the ~~Authority~~Commission

The Company will file calculations of shared savings and shared costs quarterly with the ~~Authority~~Commission not later than 60 days after the end of each interim fiscal quarter and will file an annual report not later than 60 days following the end of each Plan Year. Unless the ~~Authority~~Commission provides written notification to the Company within 180 days of the annual reports, the Incentive Plan Account shall be deemed in compliance with the provisions of this Service Schedule. The ~~Authority~~TPUC Staff may expand the time for consideration of the annual reports by up to an additional sixty (60) days upon written notification to the Company or longer by mutual agreement or upon a showing of good cause.

Periodic Index Revisions

Because of changes in the natural gas marketplace, the price indices utilized by the Company,

and the composition of the Company's purchased gas portfolio may change. The Company shall, within sixty (60) days of identifying a change to a significant component of the mechanism, provide notice of such change to the ~~Authority~~Commission. Unless the ~~Authority~~Commission provides written justification to the Company within sixty (60) days of such notice, the price indices shall be deemed approved as proposed by the Company.

~~Gas Supply Incentive Compensation Program~~

~~The Company has in place a Gas Supply Incentive Compensation Program (the Program) designed to provide incentive compensation to selected Gas Supply non-executive employees involved in the implementation of the Company's Incentive Plan and Secondary Marketing Programs in a manner consistent with the benefits achieved for customers and shareholders through improvements in gas procurement and secondary marketing activities. Participants in the program receive incentive compensation as recognition for their contribution to the customers and shareholders of the Company through lower gas costs and gains related thereto. Performance measures are established for the Program each year.~~

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~~During the time this tariff is in effect, the Company will continue to have in place the Gas Supply Incentive Compensation Program, as detailed to the Authority, as it relates to the Company's Incentive Plan. The Company will advise the Authority in writing of any changes to the Program, and unless the Company is advised within 60 days, said changes will become effective. The Authority may expand the time for consideration of such changes upon written notification to the Company. No filing for prior approval is required for changes in the performance measures.~~

Triennial Review

A comprehensive review of the transactions and activities related to the Performance Incentive Plan shall be conducted by an independent consultant once every three years. The initial triennial review shall be conducted in the autumn of 2008 and subsequent triennial reviews shall be conducted every third year thereafter. The ~~TRA-TPUC~~ Staff, the CAD, and the Company shall make an effort to maintain a list of no less than five (5) mutually agreeable independent consultants or consulting firms qualified to conduct the aforementioned review. Any dispute concerning whether an independent consultant shall be added to the list shall be resolved by the ~~TRA-TPUC~~ Staff, after consultation with the Company and the CAD. For each review, the ~~TRA-TPUC~~ Staff shall select three (3) prospective independent consultants from that list. Each such consultant shall possess the expertise necessary to conduct the review. The ~~TRA-TPUC~~ Staff shall provide the list of prospective independent consultants to the Company and the CAD via e-mail. The Company and the CAD shall have the right, but not the obligation, to strike one (1) of the prospective independent consultants from the list by identifying the stricken consultant in writing to the ~~TRA-TPUC~~ Staff within thirty (30) days from the date the list is e-mailed. The ~~TRA-TPUC~~ Staff shall select the independent consultant from those remaining on the list after the Company's and the CAD's rights to strike have expired. The cost of the review shall be reasonable in relation to its scope. Any and all relationships between the independent

consultant and the Company, the ~~TRA-TPUC~~ Staff, and/or the CAD shall be disclosed, and the independent consultant shall have had no prior relationship with either the Company, the ~~TRA-TPUC~~ Staff, or the CAD for at least the preceding five (5) years unless the Company, the ~~TRA-TPUC~~ Staff and the CAD agree in writing to waive this requirement. The ~~TRA-TPUC~~ Staff, the CAD and the Company may consult amongst themselves during the selection process; provided, however, that all such communications between the parties shall be disclosed to any party not involved in such communication so that each party may participate fully in the selection process.

The scope of the triennial reviews may include all transactions and activities related either directly or indirectly to the Performance Incentive Plan as conducted by the Company or its affiliates, including, but not limited to, the following areas of transactions and activities: (a) natural gas procurement; (b) capacity management; (c) storage; (d) hedging; (e) reserve margins; and (f) off-system sales. The scope of each triennial review shall include a review of each of the foregoing matters as well as such additional matters as may be reasonably identified by the Company, the ~~TRA-TPUC~~ Staff, or the CAD relative to the operation or results of the Performance Incentive Plan.

The Company, the ~~TRA-TPUC~~ Staff, or the CAD may present documents and information to the independent consultant for the independent consultant's review and consideration. Copies of all such documents and information shall be presented simultaneously to the independent consultant and all other parties.

The independent consultant shall make findings of fact, as well as identify and describe areas of concern and improvement, if any, that in the consultant's opinion warrant further consideration; however, the independent consultant shall not propose changes to the structure of the Performance Incentive Plan itself. The independent consultant shall complete and issue a written report of its findings and conclusions by July 1 of the year immediately following the triennial review. The report deadline may be waived by the written consent of the ~~TRA-TPUC~~ Staff, the Company, and the CAD.

The independent consultant shall not propose changes to the structure of the Performance Incentive Plan itself; however, the ~~TRA-TPUC~~ Staff, the Company, or the CAD may use the report of the independent consultant as grounds for making recommendations or proposed changes to the ~~AuthorityCommission~~, and the ~~TRA-TPUC~~ Staff, the Company, or the CAD may support or oppose such recommendations or proposed changes. Any proposed changes to the structure of the Performance Incentive Plan resulting from the initial triennial review or subsequent triennial reviews, whether adopted by agreement or pursuant to a ruling of the ~~AuthorityCommission~~, shall be implemented on a prospective basis only beginning with the incentive Plan Year immediately following such agreement or ruling.

The cost of the triennial reviews shall be paid initially by the Company and recovered through the ACA account. The ~~TRA-TPUC~~ Staff may continue its annual audits of the IPA and the ACA account, and the triennial reviews shall not in any way limit the scope of such annual audits.

Piedmont Natural Gas Company, Inc.
~~TRA-Tennessee~~ Service Schedule No. 316

~~Fourth-Fifth~~ Revised Page 8 of 8

The CAD retains all of its statutory rights, and the triennial reviews shall not in any way affect such rights.

EFFECTIVE: ~~March 1, 2012~~

SERVICE SCHEDULE 317
Integrity Management Rider

1. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in Rate Schedules 301, 302, 303, 304, 310, 313, 314, and 352 (“Applicable Rate Schedules”) of Piedmont Natural Gas Company (“Company”) shall be adjusted by an amount hereinafter described which amount is referred to as the “Integrity Management Adjustment.” The Integrity Management Adjustment shall be calculated as an increment and applied to Applicable Rate Schedules to recover the “Integrity Management Revenue Requirement” (IMRR), and the balance in the “Integrity Management Deferred Account.” The Integrity Management Deferred Account shall be established by a monthly adjustment hereinafter described, which monthly adjustment is referred to as the “Integrity Management Deferred Account Adjustment” and shall track the Company’s recovery of the IMRR.

2. Definitions

For the purposes of this Rider:

“Authority” means the Tennessee Regulatory Authority.

“DIMP” means the regimen referred to as the distribution integrity management planning under Subpart P of Part 192 of the United States Department of Transportation (“U.S. DOT”) regulations.

“Integrity Management Deferred Account” means the account reflecting the cumulative difference between the amounts authorized for collection pursuant to this Rider and the collections actually received. The over or under collected amount is a result of the billing determinants used to establish the billing increment associated with this Rider for each Applicable Rate Schedule.

“Integrity Management Investment Amount” means the approved amount of actual capital investment of the Company resulting from prevailing state and federal standards for pipeline integrity and safety for complying with DIMP and TIMP regulations and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Integrity Management Investment Amounts associated with this Rider shall be included in base rates.

“Refund Adjustments” means the adjustment to the IMRR applicable to the coming annual period for the net amount of over or under collections in the Integrity Management Deferred Account, as adjusted for Interest.

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 2 of 6

“Relevant Rate Order” means the final order of the Authority in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

“TIMP” means the regimen referred to as the transmission integrity management planning under Subpart O of Part 192 of the U.S. DOT regulations.

“Vintage Year” means the fiscal year during which the Integrity Management Investment Amount is made.

3. Computation of Integrity Management Revenue Requirement

The total revenue requirement will be calculated for each Vintage Year, as follows:

Integrity Management Investment Amount	\$X,XXX,XXX
Less: Accumulated Depreciation	XXX,XXX
Less: Accumulated Deferred Income Taxes	XXX,XXX
Net Investment	<u>\$X,XXX,XXX</u>
Pre-Tax ROR set forth in the Relevant Rate Order	X.XX%
Allowed Pre-Tax Return	\$X,XXX,XXX
Plus: Depreciation Expense	XXX,XXX
Plus: Property Taxes	<u>XXX,XXX</u>
Total, Excluding Uncollectibles	\$X,XXX,XXX
Multiplied by: Uncollectibles Gross-Up Factor	<u>X.XXXXX</u>
Total Revenue Requirement, Excluding Refund Adjustments	\$X,XXX,XXX

Where:

Accumulated Depreciation	=	Accumulated depreciation calculated using rates approved in Relevant Rate Order
Accumulated Deferred Income Taxes	=	An average of the actual accumulated deferred income taxes at the beginning and end of the year
Depreciation Expense	=	Approved actual Integrity Management Investment Amount x Depreciation Rates approved in the Relevant Rate Order

EFFECTIVE: January 1, 2014

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 3 of 6

Property Taxes	=	Composite property tax rate approved in the Relevant Rate Order
Uncollectibles Gross-Up Factor	=	Uncollectibles gross-up factor used and approved in the Relevant Rate Order

The total of the revenue requirements for each Vintage Year is the IMRR. The total amount to be recovered through the Integrity Management Adjustment is the IMRR plus the Refund Adjustment.

4. Computation of Integrity Management Deferred Account Adjustment

Each month the Company will record in the Integrity Management Deferred Account the portion of the IMRR that corresponds to that month, based on the monthly allocation of throughput consistent with the Relevant Rate Order. Furthermore, each month the Company will make an offsetting entry to the Integrity Management Deferred Account for the amount of the Integrity Management Adjustment collected from customers. The amount of the Integrity Management Adjustment collected from customers will be computed by multiplying the Integrity Management Adjustment billing increment for each Applicable Rate Schedule by the corresponding actual terms of usage billed to customers for the month. The Company shall also record in the Integrity Management Deferred Account each month the interest due from or to customers related to the cumulative under or over collection of the IMRR, pursuant to the terms described in Section 6 of this Rider. An illustration of the monthly journal entries described above is as follows:

	<u>Debit</u>	<u>Credit</u>
1. To record revenue:		
Integrity Management Deferred Account	\$XXX,XXX	
Income		\$XXX,XXX
2. To record collections:		
Accounts Receivable	\$XXX,XXX	
Integrity Management Deferred Account		\$XXX,XXX
3. To record interest:		

If the Integrity Management Deferred Account has a net debit balance, which reflects net under-collections:

EFFECTIVE: January 1, 2014

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 4 of 6

Integrity Management Deferred Account	\$X,XXX	
Interest Income		\$X,XXX

If the Integrity Management Deferred Account has a net credit balance, which reflects net over-collections:

Interest Expense	\$X,XXX	
Integrity Management Deferred Account		\$X,XXX

5. Computation of Integrity Management Adjustment

The Integrity Management Adjustment will be adjusted annually using 1) actual Integrity Management Investment Amounts that the Authority has found to be reasonable, prudent, and necessary to comply with the safety regulations approved for recovery through this Rider, and 2) the Refund Adjustment recognizing the actual balance in the Integrity Management Deferred Account.

Effective for the first day of January's Bill Cycle Month, the Integrity Management Adjustment shall be calculated for each customer class to the nearest one-thousandth cent per therm, by the following formula:

Customer Class Integrity Management Adjustment	=	(Allocated portion of the Integrity Management Deferred Account Balance / Customer Class Annual Therms)
	+	(Allocated portion of the IMRR/Customer Class Annual Therms)

Where:

Integrity Management Deferred Account Balance	=	Balance at October 31
Allocated portion of the Integrity Management Deferred Account Balance	=	Integrity Management Deferred Account Balance
	x	(Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin revenue requirement for Applicable Rate Schedules from Relevant Rate Order)

EFFECTIVE: January 1, 2014

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 5 of 6

Allocated portion of the IMRR	=	IMRR
	x	(Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin revenue requirement for Applicable Rate Schedules from Relevant Rate Order)
Customer Class Annual Therms	=	Annualized and Normalized throughput assigned to the respective Customer Classes in the Relevant Rate Order
Residential Customer Class	=	Rate Schedule 301
Commercial Customer Class	=	Rate Schedules 302 and 352
Firm Large General Customer Class	=	Rate Schedules 303, 313 and 310
Interruptible Large General Customer Class	=	Rate Schedules 304 and 314

6. Interest

The Company may recover interest on the “Integrity Management Deferred Account” based on the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate equal to the rate used to compute interest on the “Refund Due Customers’ Account” as prescribed by TRA Rule 1220-4-7-.03.

7. Monthly Filing with Authority

The Company will file monthly as directed by the Authority (a) detail of the current month’s Integrity Management Investment Amount, (b) the cumulative Integrity Management Investment subject to this Rider, (c) a schedule detailing the Integrity Management Deferred Account Adjustment recorded for the month, and (d) any related general ledger support. Such reports will be filed within 45 days after the end of the month for which the report is being filed.

8. Annual Filing with Authority

The Company will include in its Annual Filing made not later than each November 30th the following information: (a) the monthly filing (pursuant to Section 7 of this Rider) for October, (b) a schedule of all journal entries made related to this Rider

EFFECTIVE: January 1, 2014

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 6 of 6

for the previous 12 months, (c) actual billing determinants for the prior 12 months as used in the computation of the Integrity Management 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) an affirmative statement of whether the Company is aware of any changes in the market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist.

The Company will simultaneously copy the Consumer Advocate on its Annual Filing.

9. Notice Requirements

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January. With the filing, the Company will include a copy of the computation of the Integrity Management Adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

10. Expansion of the Rider Beyond DIMP and TIMP Costs

If the Company wants to expand the recoverable capital investments allowed in the Integrity Management Investment Amount for safety regulations that are not related to DIMP or TIMP compliance, the Company is required to file a request, not less than 120 days prior to the Annual Filing discussed in Section 8 of this Rider, for the Authority to determine that cost recovery of capital investments under the safety regulations other than DIMP and TIMP are in the public interest prior to recovery of such costs in the Rider. The Company will simultaneously copy the Consumer Advocate on all such requests.

11. Public Interest Review

After a period of three years from the initial effective date of this Rider, the Consumer Advocate or other interested parties may file petitions seeking the Authority to reconsider whether the Rider remains in the public interest. Notwithstanding the aforementioned, the Consumer Advocate or any other interested party may file a petition for the Authority to reconsider the public interest of the Rider within the 3-year period upon a material change in conditions affecting the public interest.

RATE SCHEDULE NO. 343

Motor Vehicle Fuel Service

APPLICABILITY AND CHARACTER OF SERVICE

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to all existing and qualified potential Customers under Rate Schedules Nos. 301, 302, 303, 304, 310, 313, 314, and 352 seeking to purchase or transport ~~Natural Gas~~gas for use as a motor vehicle fuel. All requests for Service under this Rate Schedule shall be subject to application and consent by the Company to such Service, as provided in the Company's Service Regulations.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule shall be commensurate with the nature of Service for which the Customer is qualified under the applicable Rate Schedule identified above. Gas received under the provisions of this Rate Schedule shall be used for motor vehicle fuel purposes only.

All gas delivered pursuant to this Rate Schedule shall be metered and billed by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules for non-motor vehicle fuel purposes.

<u>BASE MARGIN RATE</u> <u>October)</u>	<hr/>	
	Winter <u>(November-March)</u>	Summer <u>(April-</u>
Monthly Charge (\$)	<hr/>	varies by customer
Commodity Charge (\$ r <u>Commodity Charge (\$ r</u> Rate per T <u>Rate per T</u> therm) <u>therm)</u>	<hr/>	per
their corresponding		
Commodity Charge (\$ r <u>Commodity Charge (\$ r</u> Rate per GGE) <u>Rate per GGE)</u>	<hr/>	Rate
Schedule, as listed above		

The base margin rates and charges to be charged for Gas Service pursuant to this Rate Schedule ~~343~~ shall be those ~~rates and charges (and components and riders thereof)~~ applicable to the corresponding individual Rate Schedule under which the Customer qualifies for Service. These rates and charges are set forth on the Company's Tariff Sheet No. 1. Those Customers under this Rate Schedule ~~343~~ using Company owned and maintained compression facilities and related equipment shall be billed at a maximum rate of \$0.50 per therm, in addition to the margin rate for Service under this Rate Schedule ~~343~~.

The Company may at its discretion offer a rate discount on a not unduly discriminatory basis to customers, up to the per therm compression charge referenced above, in order to compete with

alternative fuel providers and further develop the market demand for natural gas vehicular fuel or the facilities available to serve such demand.

MOTOR VEHICLE FUEL TAXES

The rates to be charged for gas Service pursuant to this Rate Schedule do not include applicable Federal, State and/or local highway motor fuel use taxes and fees. Customer shall be solely and exclusively responsible for the payment of any local, state, or federal road tax, motor fuel tax, or similar tax, fee or charge attributable to or arising out of the utilization of Gas delivered hereunder as a motor vehicle fuel.

SERVICE AGREEMENTS

All Customers receiving gas pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or ~~service~~Service applications and shall be subject to the Company's Service Regulations ~~as filed with and approved by the TRA.~~

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is five percent (5%) greater than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~service~~Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," and the provisions of Service Schedule No. 317, "Integrity Management Rider (IMR)." Rule No. 1220-4-1-12 of the TRA Rules and Regulations and Depending on the corresponding individual Rate Schedule under which the Customer qualifies for Service, bills for Service are also subject to adjustment in accordance with the operation of ~~Rate~~Service Schedule No. -316, "Performance Incentive Plan." -

~~Purchased gas~~All adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the ~~TRA-Tennessee~~Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional ~~service~~Service or the transfer of existing ~~service~~Service to a higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, the Company's Service Regulations, and The Rules, Regulations, and Orders of the ~~TRA-Tennessee~~Tennessee Public Utility Commission and Laws of the State of Tennessee.

RESALE

Gas delivered to the Customer under the provision and authority of this Rate Schedule, except for Customers receiving gas for motor vehicle fuel purposes under Rate Schedule No. 301, "Residential Service." may be resold solely for use as a motor vehicle fuel.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this Rate Schedule is subject to the provisions contained within ~~Rate~~Service Schedule No. 306, "Schedule for Limiting and Curtailing Service," and the Company's Service Regulations.

BALANCING, CASH-OUT, AND AGENCY AUTHORIZATION

Service under this Rate Schedule shall be subject to all of the provisions and requirements of ~~Rate~~Service Schedule No. 307, "Balancing, Cash-Out, and Agency Authorization."

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

TREATMENT OF GAS QUANTITIES RECEIVED PURSUANT TO THIS RATE SCHEDULE

All quantities of Gas delivered to Customer for use as a motor fuel pursuant to this Rate Schedule ~~343~~ during any Annual Review Period shall be aggregated with quantities of Gas received by Customers under any of the Rate Schedules identified above solely for the purposes of establishing Customer's eligibility for continued Service from Company as provided in Section 1, Customer Classifications, of the Company's Service Regulations.

RATE SCHEDULE NO. 352

Medium General Service

AVAILABILITY

Gas ~~service~~Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

<u>BASE MARGIN RATE</u> <u>October</u>	Winter - <u>(November-March)</u>	Summer - <u>(April-</u>
Monthly Charge	—\$225.00	\$225.00
Commodity Charge (per therm)	\$. 35400 <u>48645</u>	\$. 30000 <u>40633</u>

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas ~~service~~Service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial ~~service~~Service until ~~service~~Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

BACKUP SERVICE

~~When gas service is being supplied for use as a Backup Service for the dual fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge~~

~~shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.~~

~~Input shall be based upon individual Customer's applicable gas equipment rating in:~~

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers ~~purchasing gas pursuant to served under~~ this ~~Rate Schedule schedule~~ shall be subject to the Company's standard contracts and/or ~~service~~Service applications and subject to the Company's ~~Rules and Service~~ Regulations ~~as filed with the TRA~~.

PAYMENT TERMS

All bills for ~~service~~Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for ~~Services~~service are subject to adjustment caused by changes in the cost of purchased gas in accordance with ~~Rule No. 1220 4-1-12 of the TRA Rules and Regulations Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider,"~~ and the operation of ~~Rate Service~~ Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 315, "Weather Normalization Adjustment (WNA) Rider" and Service Schedule No. 317, "Integrity Management Rider (IMR)."

~~Purchased gas~~All adjustments and ~~all~~ applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional ~~service~~Service or the transfer of existing ~~service~~Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, and The Rules, Regulations; and Orders of the ~~TRA-Tennessee Public Utility Commission~~ and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas ~~service~~ Service under this ~~Rate Schedule schedule~~ is subject to the provisions contained within ~~TRA Service~~ Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

WEATHER NORMALIZATION ADJUSTMENT

~~Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".~~

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

Company's Tennessee Service Regulations

Section 1 - General

Definitions

Except where the context indicated a different meaning or intent, the following terms when used in the Company's Service Regulations, Rate Schedule and Service Schedules, shall have the following meaning:

- "Commission" or "TPUC" shall mean the Tennessee Public Utility Commission.
- "Company" or "Piedmont" shall mean Piedmont Natural Gas Company, Inc.
- "Customer" shall mean any person, firm, association, partnership, joint venture, limited liability company, or corporation, or any agency of the Federal, State or local government receiving Service from the Company.
- "Customer's Agent" shall mean a person or other entity authorized to act for on behalf of a Customer.
- "Meter", without other qualification, shall mean any device or instrument which is used by the Company in measuring a quantity of gas.
- "Operating Conditions" shall mean the prevailing conditions on the Company's system as they relate to conditions under which Piedmont is providing or attempting to provide Service, including the impact of any modifications, tests or scheduled or unscheduled repairs to the Company's distribution system, which in the Company's discretion are necessary or appropriate to maintain the integrity of the Company's distribution system, which in the Company's discretion are necessary or appropriate to maintain the integrity of the Company's distribution system or to provide for the safety of the Company or the public.
- "Operational Order" shall mean an order by the Company's dispatcher or other Company representative acting on behalf of the Company's dispatcher, to limit, modify, curtail or interrupt the use of gas as required or permitted by the Commission's Rules, the Company's Service Regulations, special contracts, Rate Schedule and Service Schedules.
- "Service(s)" shall mean any sales, transportation, redelivery or other service provided by the Company to a Customer pursuant to the provisions of the Company's Rate Schedules, Service Schedules, Service Regulations and special contracts.
- "Service Territory" shall mean the area of Tennessee for which Piedmont is authorized by the Commission to provide Service to Customers.
- "Tariff" shall mean the Company's Rate Schedule, Service Schedules and Service Regulations, as approved by the Commission.

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second-Third~~ Revised Page 2 of 24

Applicable Documents Defining Obligations of the Company and its Customers

The obligations of the Company to provide Service and the obligations of the Customer upon receipt of Service are governed by and set forth in (a) applicable statutes, including those set forth in Chapter 65 of the Tennessee Code Annotated, (b) applicable ~~Tennessee Regulatory Authority~~Commission Rules, Regulations, and Orders, (c) applicable tariffs or Rate Schedule(s), (d) these Service Regulations, (e) any application, agreement, Special Contract, or similar document executed by Customer and approved, as necessary, by the ~~Authority-Commission~~ pertaining to such ~~s~~Service, and (f) any standard operating procedures of the Company reasonably necessary for the provision of such Service and administered on a nondiscriminatory basis. Copies of Chapter 65 of the Tennessee Code Annotated, applicable ~~Authority-Commission~~ Rules, Rate Schedules, and these Service Regulations are available from the Company for public inspection, as are copies of forms of applications, agreements, and other documents approved by the ~~Authority-Commission~~. A copy of the ~~Authority-Commission's~~ Rules are available at the ~~Authority's-Commission's~~ Web Site at ~~www.tn.gov/tpuc-www.state.tn.us/tra/~~. Unofficial copies of the Company's Rate Schedules and Service Regulations are also available at the Company's Web Site at ~~www.piedmontng.com~~. The Company shall provide all new non-residential Customers with a copy of the applicable Rate Schedule(s) and written application for Service and/or other documents executed by the Company and the Customer pertaining to such Service. After a Customer has executed a written application and/or contract, no promise, statement or representation by an employee or agent of the Company or by any other person inconsistent with the written application and/or contract shall bind the Company to provide Service or to change the terms and conditions upon which Service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In the event there is a conflict between these Service Regulations and the provisions of the applicable currently effective Rate Schedule, the provisions of the Rate Schedule shall govern. The ~~Authority-Commission~~ Rules shall govern in the event of a conflict with these Service Regulations. The Company may not make any representation that conflicts with ~~Authority-Commission~~ Rules, its Rate Schedules or these Service Regulations.

Commented [PPK1]: The original version of this paragraph was previously shown later in Section 1.

Applicable Documents Subject to Change

All of the documents defining the obligations of the Company to provide Service and the obligations of the Customer upon the receipt of Service are subject to change from time to time upon order of or approval by the ~~Authority-Commission~~ and by other duly constituted governmental authorities. The Company does not undertake to advise any Customer of any such change except as may be required by the Commission or other duly constituted governmental authority.

Commented [PPK2]: The original version of this paragraph was previously shown later in Section 1.

Process for Obtaining Consent to New or Changed Service

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 3 of 24

All Customers shall be required to make application to the Company for new or changed Service under any of the Company's Rate Schedules in such form and manner as may reasonably be required by the Company. Such applications shall be required in order to initiate Service under any Rate Schedule irrespective of whether Customer is then receiving ~~service~~Service under any other Company Rate Schedule and for changes in the quantity of Service to be provided under an existing Rate Schedule. At a minimum, such application shall set forth the date of the application, the name of the ~~Applicant~~applicant, the location of the ~~Premises~~premises for which Service is requested, the type of Service applied for and estimated gas consumption. Prior to being obligated to provide Service to Customer pursuant to such application, Company shall conduct an examination and review of Customer's application for Service to determine: (1) that the Company has the operational ability to provide the Service requested, including the requisite upstream supply and/or capacity assets; (2) that the requested Service will not impede or interfere with the Company's ability to maintain Service to existing Customers with the same or a higher priority of ~~service~~Service; (3) that provision of the requested Service will not have a materially adverse impact on the Company's ability to recover its approved margin; (4) that provision of the requested Service is economically feasible; ~~and~~ (5) that Customer is creditworthy as determined in accordance with the Commission's Rules and the Company's procedures, and (6) reasonable verification of the identity of the applicant, as required by the federal Fair and Accurate Credit Transactions Act and/or other federal and state law. Provided that the Company's review and analysis indicates that Service can be provided as requested, the Company will then approve the requested Service. Company shall have no obligation to provide the requested Service absent such approval.

When the requested Service is to be provided to a Residential, Small or Medium General Service Customer, and the provision of such Service is economically feasible, the application and the Company's acceptance thereof may be oral at the Company's option. In such event, the Company's applicable Rate Schedules and these Service Regulations shall become effective and applicable to any Service rendered to such ~~Applicant~~applicant in the same manner as if the Company's standard written form of application for Service had been signed by the ~~Applicant~~applicant and accepted by the Company. Upon the provision of Service by the Company to such Customer, such oral ~~service~~Service agreement shall be presumed to exist in any case where there is no written application accepted in writing by the Company.

In the event a Customer receiving Service under the Company's ~~commercial or industrial~~ (large general) sales Rate Schedules anticipates a significant reduction in its gas consumption, it shall provide prompt notice thereof to Company.

Customer Classifications

Residential Rate Service Classification. All Residential Rate Service shall be provided pursuant to the Company's Rate Schedule 301.

Commercial-Small or Medium General Rate Service Classification. All ~~Commercial Rate~~Small or Medium General Service shall be provided pursuant to the Company's Rate Schedules 302 and 352. Classification between Rate Schedules 302 and 352 shall be

Effective: ~~March 1, 2012~~

Commented [PPK3]: The original version of these paragraphs was previously shown later in Section 1.

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second-Third~~ Revised Page 4 of 24

based on the following criteria:

A. Definitions: As used ~~in the Small and Medium General-Commercial Rate~~ Service Classification, the following terms shall have the meanings assigned below:

- (1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.
- (2) "Actual Monthly Usage" shall mean the actual natural gas volumes consumed by the Customer during the highest month of consumption during the Annual Review Period as reflected on the Company's invoices for the Customer.
- (3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive ~~S~~service under a rate schedule. The classification usage for Rate Schedule 302 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 352 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.
- (4) "Involuntary Curtailment Days" shall mean those days or portions of days in the highest month of consumption during a given Annual Review Period where curtailment of the Customer's natural gas ~~s~~Service was imposed by the Company's decision to curtail.
- (5) "Service Days" shall mean 30 days less the number of Involuntary Curtailment Days.
- (6) "Average Daily Usage" shall be the Customer's Actual Monthly Usage within the Annual Review Period divided by the number of Service Days.

B. Procedures:

- (1) At the conclusion of the Annual Review Period of each year and prior to June 1st of the ensuing year, the Company will determine for each customer served under Rate Schedules 302 and 352 that Customer's Average Daily Usage.
- (2) Those customers currently receiving ~~s~~Service under Rate Schedule 302 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 352, effective on the first day of June following the most recent Annual Review Period.

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 5 of 24

- (3) Those customers currently receiving ~~S~~service under Rate Schedule 352- whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 302 effective on the first day of June following the second, and most recent, Annual Review Period.
 - (4) Those customers currently receiving ~~S~~service under Rate Schedule 302 or 352 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 303, 304, 313, or 314 as applicable.
- C. Exceptions: If a customer currently being billed under Rate Schedule 302 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 352 the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.

~~Industrial Rate~~Large General Service Classification. Rate ~~s~~Service classification under the Company's Rate Schedules, 303, 304, 313 and 314 shall be based on the following criteria:

- A. Definitions: As used in rate ~~S~~service classification, the following terms shall have the meanings assigned below:
- (1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year or the regularly scheduled meter reading nearest December 31.
 - (2) "Actual Monthly Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company during the highest month of consumption during the Annual Review Period as reflected on the Company's invoices for the Customer.
 - (3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive ~~S~~service under any rate schedule. For existing Customers, the classification usage for Rate Schedule 302 ~~or, 332, 352, 362~~ shall not exceed an average usage of 55 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 303, 304, 313 and 314 shall exceed an average usage of 45 dekatherms per day.
 - (4) "Involuntary Curtailment Days" shall mean those days or portions of days in the highest month of consumption during a given Annual Review Period where interruption or curtailment of the Customer's

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second-Third~~ Revised Page 6 of 24

- natural gas ~~S~~service was imposed by the Company's decision to ~~interrupt or~~ curtail.
- (5) "Service Days" shall mean 30 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.
- (6) "Average Dekatherm per Day" shall be the Customer's Actual Monthly Usage within the Annual Review Period divided by the number of Service Days.

B. Procedure:

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 303, 304, 313 and 314 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 302 or 352 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 303, 304, 313 or 314, as applicable. A Rate Schedule 303, 304, 313 or 314 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Small or Medium General Service Rate Schedule. Customers receiving ~~s~~Sservice under Rate Schedules 303 or 304 shall be eligible to elect transportation ~~S~~service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive- a copy of the tariff sheets applicable to ~~his-their~~ old and new rate schedules at least 21 days prior to the effective date of the change.

- C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is completed, and the first meter reading reflects the higher anticipated usage

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 7 of 24

resulting from the new equipment or the lower anticipated usage resulting from the retirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for ~~S~~service under Rate ~~Schedule~~ 303 or 304, the Customer shall provide an election form one week prior to reclassification if a transportation election is desired. Otherwise, ~~s~~Service will be provided under Rate Schedule 303 or 304, dependent upon rate qualification.

Requirements: Upon reclassification from Rate Schedules 302 or 352 to either Rate Schedule 303, 304, 313, or 314, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

Commented [PPK4]: The original version of these paragraphs was previously shown later in Section 1.

Priority of Service

The Company has established the following categories of ~~S~~service in order of priority:

1. Residential, small commercial (less than 50 MCF on a peak day), school, hospital, police protection, fire protection, sanitation, or correctional facility requirements
2. Essential agricultural requirements
3. Large commercial requirements (50 MCF or more on a peak day), firm industrial requirements for plant protection, feedstock and process needs, pipeline customer storage injection requirements, and firm industrial sales up to 300 MCF per day
4. All industrial requirements not specified in 2, 3, 5, 6, 7, 8, 9 or 10
5. Firm industrial requirements for boiler fuel use at less than 3,000 MCF per day, but more than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
6. Firm industrial requirements for large volume (3,000 MCF or more per day) boiler fuel use where alternate fuel capabilities can meet such requirements
7. Limited Availability requirements of less than 300 MCF per day, where alternate fuel capabilities can meet such requirements
8. Limited Availability requirements of more than 300 MCF per day but less than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
9. Limited Availability requirements of intermediate volumes (from 1,500 MCF per day through 3,000 MCF per day), where alternate fuel capabilities can meet such requirements
10. Limited Availability requirements of more than 3,000 MCF per day, but less than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements
11. Limited Availability requirements of more than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements.

Commented [PPK5]: The original version of this paragraph was previously shown later in Section 1.

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second-Third~~ Revised Page 8 of 24

~~Piedmont Natural Gas Company, Inc. (hereinafter referred to as "the Company"), in its Tennessee service territory, will make free service calls, within certain broad guidelines, around the clock on customer appliances connected to our mains. Those service requests requiring immediate attention will be answered as soon as possible. Those of less urgent nature will be answered on a scheduled basis according to the workload. In either case, the Company will make every effort to answer each customer's call promptly and to leave all appliances operating at maximum efficiency.~~

Free Services (1220-4-5-.06(iii))

The Company provides the following ~~services~~ Services at no charge to the ~~customer~~ Customer during normal working hours (Mon – Fri, 8am – 5pm, excluding Holidays):

- Install gas meters and regulators for new customers
- Turn-on, turn-off, & service gas meters;
- Check for gas leaks;
- Investigate the possible presence of carbon monoxide;
- Cut off pilots;
- Disconnect appliances (disconnect & cap existing pipe only) in connection with a meter turn-off;
- ~~Food Service equipment service including leveling, adjusting, or calibrating~~
- Diagnostic time or time to provide an estimate for jobbing work;
- Quotes for appliance installation;
- ~~Seasonal~~ The first light-up of the heating season on central furnaces; ~~(a flat charge applies for each additional light up)~~
- Gaslight turn-on and re-lighting;
- ~~Service leased water heaters~~
- Service appliances other than central heating systems ~~or gas air conditioners~~ (no parts needed) including:
 - Service calls to diagnose problems
 - Check gas pressure
 - Adjust burners
 - Clean air mixers
 - Light pilots
 - Clean & adjust pilots
 - Examine flue connections & check draft
 - Check and calibrate thermostats & controls
 - Check appliance wiring & other electrical components
- Service non-central heating systems where safe and ready access is available including floor furnaces, wall furnaces, space heaters and unit heaters including:
 - Service calls to diagnose problems
 - Gas and air adjustments on burners and pilot assemblies
 - Adjustments of controls and thermostats
 - Minor electrical repairs that do not require materials
- ~~Service Arkla, Bryant, and other gas-fired air conditioners including:~~
 - ~~Service calls to diagnose problems~~

Effective: March 1, 2012

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 9 of 24

- ~~• Gas and air adjustments on burners and pilot assemblies~~
- ~~• Checks of controls and thermostats~~
- ~~• Pumping of water-cooled units to maintain operation~~
- ~~• Purging of non-condensables from air-cooled units~~

Note: When an appliance is not operating, every effort will be made to answer the call without delay, and in most circumstances, on the same day. Should repair work be required, parts needed to complete the repair will be ordered from the manufacturer and installed if the ~~customer~~Customer so desires. There is, however, a charge for this ~~servicework~~.

The ~~company~~Company will ~~also~~ provide immediate response to any hazardous situation ~~in its Service Territory or where Company otherwise owns or operates facilities in Tennessee in connection with the provision of Service to Customers~~ that might cause threat to life or property ~~after normal working hours (Mon — Fri, 5pm — 8am; Sat; Sun; & Holidays)~~ at no charge, including:

- Fire or explosion;
- Gas leak;
- Damaged gas main or ~~s~~Service lines (charges for parts & labor may apply);
- Gas appliance that won't cut off;
- ~~• Carbon monoxide investigation;~~
- ~~• Leased water heater service within 24 hours~~

Services For Which There Are Charges

- ~~• Installation or connection of gas appliances~~
- ~~• Reconnects of gas appliances~~
- ~~• Disconnects of gas appliances except when performed in connection with a meter turn-off~~
- ~~• Repair of gas appliances where parts are needed (except central systems)~~
- ~~• Repair or replacement parts, electrical equipment, or thermostats on Arkla or Bryant gas air conditioners beyond Service/Warranty Contract~~
- ~~• Cleaning condensers and condensate lines on gas A/C units~~
- ~~• Gaslight repairs and reconditioning~~
- ~~• Miscellaneous pipe work~~
- ~~• Change outs and reconnects of food service equipment~~
- ~~• Repair of gas air conditioning units installed after January 1, 1975; units on which the Warranty/Service Contract has expired; and units or installations not approved by the Company's Service Department~~
- ~~• Work involving replacement of filters and out-of-warranty parts~~
- ~~• After hours work that requires a repair including commercial cooking and water heating equipment (the customer may be given the option for jobbing repair at the current overtime rate, if time and workload permits)~~

Work the Company Does Not Provide

- Replacement of filters in central heating equipment;
- Installation, connection, or repair of unit heaters and central heating equipment;

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~ Third Revised Page 10 of 24

- Repair or replacement of unit heaters and other equipment requiring an electrician;
- Repair or installation of any equipment that has not been tested and approved by applicable US safety standards or where gas appliances are not used in accordance with the manufacturer's listing;
- Repairs on heating equipment that requires parts will not be made except on those units sold by the Company prior to May 1, 1974. In addition, the Company does not install furnace filters;
- No work will be performed on electrical air conditioning units installed with a gas furnace (this work will be referred to the installer or mechanical contractor).

Charges for Work

Unless a charge for work contemplated by this Section 1 is specified herein, all work performed for Customers, on or related to appliances, fuel and gas lines (behind the Company's meter), gas lights or other equipment shall be performed at the Company's standard rates and charges. Such charges may be modified or adjusted from time to time at the Company's discretion.

Use of Credit Cards by Customers

Company will accept credit card payments from residential Customers receiving Service under Rate Schedule No. 301 ~~and from natural gas vehicle fuel customers receiving service, at Company owned facilities, under Rate Schedule 342.~~ Company will not accept credit card payment of bills from Customers receiving Service under any other Rate Schedule or contract.

Termination Policy

Reasons for Termination of Service or Denial of Service (1220-4-5-18)

~~Service may be refused or discontinued for any of the reasons listed below. Unless otherwise stated, the customer shall be allowed a reasonable time in which to comply with the rule before service is discontinued.~~

- ~~1. Without notice in the event of a condition determined by the utility to be hazardous~~
- ~~2. Without notice in the event of customer use of equipment or the utility's service to others~~
- ~~3. Without notice in the event of tampering with the equipment furnished and owned by the utility~~
- ~~4. Without notice in the event of unauthorized use~~
- ~~5. For violation of and/or non-compliance with the utility's rules on file with and approved by the Tennessee Regulatory Authority~~
- ~~6. For failure of the customer to fulfill his contractual obligations for service and/or facilities subject to regulation by the Tennessee Regulatory Authority~~
- ~~7. For failure of the customer to permit the utility reasonable access to its equipment~~

Effective: March 1, 2012

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 11 of 24

- ~~8. For non-payment of bill provided that the utility has made a reasonable attempt to effectively collect and has given the customer written notice that he has at least five (5) days, excluding Sundays and holidays, in which to make settlement on his account or have his service denied~~
- ~~9. For failure of the customer to provide the utility with a deposit as authorized by 1220-4-5-.14 of the Tennessee Regulatory Authority Statutes~~
- ~~10. For failure of the customer to furnish such services, equipment, permits, certificates, and/or rights of way, as shall have been specified by the utility as a condition to obtaining service, or in the event such equipment or permission are withdrawn or terminated.~~

Insufficient Reasons for Denying Service ~~(1220-4-5-.19)~~

~~The following shall not constitute sufficient cause for refusal of service to a present or prospective customer:~~

- ~~1. Delinquency in payment for service by a previous occupant of the premises to be served~~
- ~~2. Failure to pay for merchandise purchased from the utility~~
- ~~3. Failure to pay for a different type of class of public utility service~~
- ~~4. Failure to pay the bill of another customer as guarantor thereof~~
- ~~5. Failure to pay a back bill rendered in accordance 1220-4-5-.17(a) of Tennessee Regulatory Authority Statutes.~~

Commented [PPK6]: These paragraphs are being removed because they are duplicative of certain requirements laid out in TPUC Rules 1220-04-05-.18 and 1220-04-05-.19.

Disconnection Termination of Service

The Company has the right to ~~shut off gas from~~terminate Service to any ~~consumer~~Customer who may be in arrears for a longer period than twenty (20) days in paying for gas Service furnished hereunder or under any other prior or subsequent agreement, or for gas Service ~~furnished to~~used by the ~~consumer~~Customer at the ~~consumer's~~Customer's present or any prior subsequent address. The said twenty-day period commences to run from the date the bill was rendered. Notice of termination of Service to the Customer will be provided by the Company in accordance with Commission Rules, Regulations and Orders.~~The Company will not shut off gas for non-payment without first mailing a notice to the consumer giving him seven (7) calendar days to pay the bill in arrears.~~

In addition to Commission Rules, Regulations and Orders prescribing the reasons under which the Company may terminate or deny Service to a Customer, the Company may terminate Service for any material misrepresentation of the identity of the Customer receiving Service, or where there is clear, documented evidence of action taken by the Customer with the intent to unlawfully evade payment for Service.

The Company will not terminate ~~S~~service during any 24-hour period, as measured from 8:00 am on the planned date of termination, where the forecasted low temperature, as determined by the National Weather Service, is 32 degrees Fahrenheit or below.

Reinstating Service

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 12 of 24

If natural gas service is disconnected for nonpayment, ~~service~~Service will be restored after the ~~C~~eustomer has paid the total amount past due, paid the reconnection charge (~~the amount of which is listed in Section 6 of the Company's Service Regulations~~) and paid a deposit.

Third-Party Notification

At the ~~e~~Customer's request, the Company will send a copy of any ~~disconnection~~termination notice to a designated third party. However, the designated third party is not responsible for paying the bill.

Medical Emergencies and Life Support Devices

~~In accordance with Commission Rules, Regulations and Order, the~~The Company will delay ~~disconnection termination~~ of gas ~~s~~Service for 30 days if a physician, public health officer or social service official certifies in writing that discontinuing gas ~~s~~Service will worsen an existing medical emergency for a permanent resident of the premises where ~~s~~Services are rendered. ~~A prompt request is important.~~ During ~~such~~the 30-day extension, payment of the bill must be guaranteed by another person or entity that is acceptable to the Company.

The Company will not ~~disconnect-terminate~~ ~~S~~service at the ~~S~~service address if there are natural gas appliances that are critical to maintaining the health of one or more permanent residents. The ~~Customer-Service Department~~Company must be contacted to determine whether a gas appliance is considered a life-support device.

Notice of Rights and Remedies

Should the Customer request help in paying ~~his~~their natural gas bill, the Company will provide the ~~C~~eustomer with a list of community agencies that provide aid in paying their natural gas bill. The ~~C~~eompany will also, in some cases, ~~make~~offer alternative pay arrangements if the ~~C~~eustomer is temporarily unable to pay ~~his~~their natural gas bill. However, if such an agreement is made, the ~~C~~eustomer gives up their right to dispute the amount due under the agreement. If the ~~C~~eustomer does not fulfill the terms of the agreement, the Company may ~~disconnect-terminate~~ ~~s~~Service and a new pay agreement will not be offered before ~~we~~the Company terminates~~disconnect~~ ~~s~~Service.

If the Customer wants to appeal an unfavorable decision regarding a natural gas bill, they may contact the Tennessee ~~Regulatory Authority~~Public Utility's Complaint Division, ~~460 502 Deadrick Street, James Robertson Parkway,~~ Nashville, TN ~~37243~~37219 (615-741-~~2904~~3939 or 800-342-8359). This must be done before the net due date if the dispute involves a ~~disconnection-termination~~ notice. The Company will not ~~disconnect-terminate~~ ~~S~~service for non-payment of the disputed portion of the bill while it is being reviewed. The Customer's right to appeal will not expire if delay on the Company's part makes it

Effective: ~~March 1,~~2012

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 13 of 24

impossible to contact the ~~TRA~~Commission within the required time period. The Customer also has the right to suspend payment of the disputed portion of the bill while the dispute procedures mentioned above are in progress.

Process for Obtaining Consent to New or Changed Service

~~All Customers shall be required to make application to the Company for new or changed Service under any of the Company's Rate Schedules in such form and manner as may reasonably be required by the Company. Such applications shall be required in order to initiate Service under any Rate Schedule irrespective of whether Customer is then receiving service under any other Company Rate Schedule and for changes in the quantity of Service to be provided under an existing Rate Schedule. At a minimum, such application shall set forth the date of the application, the name of the Applicant, the location of the Premises for which Service is requested, the type of Service applied for and estimated gas consumption. Prior to being obligated to provide Service to Customer pursuant to such application, Company shall conduct an examination and review of Customer's application for Service to determine: (1) that the Company has the operational ability to provide the Service requested, including the requisite upstream supply and/or capacity assets; (2) that the requested Service will not impede or interfere with the Company's ability to maintain Service to existing Customers with the same or a higher priority of service; (3) that provision of the requested Service will not have a materially adverse impact on the Company's ability to recover its approved margin; (4) that provision of the requested Service is economically feasible; and (5) that Customer is creditworthy as determined in accordance with the Commission's Rules and the Company's procedures. Provided that the Company's review and analysis indicates that Service can be provided as requested, the Company will then approve the requested Service. Company shall have no obligation to provide the requested Service absent such approval.~~

~~When the requested Service is to be provided to a Residential, Small or Medium General Service Customer, and the provision of such Service is economically feasible, the application and the Company's acceptance thereof may be oral at the Company's option. In such event, the Company's applicable Rate Schedules and these Service Regulations shall become effective and applicable to any Service rendered to such Applicant in the same manner as if the Company's standard written form of application for Service had been signed by the Applicant and accepted by the Company. Upon the provision of Service by the Company to such Customer, such oral service agreement shall be presumed to exist in any case where there is no written application accepted in writing by the Company.~~

~~In the event a Customer receiving Service under the Company's commercial or industrial (large general) sales Rate Schedules anticipates a significant reduction in its gas consumption, it shall provide prompt notice thereof to Company.~~

Customer Classifications

~~Residential Rate Service Classification. All Residential Rate Service shall be provided pursuant to the Company's Rate Schedule 301.~~

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~ Third Revised Page 14 of 24

~~Commercial Rate Service Classification. All Commercial Rate Service shall be provided pursuant to the Company's Rate Schedules 302 and 352. Classification between Rate Schedules 302 and 352 shall be based on the following criteria:~~

~~A. Definitions: As used in Commercial Rate Service Classification, the following terms shall have the meanings assigned below:~~

~~(7) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.~~

~~(8) "Actual Monthly Usage" shall mean the actual natural gas volumes consumed by the Customer during the highest month of consumption during the Annual Review Period as reflected on the Company's invoices for the Customer.~~

~~(9) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive service under a rate schedule. The classification usage for Rate Schedule 302 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 352 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.~~

~~(10) "Involuntary Curtailment Days" shall mean those days or portions of days in the highest month of consumption during a given Annual Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.~~

~~(11) "Service Days" shall mean 30 days less the number of Involuntary Curtailment Days.~~

~~(12) "Average Daily Usage" shall be the Customer's Actual Monthly Usage within the Annual Review Period divided by the number of Service Days.~~

~~B. Procedures:~~

~~(5) At the conclusion of the Annual Review Period of each year and prior to June 1st of the ensuing year, the Company will determine for each customer served under Rate Schedules 302 and 352 that Customer's Average Daily Usage.~~

~~(6) Those customers currently receiving service under Rate Schedule 302 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 352, effective on the first day of June following the most recent Annual Review Period.~~

Effective: March 1, 2012

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 15 of 24

~~(7) Those customers currently receiving service under Rate Schedule 352 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 302 effective on the first day of June following the second, and most recent, Annual Review Period.~~

~~(8) Those customers currently receiving service under Rate Schedule 302 or 352 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 303, 304, 313, or 314 as applicable.~~

~~D. Exceptions: If a customer currently being billed under Rate Schedule 302 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 352 the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.~~

~~Industrial Rate Service Classification. Rate service classification under the Company's Rate Schedules, 303, 304, 313 and 314 shall be based on the following criteria:~~

~~D. Definitions: As used in rate service classification, the following terms shall have the meanings assigned below:~~

~~(7) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year or the regularly scheduled meter reading nearest December 31.~~

~~(8) "Actual Monthly Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company during the highest month of consumption during the Annual Review Period as reflected on the Company's invoices for the Customer.~~

~~(9) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive service under any rate schedule. For existing Customers, the classification usage for Rate Schedule 302, 332, 352, 362 shall not exceed an average usage of 55 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 303, 304, 313 and 314 shall exceed an average usage of 45 dekatherms per day.~~

~~(10) "Involuntary Curtailment Days" shall mean those days or portions of days in the highest month of consumption during a given Annual~~

Effective: ~~March 1, 2012~~

~~Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.~~

(11) ~~"Service Days" shall mean 30 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.~~

(12) ~~"Average Dekatherm per Day" shall be the Customer's Actual Monthly Usage within the Annual Review Period divided by the number of Service Days.~~

~~E. Procedure:~~

~~Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 303, 304, 313 and 314 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.~~

~~Step 2. A Rate Schedule 302 or 352 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 303, 304, 313 or 314, as applicable. A Rate Schedule 303, 304, 313 or 314 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Small or Medium General Service Rate Schedule. Customers receiving service under Rate Schedules 303 or 304 shall be eligible to elect transportation service to be effective with the rate reclassification.~~

~~All changes in rate classification under this section shall be effective on the first day of June following the review.~~

~~Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to his old and new rate schedules at least 21 days prior to the effective date of the change.~~

~~F. Exceptions: If a Customer adds or retires a major piece of gas burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting~~

Effective: March 1, 2012

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 17 of 24

~~from the retirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for service under Rate 303 or 304, the Customer shall provide an election form one week prior to reclassification if a transportation election is~~

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 18 of 24

~~desired. Otherwise, service will be provided under Rate Schedule 303 or 304, dependent upon rate qualification.~~

~~Requirements: Upon reclassification from Rate Schedules 302 or 352 to either Rate Schedule 303, 304, 313, or 314, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.~~

Commented [PPK7]: These paragraphs were moved to earlier in Section 1, then updated.

Applicable Documents Defining Obligations of the Company and its Customers

~~The obligations of the Company to provide Service and the obligations of the Customer upon receipt of Service are governed by and set forth in (a) applicable statutes, including those set forth in Chapter 65 of the Tennessee Code Annotated, (b) applicable Tennessee Regulatory Authority Rules, Regulations, and Orders, (c) applicable tariffs or Rate Schedule(s), (d) these Service Regulations, (e) any application, agreement, Special Contract, or similar document executed by Customer and approved, as necessary, by the Authority pertaining to such service, and (f) any standard operating procedures of the Company reasonably necessary for the provision of such Service and administered on a nondiscriminatory basis. Copies of Chapter 65 of the Tennessee Code Annotated, applicable Authority Rules, Rate Schedules, and these Service Regulations are available from the Company for public inspection, as are copies of forms of applications, agreements, and other documents approved by the Authority. A copy of the Authority's Rules are available at the Authority's Web Site at www.state.tn.us/tra/. Unofficial copies of the Company's Rate Schedules and Service Regulations are also available at the Company's Web Site at www.piedmontng.com. The Company shall provide all new non-residential Customers with a copy of the applicable Rate Schedule(s) and written application for Service and/or other documents executed by the Company and the Customer pertaining to such Service. After a Customer has executed a written application and/or contract, no promise, statement or representation by an employee or agent of the Company or by any other person inconsistent with the written application and/or contract shall bind the Company to provide Service or to change the terms and conditions upon which Service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In the event there is a conflict between these Service Regulations and the provisions of the applicable currently effective Rate Schedule, the provisions of the Rate Schedule shall govern. The Authority Rules shall govern in the event of a conflict with these Service Regulations. The Company may not make any representation that conflicts with Authority Rules, its Rate Schedules or these Service Regulations.~~

Applicable Documents Subject to Change

Effective: March 1, 2012

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 19 of 24

~~All of the documents defining the obligations of the Company to provide Service and the obligations of the Customer upon the receipt of Service are subject to change from time to time upon order of or approval by the Authority and by other duly constituted governmental authorities. The Company does not undertake to advise any Customer of any such change except as may be required by the Commission or other duly constituted governmental authority.~~

Commented [PPK8]: These paragraphs were moved to earlier in Section 1, then updated.

Priority of Service

~~The Company has established the following categories of service in order of priority:~~

- ~~9. Residential, small commercial (less than 50 MCF on a peak day), school, hospital, police protection, fire protection, sanitation, or correctional facility requirements~~
- ~~10. Essential agricultural requirements~~
- ~~11. Large commercial requirements (50 MCF or more on a peak day), firm industrial requirements for plant protection, feedstock and process needs, pipeline customer storage injection requirements, and firm industrial sales up to 300 MCF per day~~
- ~~12. All industrial requirements not specified in 2, 3, 5, 6, 7, 8, 9 or 10~~
- ~~13. Firm industrial requirements for boiler fuel use at less than 3,000 MCF per day, but more than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements~~
- ~~14. Firm industrial requirements for large volume (3,000 MCF or more per day) boiler fuel use where alternate fuel capabilities can meet such requirements~~
- ~~15. Limited Availability requirements of less than 300 MCF per day, where alternate fuel capabilities can meet such requirements~~
- ~~16. Limited Availability requirements of more than 300 MCF per day but less than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements~~
- ~~12. Limited Availability requirements of intermediate volumes (from 1,500 MCF per day through 3,000 MCF per day), where alternate fuel capabilities can meet such requirements~~
- ~~13. Limited Availability requirements of more than 3,000 MCF per day, but less than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements~~
- ~~14. Limited Availability requirements of more than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements.~~

Commented [PPK9]: This paragraph was moved to earlier in Section 1, then updated.

Meter Turn On

There is no charge for meter turn on for a new ~~C~~eustomer. There will be a flat charge for meter turn on for an existing ~~e~~eCustomer or member of same family or household. For ~~turning on meters~~reinstating Service to Customers whose Service was previously terminated shut-off for non-payment of bills, there will be a flat charge for meter turn on plus payment of all past due bills. The Company may also secure an additional customer deposit. If an existing ~~e~~eCustomer requests that ~~his/her~~their meter be turned off for the summer to avoid minimum bills (monthly charges) during the summer period and then requests the Company to turn the meter back on, the flat charge for meter turn on will

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~ Third Revised Page 20 of 24

apply. Such flat charges for meter turn-ons referenced herein are "Reconnection Charges," the amount of which is listed in Section 6 of the Company's Service Regulations.

Gas Wastage ~~(+220-4-5-.06(iv))~~

~~Excessive gas consumption without knowledge by the customer-Customer may possibly be the result of from improper and/or inefficient operation of gas appliances downstream of the meter or for gas leaks on facilities downstream of the meter gas leakage or appliance malfunction. Gas bill adjustments generally will not be permitted for such circumstances improper and/or inefficient operation of gas appliances or for gas leaks. Adjustments for all special cases will be based upon individual merit dependent upon such factors as prompt action by the customer, the nature of the problem, maintenance of facilities by the customer, the time period involved, etc. An example might possibly be a hot water relief valve stuck open or a broken hot water line on a gas water heater. All such special adjustments shall not exceed 35% of the wastage and shall be approved by the Director of Customer Service (residential) or the General Manager of Marketing (commercial). Wastage shall be based on Service Department inspection or Customer Service Department researches. The Director of Customer Service shall determine consumption rates. Duration of the adjustment shall not exceed 30 days. Where such gas appliance malfunction or gas leakage was directly caused by actions of Company personnel or occurred within 30 days of the date the work was performed by Company personnel, the Company will grant 100% credit of wastage to the customer. The amount of wastage will be approved by the Director of Customer Service and not exceed a period of 30 days.~~

Title to Facilities

The title to all facilities including mains, gas service lines, meters, and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the ~~customer-Customer~~ for extending ~~Service~~.

Natural Gas Appliance Classifications

The following classification of natural gas appliances shall apply throughout the Company's Tennessee Service Regulations:

- Major appliances:
 - ~~natural~~ gas heating systems utilized as primary heating source in the structure;
 - ~~gas air conditioners~~
 - gas water heaters.
- Minor appliances:
 - clothes dryers;

Effective: March 1, 2012

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 21 of 24

- o gas fireplaces₁
- o ~~gaslights~~₁
- o ~~generators~~₁
- o grills₁
- o incinerators₁
- o log starters₁
- o logs₁
- o ranges₁
- o swimming pool gas water heaters₂

~~General Installation / Connection & Repair Policy~~

~~The Company will provide equipment, labor, and materials to install, repair, and service gas-fired equipment. Such installations, repair, or service shall be charged at Company's standard rates and charges. The installations and repairs will be performed in accordance with all applicable codes and licensing requirements. The Company reserves the right to decline such work, on a non-discriminatory basis, if the conditions involved in such work are not consistent with the safe or efficient completion of such work. All natural gas appliance installations on Company lines shall comply with the current version of the International Fuel Gas Code adopted by local authorities. All appliances installed, repaired or serviced by Company must also be tested and approved by US safety standards and used in accordance with the manufacturer's listing. The Company reserves the right to refuse to connect those appliances which, in its judgment, do not conform to appropriate safety requirements.~~

~~Water Heaters~~

~~The Company will install and repair, including dip tube replacement, residential water heaters on the basis of its standard rates and charges. For repairs of commercial gas water heaters, the customer is to be referred to local dealer or plumber.~~

~~Dryers~~

~~The Company will install and repair residential dryers on the basis of the Company's standard rates and charges. Repair requests on commercial gas clothes dryers, other thermocouples or other parts normally stocked by our storeroom, will be referred to the appropriate dealer for servicing.~~

~~Gas Grills~~

~~The Company, as part of its free service program, will make burner air and gas adjustments, check controls, and assist in problem diagnosis on a no-charge basis. Installations of and repairs on gas grills will be charged on the basis of the Company's standard rates and charges. Cleaning and painting of the grill will be the responsibility of~~

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~ Third Revised Page 22 of 24

~~customer. The Company may also perform the following on the basis of the Company's standard rates and charges:~~

- ~~1. Post Replacement;~~
- ~~2. Repairs to Cut or Damaged Tubing;~~
- ~~3. All Other Repairs.~~

Gaslights

~~With regard to gaslights, the Company will turn on, re-light and replace mantles without charge to the residential customer. Should the residential customer wish to replace the mantles himself, the Company will, upon request, mail to him replacement mantles for residential use in his gaslights without charge. Residential customers may also pick up free replacement mantles for use only in their gaslights at the Company's storeroom. The same gaslight service policies apply to commercial/industrial customers except they will be charged for the mantles. Subdivision entrances and multi-family developments do not qualify for residential use. Services do not include the painting of gaslights or glass cleaning; these are considered the owner's responsibilities.~~

~~The Company will recondition the customer's gaslight, including replacement of mantles, cleaning and/or replacement of glass panes as required, and painting repair of gaslight as necessary, for a flat labor charge plus cost of replacement parts (other than mantles). In the case of multiple gaslights on the same piece of property, the labor charge shall apply only to the first light. For each additional light on the same property, an additional charge plus parts (other than mantles) will apply. The same policy applies to commercial customers except they will also be charged for mantles. Installation of and repairs on gaslights, including those listed below, will be charged on the basis of the Company's standard rates and charges. The Company may also perform the following:~~

- ~~1. Post and/or Light Head Replacement: All customers needing to purchase a gaslight head will be referred to the Home Energy Center;~~
- ~~2. Repairs to Cut or Damaged Tubing: A service representative can sometimes perform this work, but generally a three-man fitting crew is required.~~
- ~~3. Complete Replacement: The customer shall be referred to the Company's Home Energy Center. If the customer provides a replacement light head and post of the same basic type, the Company will connect the replacement;~~
- ~~4. All Other Repairs.~~

Gas Logs & Log Starters

~~All installations of or repairs on gas logs and log starters will be charged on the basis of the Company's standard rates and charges.~~

Other Miscellaneous Residential Gas Appliances

~~All installations of or repairs on other approved gas appliances will be charged on the basis of the Company's standard rates and charges.~~

Effective: March 1, 2012

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~Third Revised Page 23 of 24

~~Appliance Parts Broken by Company Personnel~~

~~From time to time when our service personnel are repairing a customer's gas appliance, other adjacent parts become broken during the course of the repair. Such instances leave a question as to whether the customer should be charged for that additional part. Such decisions shall be at the discretion of the supervisor involved. The following guidelines should be of assistance.~~

~~No Charge to Customer~~

- ~~1. Breakage caused by negligence on part of our personnel. In such cases, the employee will be counseled to avoid repetition.~~
- ~~2. Accidental breakage of part considered "relatively new" and our representative was using care and attention to work procedures.~~

~~Charge to Customer~~

- ~~1. Parts that may be broken after customer first being warned that we will use care in repair but the customer will be responsible for all parts involved. If the service representative has doubts about the condition of the appliance, he should so warn the customer initially.~~
- ~~2. Any parts broken which are not "relatively new" and in process of normal repair with our representative using reasonable care in work procedures. Where we make a mistake we'll stand behind it, but we will not unilaterally absorb the cost of other parts broken, they will be considered part of the job.~~

~~Sales to Employees~~

~~The following is applicable for active permanent employees, retired employees and retiree's surviving wife or husband until such time as survivor remarries:~~

- ~~1. Employees may purchase Natural Gas Appliances and accessories at cost from the Company. Appliances must be purchased for use only in the employee's own home.~~
- ~~2. Pipe, pipe fittings and similar material carried in stock by the Company may be purchased by employees at warehouse cost, but these also must be used in the employee's own home and all such purchases must be approved by the Company.~~

~~There is no intent in these rules for employees to unfairly benefit from Company discounts. The giving of false information to obtain a discount from the Company will be considered a cause for discipline.~~

Liquid Propane Conversion to Natural Gas

Any new conversion ~~C~~customer converting from liquid propane (LP) to natural gas will receive gas ~~service~~Service line and meter installation on the same basis as any other residential or ~~commercial-non-residential~~ Ccustomer.

Residential

~~Conversion of residential gas dryers, grills, logs, furnaces or other appliances shall be performed on the basis of the Company's standard rates and charges.~~

Effective: ~~March 1, 2012~~

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 1
~~Second~~ Third Revised Page 24 of 24

Commercial

~~Conversion of AGA approved residential gas appliances or commercial gas appliances in a commercial structure will be performed on shall be performed on the basis of the Company's standard rates and charges.~~

~~Temporary Conversions to Liquid Propane~~

~~When deemed necessary by the Company, new construction and conversion customers will be temporarily converted to liquid propane at no charge. The conversion back to natural gas will also be performed by the Company at no charge.~~

Effective: ~~March 1, 2012~~

Company's Tennessee Service Regulations

Section 2 – Meters

Installation & Location

The Company performs standard meter installation at no charge to the ~~customer~~Customer. However, a ~~e~~Customer desiring an underground meter installation will be charged for the additional cost. The most desirable and serviceable location for a new residential meter installation is on the outside of the structure, approximately four feet past the front wall, where it is not subject to damage from automobiles. The new meter shall be so located unless it is physically impractical or it interferes with Customer's use of ~~his~~their property.

The ~~proper-targeted~~ meter location for large outside commercial or industrial meters, especially those having multiple structures, is at the property line wherever possible. Under no circumstances shall a meter be located within 10 feet of a combustion air intake. Further, meters shall not be located within 3 feet of an ignition source such as heating or air conditioning equipment, water heaters, electric meters, switch gear, electric panels, etc.

The ~~e~~Customer or property-owner must at all times provide a proper and accessible location for all meters and regulators. The following rules apply as well:

1. All meters installed on high-pressure services must be installed outdoors.
2. All "farm tap" meters shall be located at the main.
3. All meters served from standard and medium pressure mains shall be installed outdoors, except in those instances in which it is extremely difficult to do so or is very undesirable from the Customer's viewpoint. In such cases, the meter may be installed indoors, at the discretion of the Company, if the installation conforms to applicable codes.
4. If a ~~e~~ustomer desires to use gas solely for swimming pool water heating, the meter shall be located at the house and the fuel line run from this point to the pool heater.
5. If located indoors, the meter shall not be located:
 - a. Above the ground floor (with the exception of vertical mains, which are installed at the Company's discretion);
 - b. Less than 3 feet from a hot air furnace or boiler;
 - c. Less than 3 feet from a gas oven or hot water heater;
 - d. On or under stairways;
 - e. In bathrooms or adjoining clothes closets;

~~f.~~ In small, unvented, or confined spaces;

~~g-f.~~

~~h-g.~~ Where subject to damage, extreme high temperature, or corrosion;

~~i-h.~~ In entrances or exits so as to obstruct passage in any way;

~~j-i.~~ Less than 10 feet from boilers or other sources of heat, if the meter capacity is 80B or larger.

Meter Relocation

Outside meters will be relocated when requested by the ~~e~~Customer, however, the ~~customer~~Customer will be charged on a Time and Materialss basis.

Meter Testing

The Company maintains a regular program of periodic meter testing and change-out to insure metering accuracy. Upon written request from the ~~C~~ustomer for a special test of his meter, the Company will inspect the meter at a reasonable time in accordance with provisions of the Commission's Rules, Regulations and Orders. ~~Statutes Governing Public Utilities as issued by the Tennessee Regulatory Authority.~~ Such meters will be considered to register correctly if the error is not greater than plus or minus two percent (2%). If the meter is found to be registering incorrectly, the meter will be repaired or adjusted to conform to standards with no charge to the ~~C~~ustomer for testing or repair. If the meter is registering correctly, there will be a meter testing charge to the ~~e~~Customer.

Meter Tampering or By-pass

The term "metered gas" is defined as "all gas that has passed through the ~~C~~ustomer's meter." It is Company policy to prosecute those persons involved where the Company finds evidence of meter tampering or by-pass. Such acts are illegal, as well as extremely dangerous, and Tennessee State Law provides for substantial punishment. In such cases, the ~~e~~Customer or party involved will be charged for all gas used and the cost of meter repair including travel time and all other related expenses on a "Time and Materials" basis. At the Company's option, gas ~~service~~Service may also be terminated.

Meter Damage

The ~~C~~ustomer has a responsibility to provide reasonable protection for the Company's metering facilities from damage by members of their household, guests, ~~his~~their employees, ~~customers,~~ and the general public. ~~It is not, however, his equipment and he cannot be expected to provide security such as guards, surveillance, enclosures, etc. to protect the Company's meters from acts of vandalism or from the general public.~~ The Company selects and approves meter locations. If a location is in a drive, parking lot, alley,

etc. where damage is likely, then it is the Company's responsibility to provide adequate protection such as posts, etc. In cases where the Company's metering facilities are damaged, with regard to actual damage responsibility, the following applies:

1. If the ~~e~~Customer or ~~his~~their employees cause damage (accidentally or purposely), then the ~~e~~Customer should be billed for damages.
2. If a visitor, commercial vehicle, or general public vehicle damages a meter, damage relief should come from that person or ~~firm-party~~ causing the damage. Damage relief shall not come from the ~~customer~~Customer, unless it can be proven that the damage by a third party resulted from negligence on the ~~e~~Customer's part.

Company's Tennessee Service Regulations

Section 3 – Fuel Lines

Customer gas fuel lines installed on Company mains shall comply with all applicable codes and provisions of the current version of the International Fuel Gas Code adopted by the county in which the gas facilities operate. The care and maintenance of all customer-owned underground fuel lines is the responsibility of the ~~e~~Customer. All piping carrying metered gas is considered a fuel line. When in place in a finished building, hidden from view and not easily accessible, the piping is considered a concealed fuel line. All fuel lines will be (a) standard threaded and coupled or welded steel minimum schedule 40 pipe (depending on operating pressure), ~~or~~ (b) plastic pipe or tubing of the following types: TR-418 PE 2306 -- orange color, Drisco 7000 or 8000 PE 3406 -- black color, or approved equal, or (c) other piping meeting code and deemed acceptable by the Company.

Fuel Lines May

- Be installed underground in accordance with applicable codes to include corrosion protection.
- Be installed to serve any number of buildings if all the buildings are located on a single or continuous tract of land with common ownership.
- Be concealed if installed in accordance with applicable codes.

Fuel Lines May Not

- ~~Be smaller than 1-1/4" coated steel or 1-1/8" x.090 wt Polyethylene (PE) tubing if installed underground (unless serving only gaslights, grills, or logs). Fuel lines to remote heating units may be smaller as approved by the Service Department. The Service Department will determine the size of fuel lines for mobile homes.~~
- Extend to or across property under different ownership.
- Cross any public street, alley, or highway. Fuel lines shall be sized to have a minimum pressure drop between the meter outlet and any appliance of 0.3-inch water column. Those fuel lines served from standard pressure distribution systems will be sized on 0.2-inch water column pressure drop.

Installation Charges

All fuel lines will be installed at the ~~C~~ustomer's expense with one exception: when determined necessary, the Company may choose to install a fuel line instead of a ~~s~~Service line. In this event, ownership with maintenance responsibility shall remain with the customer. In such cases, footage of fuel line installed shall be equal to the footage of ~~service-Service~~ line that would be "free service" if the ~~e~~Customer were served in the usual manner (a "farm tap" customer is an example). Charges for residential underground fuel

lines will be on the basis of the Company's standard rates and charges. Pre-installation estimates may be obtained from the ~~Company Service Department (for plastic tubing) or the Construction Department (for all other underground fuel lines)~~. The ~~C~~ustomer at ~~his~~their expense will replace any sidewalk or pavement cut. The ~~customer~~Customer will be charged on the basis of the Company's standard rates and charges for all fuel line repairs made by the Company.

Commercial or Industrial Fuel Lines

Commercial or Industrial fuel line piping work will be performed by the Company according to applicable codes and licensing requirements. If the Company installs a ~~customer's~~Customer's underground fuel line, the charges will be based on the Company's standard rates and charges.

Company's Tennessee Service Regulations

Section 4 – Service Lines

Service ~~l~~ines are pipes used to carry unmetered gas from the main to the ~~e~~Customer's meter. The preferred route of the ~~service-Service~~ line will be from the nearest adequate main to four (4) feet beyond the customer's nearest building wall. Service lines, ~~S~~service relocations, and extensions may be installed in accordance with applicable codes by either the Company or by a contractor approved by the Company. The complete installation must be inspected and approved, prior to being backfilled, by the appropriate Company representative. In general, ~~S~~service lines should not be laid on vacant property adjoining the building to be served if there is likelihood that a building will be constructed on the vacant property. Service line installation policies are subject to conditions of gas supply and the Company's limited service attachment programs.

Residential

The Company will install free of charge 100 feet of ~~s~~Service line for one major appliance, as defined in Section 1, where no main extension is required. The gas ~~service-Service~~ line must extend along the route selected by the Company. In the event that the above conditions are not met, the ~~service-Service~~ line installed for the customer must provide a reasonable return to the Company. If the customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas ~~service-Service~~ line is more than the length allowed above and/or the ~~service Service~~ to be rendered to the ~~customer-Customer~~ will not produce a reasonable return to the Company, the Company may require the ~~customer-Customer~~ to pay the excess cost of constructing the facilities along the alternate route or in excess of the footage allowed and/or to make a contribution which will permit the Company to earn a reasonable return. In all cases any pavement or sidewalk cut will be replaced by and at the ~~customer's-Customer's~~ expense.

Commercial or Industrial

For permanent use and where revenues provide a reasonable return to the Company, the Company will install free of charge 100 feet of ~~S~~service line measured from ~~customer's-Customer's~~ property line or four feet past the nearest building wall, whichever is less.

Exceptions

In cases where there is exceptional cost due to length of ~~s~~Service line, high pressure main, paving (such as crossing major street), rock, etc., these ~~s~~Service orders shall be

reviewed by ~~Piedmont the Engineering Department~~ on a case-by-case basis to determine if they meet the main extension policy provided in Section 5.

Excess Service

Excess ~~service-Service~~ refers to that portion of the total cost of a ~~s~~Service line installed for a ~~e~~Customer that is in excess of the Company's justifiable investment and is that portion of ~~S~~service line cost paid for by the customer.

Repairs

Repairs to ~~service-Service~~ lines damaged by others shall be charged at the Company's actual repair costs.

Service Extensions

A ~~S~~service extension includes all piping carrying unmetered gas from the termination of the previous ~~s~~Service line to the inlet of the meter. Service extensions and relocations shall be installed at the ~~e~~Customer's expense.

Excess Flow Valves

Customer has the right to request the placement of an Excess Flow Valve ("EFV") on any Service Line that does not already have such a valve installed. Company shall work with the Customer to reasonably determine the date of such installation. The installation will not be made where it will interfere with or jeopardize the Company's Service either to the Customer desiring the installation or to any other Customer or Customers. As a precondition to installation of an EFV, Customer shall be required to enter into a written agreement with Company reflecting the terms of such installation and assuming responsibility for all of the actual costs of such installation. Company shall be entitled to collect a deposit on such costs prior to initiating installation of the EFV in the amount of the estimated cost of installation.

Branch Services

Branch ~~S~~services will be permitted only when the point of junction of the two ~~services~~ ~~Service lines~~ is either in the public right-of-way or on a ~~customer's-Customer's~~ property. In the latter case, written and notarized permission of the property owner must be obtained and filed with the Register of Deeds of the appropriate county. In the case of ~~services-Service lines~~ requiring in-line valves, the ~~s~~Service ~~line~~ must be branched in the public right-of-way, and ~~the Construction Department~~~~Piedmont~~ must confirm presence of a valve in each branch.

Multiple Buildings on Same Lot

In those cases where two or more buildings are located on the same lot in such a manner as to be reasonably suited to subdividing, the Company will, if requested, run separate ~~service-Service~~ lines to these buildings. However, if the buildings are not so situated (e.g. garage apartments or combination commercial and residential buildings),

the Company will not run separate Sservices except where the full cost of the additional Sservice from main to meter, including paving, is borne by the Customer.

Service Line Enlargements

If the load through an existing Sservice is so increased as to require a larger service Service line, the Company will enlarge the existing sService to a point four (4) feet beyond the eCustomer's nearest outside building wall without charge. Any enlargement of the sService line beyond this point will be at the eCustomer's expense. Any fuel line changes will be at the eCustomer's expense.

Shopping Centers

A shopping center shall be considered as a single structure containing a minimum of 7,500 square feet of floor space and a minimum of four (4) tenants or business stores operating within the structure. The Company shall install one Sservice line and one bank of gas meters for each 12,000 square feet of floor space. The final number of meter banks shall be at the discretion of the Company, based upon the size and layout of the particular shopping center under consideration.

Company's Tennessee Service Regulations

Section 5 – Mains

The Company has a policy of extending its main(s) to serve a new ~~e~~Customer (or ~~e~~Customers) provided such main extension is determined to be economically feasible. The criteria for economic feasibility shall be met when the total annual net revenue to be obtained from the ~~e~~Customer (or ~~e~~Customers) provides a rate of return that is equal to or greater than the overall cost of capital established in the Company's last general rate case.

The determination of the anticipated rate of return on the main extension will be based on a net present value (NPV) computation utilizing the following parameters:

1. Net revenues will be calculated by applying the applicable tariff margin rate to the estimated annual total usage and, where applicable, potential for future growth may be considered.
2. Estimated annual total usage shall be based on those appliances that will be in use during the first five (5) years of ~~S~~service, except as provided in paragraph 3 under "Main Extension Contract".
3. The required investment will be based upon engineering cost estimates as determined by the Company and will include the costs of all facilities required for providing ~~service~~ Service including material and labor costs associated with the installation of mains, ~~s~~Service lines, metering and regulating equipment, easements, rights of way, street crossings, and all other required equipment or facilities.
4. The discount rate shall be equal to the overall cost of capital allowed in the Company's last general rate case adjusted for taxes and depreciation.
5. The discount period shall be equal to the economic useful life of the investment in the mains and ~~s~~Services ~~lines~~.
6. Main extensions producing a positive net present value at the end of the discount period shall be considered economically feasible.

Main Extension Contract

To the extent the net present value computation produces a negative result:

1. The ~~e~~Customer shall pay to the Company an amount equal to the negative net present value at the end of the discount period, plus any additional funds required to provide for the payment of resulting taxes. This payment may be made in a lump sum or in periodic payments (without interest) -- annual, monthly, etc.
2. If within three (3) years after the original installation, the ~~C~~eustomer making the payment adds additional major or minor appliances, the Company will refund to the ~~C~~eustomer (if

paid in advance or credit his account if on extended terms), upon written request, an amount equal to the net annual revenues anticipated to be realized from the usage of the additional appliance(s).

3. In no case shall the ~~customer~~Customer making the payment be refunded more than he paid.

The above provisions assume that only one ~~e~~Customer will make the payments. If two or more ~~e~~Customers make the payments, the contract will be adjusted to reflect this fact; for example, if two ~~e~~Customers made equal payments and a refund is due because one of the two has added an additional appliance, then the entire refund shall be paid to him.

Exceptions

The Company may make exceptions to the main extension rule when system improvements are realized by the extension.

Main Relocation

If a ~~e~~Customer requests a re-routing or relocation of a main located on a public right-of-way, the ~~e~~Customer will be charged for this work. If the main is located on private property, such as an easement, railroad right-of-way, ~~Piedmont the case will be referred to the Engineering Department for~~make a determination as to whether a charge shall be ~~made~~assessed. The same will apply to relocations or re-routings requested by a contractor. Repairs to mains damaged by a contractor will be charged to the contractor on a "Time and Materials" basis.

Above-~~g~~Ground Facilities

If the above-ground facilities (such as post regulators, vent pipe, etc.) are so located that they seriously interfere with, or make impracticable, the owner's use of this property, the relocation of such facility will be done at no cost to the ~~e~~Customer. An example of serious interference would be when the aboveground facility was located in front of a proposed narrow driveway. In all other cases, the cost of relocation will be charged to the ~~e~~Customer. The charge, unless specified for any of the above items, will ~~—~~be either of the following, at the ~~e~~Customer's option, prior to commencement of work:

1. Estimated cost as determined by the ~~Construction Department~~Company;
2. Actual cost~~.~~

Piedmont's Tennessee Service Regulations

Section 6 -- Other Rules & Regulations

~~Governing Supply & Consumption of Gas~~

The ~~consumer~~Customer agrees to the following rules and regulations, having made proper application and deposit for ~~s~~Service with the Company.

1. ~~Consumer~~Customer is responsible for damage to any gas meter or equipment belonging to the Company placed on the premises occupied by the ~~consumer~~Customer and will immediately reimburse the Company for all costs of repairing or replacing same. In accordance with ~~Item (1), Section 1220-4-5-. 18, Reasons for Denial of Service of the Tennessee Regulatory Authority's Commission~~ Rules, and Regulations and Orders, ~~a consumer the Company may b~~terminate or refuse ~~s~~Service if ~~Customer consumer~~ has damaged the Company's equipment or tampered with the lock on a meter. The Company will charge its standard rates and charges for a broken meter lock.
2. ~~Customer~~consumer will use gas supplied through Company's meter only. Use of other metering devices or bypassing equipment and tampering or adjustments on ~~company~~Company-owned metering facilities by ~~consumer~~Customer are prohibited. The Company will not permit secondary meter billing.
3. In case the meter has failed to register the quantity of gas consumed, in whole or in part, the ~~consumer~~Company may hold the Customer responsible for will pay such reasonable sum as is ascertained to be due for the period involved in accordance with Commission Rules, Regulations and Orders.
4. The Company's authorized agents shall have access to ~~consumer's~~Customer's premises at all reasonable times for the purpose of checking, reading, servicing, replacing or and disconnecting the meter; shutting off gas; and for such other purposes as the Company may deem advisable to protect its interests.
5. The Company shall be under no duty to inspect, repair, or maintain the ~~s~~Service of other pipes, connections, equipment, or appliances located beyond the meter outlet on the premises of the ~~consumer~~Customer.
6. The ~~Customer~~consumer shall be liable and shall pay for all gas passing through the meter until it is turned off. When termination of ~~s~~Service is requested, ~~consumer~~Customer must ensure that the Company receives either written or verbal notice at least two business days prior to the desired date of termination. Access to the meter must be provided.
7. The ~~consumer~~Customer is entitled to the usual discount allowed by the Company if bills are paid within the first ~~twelve~~twenty-five (25) days following the date bills are rendered. All gas bills are due when rendered and they will be considered as rendered when mailed to the address specified by the ~~Customer~~consumer. A residential, head of household ~~consumer~~Customer dependent on social security or

other retirement check may request a net to gross discount waiver. Qualified ~~consumers~~Customers will be granted a net to gross discount waiver and the account will be monitored for continuing compliance.

~~8. The Company shall have the right to shut off gas from any consumer who may be in arrears for a longer period than twenty days in paying for gas furnished hereunder or under any other prior or subsequent agreement, or for gas used by consumer at consumer's present or any prior or subsequent address, it being understood hereby that said twenty day period commences to run from date the bill is rendered as above defined. The Company will not shut off gas for non-payment without first mailing a notice to the consumer giving him seven days to pay for the bill in arrears. The Company will not terminate service during any 24-hour period, as measured from 8:00 am on the planned date of termination, where the forecasted low temperature, as determined by the National Weather Service, is 32 degrees Fahrenheit or below.~~

~~9-8.~~ The Company is authorized to require the ~~consumer~~Customer to make a deposit, or increase any existing deposit, in such amount as the Company deems proper for its protection before restoring gas ~~S~~service. The deposit amount will not exceed two consecutive billing periods or ninety (90) days, whichever is less.

~~10-9.~~ Interest on Customer Deposits: All ~~consumer~~Customer deposits will accrue simple interest on the principal at the rate approved by the ~~Authority~~Commission.

~~11.~~ Reconnection Charge: The Company will charge \$55.00 during the months of February through August and \$85 for the months of September through January for turning on a meter for an existing ~~residential or non-residential consumer~~Customer or member of the same family, ~~or household or business~~ at same address. This charge applies only to those ~~consumers~~Customers who have previously elected to have the meter turned off without discontinuing ~~s~~Service (~~seasonal turn-off~~) or whose ~~Service has been previously terminated for account has been closed because of non-payment of a bill.~~

~~12.~~ ~~In the event gas is shut off because of consumer's failure to pay, a charge will be made for each restoration. The Company will charge \$55.00 during the months of February through August and \$85 for the months of September through January plus payment of past due gas bills for turning on meters shut off for non-payment of bill. The Company will not be liable for damages for shutting off gas or for delay in restoring Sservice. An additional deposit may also be required.~~

~~13-10.~~ At the Company's option, special discounts may be offered to the approved reconnect fee to encourage ~~C~~customers to have their ~~S~~service reinstated during non-peak turn-on periods. Such special discounts will be made upon a 1-day notice to the ~~Authority~~Commission and will be available on a nondiscriminatory basis within the classifications ~~stated herein of Sections 11 and 12 above.~~ Notification will include the time period during which the promotion will be conducted as well as the terms and conditions of the promotion.

~~14-11.~~ The ~~consumer~~Customer agrees to notify ~~the~~ Company in advance of any planned change in physical premise or environment around meter or ~~S~~service to determine impact on safety cases, meter reading, and meter maintenance.

Commented [PPK1]: Paragraph removed because it is duplicative of terms already described in Section 1 of the Service Regulations.

Commented [PPK2]: Removed because it is a duplicative of terms already previously described.

Piedmont Natural Gas Company, Inc.
Tennessee Service Regulations

Section 6
~~Second~~Third Revised Page 3 of 3

- ~~15.12.~~12. In the event the Company is unable, wholly or in part, by reason of force majeure to carry out its obligations to provide ~~s~~Service, the obligations of the Company so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed above shall mean acts of God; extreme weather conditions; strikes, lockouts, or other industrial disturbances; acts of the public enemy; war; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage of or accidents to machinery, lines of pipe, or the Company's peak shaving plants; freezing of wells or lines of reduction in gas pressure by its suppliers; inability to obtain rights-of-way, permits, materials, equipment, or supplies for use in the Company's peak shaving plants; and any other causes whether of the kind herein enumerated or otherwise, not within control of the Company, and which by the exercise of due diligence the Company is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Company, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the Company.
- ~~16.13.~~13. When the Company in its discretion determines that it is necessary to interrupt or curtail ~~s~~Service to maintain the integrity of its distribution system or to provide for its or the public's safety, the Company shall have the right to interrupt or curtail ~~delivery of gas~~Service to any ~~consumer~~Customer.
- ~~17.14.~~14. In the event of a failure or interruption of ~~s~~Service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such failure or interruption due to accidents, force majeure, extreme weather conditions, or causes beyond its control.

Effective: March 1, 2012

APPENDIX A

CUSTOMER AGENT AGREEMENT

This Customer Agent Agreement ("Agreement") is made this _____ day of _____, 20__, by and between Piedmont Natural Gas Company, Inc. ("Piedmont") and _____ ("Agent").

WHEREAS, Piedmont's natural gas transportation tariffs provide for the ability of ~~C~~eustomers receiving Piedmont's transportation services to designate and utilize a third-party agent for purposes of making nominations for and delivering natural gas to Piedmont on behalf of such ~~C~~eustomers and managing imbalances on the Piedmont system resulting from such activities; and

WHEREAS, in undertaking such activities on behalf of Piedmont's ~~C~~eustomers, such Agents have the capacity to create material economic and operational risks for Piedmont and its ~~C~~eustomers; and

WHEREAS, Agent desires to act as a Customer Agent on Piedmont's system; and

WHEREAS, Piedmont is willing to permit Agent to operate on its system under the terms and conditions set forth herein and under the parameters of Piedmont's approved tariffs and service regulations.

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Piedmont and Agent agree as follows:

1. Establishment and Maintenance of Creditworthiness. Each Agent must establish credit with Piedmont in the form of a Letter of Credit, escrow deposit, parental guaranty, or otherwise, in form and substance acceptable to Piedmont, in an amount equal to or greater than the dollar value obtained by the following formula at all times:

The higher of Agent's average daily load for the previous month or Agent's First-of-Month confirmed daily nomination quantity for the new month x 3 days x (NYMEX prompt month close) x 1.25.

Each month, prior to nominating transactions for the first of the month business, an evaluation will be made to ensure that the established credit does not fall below the value obtained from the formula shown above. In the event Agent's established credit falls below the value obtained through application of the formula shown above, either during this monthly evaluation or at any other time, Piedmont may require that the value of said Letter of Credit, escrow deposit, parental guaranty, or other form of assurance be changed at any time in order to reestablish adequate creditworthiness hereunder. In the event Agent fails to establish creditworthiness as set forth above, or fails to comply within 5 days with directions from Piedmont to increase the amount of its credit instruments as provided herein, then Agent's right to conduct business on the Piedmont system shall be suspended until such time as Agent shall be in compliance with the

creditworthiness provisions set forth herein (including any requirements to increase said creditworthiness).

2. Customer Agent Imbalance Restrictions. Agent shall not create a cumulative intra-month imbalance which exceeds three times Agent's aggregate First-of-Month confirmed daily nomination quantity. If this cumulative month-to-date imbalance restriction is exceeded at any time, then Agent's authorization to conduct business on Piedmont's system shall be immediately suspended except to the extent of transactions designed to reduce Agent's cumulative month-to-date imbalance. Upon any such suspension, Agent's authorization to conduct business on the Piedmont system shall not be restored until such time as Agent is in full compliance with the provisions hereof and all applicable provisions of Piedmont's tariffs and service regulations.

3. Allocation of Imbalance Quantities/Penalties. Concurrent with the submission of monthly nominations, Agent shall provide Piedmont with a schedule of allocated nominations for ~~C~~ustomers to be served by Agent for the following month. This allocation shall serve as the basis for resolving imbalances with Agent's ~~e~~ustomers-Customers to the extent those imbalances are not resolved by Agent. In the event Agent fails to submit such schedule, and further fails to resolve any monthly imbalance during the term hereof, those imbalances and any attendant penalties shall be allocated to Agent's ~~e~~ustomers, *pro rata*, based upon the actual usage of each such ~~e~~Customer during the month to which the unresolved imbalance and/or penalties is attributable.

4. Failure to Comply with Operational Notices, and Agent Creditworthiness and Imbalance Requirements. If Agent fails to adhere to the imbalance and credit requirements set forth above, or to obey specific instructions issued by Piedmont and designed to preserve the operational integrity of Piedmont's system, Agent (a) shall be subject to the Unauthorized Over Run Penalty provisions of Piedmont's ~~Rate-Service~~ Schedule ~~No.~~ 306, and (b) shall have its right to transact business on Piedmont's system suspended.

5. Term. This Agreement shall become effective as of the date first written above and shall continue in full force or effect until terminated by either party hereto upon sixty (60) days written notice.

6. Supplemental Nature of Agreement. This Agreement is supplemental to the provisions of Piedmont's approved tariffs and service regulations, the provisions of which shall also apply to services rendered hereunder. As such, the restrictions and requirements set forth herein are cumulative in nature and in addition to any other imbalance or penalty provisions set forth in Piedmont's approved tariffs and service regulations.

7. Billing and Payment. Billings to Agent for any amounts due hereunder, and payments by Agent on such billings, shall be made in a manner consistent with the billing and payment provisions of the underlying transportation tariffs pursuant to which service is rendered.

8. Miscellaneous.

- A. Modification. This Agreement may not be modified or amended except by the execution of a written agreement by the parties hereto.
- B. Waiver. No failure by any party to enforce this agreement with respect to any default in the performance of any of the provisions of this Agreement shall operate or be construed to operate as a waiver thereof or of any similar future default.
- C. Assignment. This Agreement may not be assigned by any party hereto without the express written consent of the other party hereto.
- D. Jurisdiction. This Agreement and the respective obligations of the parties hereto are subject to all valid laws, orders, rules and regulations of the Tennessee ~~Regulatory Authority~~ Public Utility Commission and any other governmental bodies having jurisdiction.
- E. Conflict of Laws. The construction, interpretation, and performance of this Agreement shall be in accordance with the substantive laws of the State of Tennessee without regard to any conflicts of laws provisions thereof.

IN WITNESS WHEREOF, the undersigned parties have executed this agreement as of the year and date first written above.

AGENT

PIEDMONT NATURAL GAS COMPANY, INC.

By: _____
Title: _____

By: _____
Title: _____

MAILING ADDRESS

Please submit to: ~~Transportation & Pipeline Services~~ Citygate Operations
Piedmont Natural Gas Company
P.O. Box 33068
Charlotte, N.C. 28233

OR

EFFECTIVE:

Piedmont Natural Gas Company, Inc.
Tennessee Customer Agent Agreement

~~First~~ Second Revised Page 4 of 4

~~Services~~ GasCommercialOperations@duke-energy.com ~~Transportation & Pipeline~~
~~Fax Number: (704) 364-8320~~

EFFECTIVE:

TPUC Docket No. 20-00086
Stipulation and Settlement Agreement

Attachment G

Piedmont Natural Gas Company, Inc. Tennessee

Index of Tariff & Service Regulations

<u>Tariff Sheet No. 1</u>	<u>Rate Components by Rate Schedule</u>
<u>Rate Schedule 301</u>	<u>Residential Service</u>
<u>Rate Schedule 302</u>	<u>Small General Service</u>
<u>Rate Schedule 303</u>	<u>Large General Sales Service - Firm</u>
<u>Rate Schedule 304</u>	<u>Large General Sales Service - Interruptible</u>
<u>Service Schedule 306</u>	<u>Schedule for Limiting and Curtailing Service</u>
<u>Service Schedule 307</u>	<u>Balancing, Cash-Out, and Agency Authorization</u>
<u>Rate Schedule 309</u>	<u>Special Availability Service</u>
<u>Rate Schedule 310</u>	<u>Resale Service</u>
<u>Service Schedule 311</u>	<u>Purchased Gas Adjustment (PGA) Rider</u>
<u>Service Schedule 312</u>	<u>Equal Payment Plan (EPP)</u>
<u>Rate Schedule 313</u>	<u>Large General-Transportation Service - Firm</u>
<u>Rate Schedule 314</u>	<u>Large General Transportation Service - Interruptible</u>
<u>Service Schedule 315</u>	<u>Weather Normalization Adjustment (WNA) Rider</u>
<u>Service Schedule 316</u>	<u>Performance Incentive Plan</u>
<u>Service Schedule 317</u>	<u>Integrity Management Rider</u>
<u>Rate Schedule 343</u>	<u>Motor Vehicle Fuel Service</u>
<u>Rate Schedule 352</u>	<u>Medium General Service</u>
 <u>Tennessee Service Regulations</u>	
<u>Appendix A - Customer Agent Agreement</u>	

PIEDMONT NATURAL GAS COMPANY, INC.
Tennessee Service Territory
Billing Rates Effective: January 2, 2021

Rate Schedule	Description	Tariff Base Rate Docket No. 20-00086 <1>	-----Cumulative PGA-----		-----Current ACA-----		Current IPA	Current IM Adjustment	Temporary Decrements Approved in Docket No.18-00040		Rate Case Rider	Total Adj. Factor (Sum Col.2 thru Col.9)	Billing Rate ³ (Col.1+Col.10)
			Demand	Commodity	Demand	Commodity			Deferred Base Revenue Refund	Unprotected Excess ADIT Refund			
<2>	<3>	<4a>	<4b>	<5>	<6>	<7>	<8>	<9>	<10>	<11>			
Residential 301 301	Monthly Charge-Nov.-Mar.	\$17.45											\$17.45
	Monthly Charge-Apr.-Oct.	\$13.45											\$13.45
	Nov.- Mar. per TH	0.53886	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03699)	(0.01958)	(0.04211)	0.00000	0.16031	0.69917
	Apr.- Oct. per TH	0.44598	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03699)	(0.01958)	(0.04211)	0.00000	0.16031	0.60629
Small General 302 302	Monthly Charge	\$44.00											\$44.00
	Nov.- Mar. per TH	0.55659	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03231)	(0.01710)	(0.03678)	0.00000	0.17280	0.72939
	Apr.- Oct. per TH	0.46492	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03231)	(0.01710)	(0.03678)	0.00000	0.17280	0.63772
Medium General 352 352	Monthly Charge	\$225.00											\$225.00
	Nov.- Mar. per TH	0.48645	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03231)	(0.01710)	(0.03678)	0.00000	0.17280	0.65925
	Apr.- Oct. per TH	0.40633	0.07577	0.19717	(0.01181)	(0.01044)	0.00830	(0.03231)	(0.01710)	(0.03678)	0.00000	0.17280	0.57913
Motor Vehicle Fuel 343 343	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		(0.18957)							0.63872	1.43872
	First 15,000 TH/TH	0.18700		0.19717		(0.01044)	0.00830	(0.01435)	(0.00319)	(0.00685)	0.00000	0.17064	0.35764
	Next 25,000 TH/TH	0.16800		0.19717		(0.01044)	0.00830	(0.01435)	(0.00319)	(0.00685)	0.00000	0.17064	0.33864
	Next 50,000 TH/TH	0.14000		0.19717		(0.01044)	0.00830	(0.01435)	(0.00319)	(0.00685)	0.00000	0.17064	0.31064
	Over 90,000 TH/TH	0.08000		0.19717		(0.01044)	0.00830	(0.01435)	(0.00319)	(0.00685)	0.00000	0.17064	0.25064
304 Interruptible General Sales	Monthly Charge	\$800.00											\$800.00
	First 15,000 TH/TH	0.13500		0.19717		(0.01044)	0.00830	(0.00359)	(0.00319)	(0.00685)	0.00000	0.18140	0.31640
	Next 25,000 TH/TH	0.11050		0.19717		(0.01044)	0.00830	(0.00359)	(0.00319)	(0.00685)	0.00000	0.18140	0.29190
	Next 50,000 TH/TH	0.09100		0.19717		(0.01044)	0.00830	(0.00359)	(0.00319)	(0.00685)	0.00000	0.18140	0.27240
	Over 90,000 TH/TH	0.04035		0.19717		(0.01044)	0.00830	(0.00359)	(0.00319)	(0.00685)	0.00000	0.18140	0.22175
313 Firm Transportation	Monthly Charge	\$800.00											\$800.00
	Demand Charge per TH	0.80000	0.82829		(0.18957)							0.63872	1.43872
	First 15,000 TH/TH	0.18700						(0.01435)	(0.00319)	(0.00685)	0.00000	(0.02439)	0.16261
	Next 25,000 TH/TH	0.16800						(0.01435)	(0.00319)	(0.00685)	0.00000	(0.02439)	0.14361
	Next 50,000 TH/TH	0.14000						(0.01435)	(0.00319)	(0.00685)	0.00000	(0.02439)	0.11561
	Over 90,000 TH/TH	0.08000						(0.01435)	(0.00319)	(0.00685)	0.00000	(0.02439)	0.05561
314 Interruptible Transportation	Monthly Charge	\$800.00											\$800.00
	First 15,000 TH/TH	0.13500						(0.00359)	(0.00319)	(0.00685)	0.00000	(0.01363)	0.12137
	Next 25,000 TH/TH	0.11050						(0.00359)	(0.00319)	(0.00685)	0.00000	(0.01363)	0.09687
	Next 50,000 TH/TH	0.09100						(0.00359)	(0.00319)	(0.00685)	0.00000	(0.01363)	0.07737
	Over 90,000 TH/TH	0.04035						(0.00359)	(0.00319)	(0.00685)	0.00000	(0.01363)	0.02672
310 Resale Service	Demand Charge per TH	0.80000	0.82829		(0.18957)							0.63872	1.43872
	Commodity Charge	0.49063		0.19717		(0.01044)	0.00830	(0.01435)	(0.00970)	(0.02086)	0.00000	0.15012	0.64075

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 6.25% for collection of the Metro Franchise Fee. Customers served by the Ashland City, Fairview, Franklin, Greenbrier, Hartsville, Mt. Juliet and White House systems are required to pay 5.0%. Customers served by the Nolensville system are required to pay 3%.

RATE SCHEDULE NO. 301

Residential Service

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired Service.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. This Rate Schedule applies to all residential Customers.

<u>BASE MARGIN RATE</u>	<u>Winter</u> <u>(November-March)</u>	<u>Summer</u> <u>(April-October)</u>
Monthly Charge	\$17.45	\$13.45
Commodity Charge (per therm)	\$.53886	\$.44598

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas Service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial Service until Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers served pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or Service applications and subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

EFFECTIVE:

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," and the operation of Rate Schedule No. 316, "Performance Incentive Plan." Gas Service under this schedule is subject to the provisions contained within Service Schedule No. 315, "Weather Normalization Adjustment (WNA) Rider," and Service Schedule No. 317, "Integrity Management Rider (IMR)."

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional Service or the transfer of existing Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, and The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this schedule is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RATE SCHEDULE NO. 302

Small General Service

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, whose average daily usage is less than 20 dekatherms per day. Average daily gas usage will be based on the Customer's usage during the most recent past calendar year ended on December 31. Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

<u>BASE MARGIN RATE</u>	<u>Winter</u> <u>(November-March)</u>	<u>Summer</u> <u>(April-October)</u>
Monthly Charge	\$44.00	\$44.00
Commodity Charge (per therm)	\$.55659	\$.46492

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas Service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial Service until Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers served under this Rate Schedule shall be subject to the Company's standard contracts and/or Service applications and subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient

EFFECTIVE:

Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider" and the operation of Service Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 315, "Weather Normalization Adjustment (WNA) Rider" and Service Schedule No. 317, "Integrity Management Rider (IMR)."

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional Service or the transfer of existing Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this Rate Schedule is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

EFFECTIVE:

RATE SCHEDULE NO. 303

Large General Sales Service - Firm

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

Once a qualified Customer elects Service under this Rate Schedule, all Service will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive Service under Rate Schedule No. 309, "Special Availability Service," concurrent with Service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue Service under this Rate Schedule and receive Service under Rate Schedule No. 313, "Large General Transportation Service - Firm," by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer firm general transportation Service under Rate Schedule No. 313, (b) the Company is able to provide Service under Rate Schedule No. 313 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue Service under this Rate Schedule and Company shall provide Service under Rate Schedule No. 313 effective the first June 1 following the notice.

All gas delivered pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

BASE MARGIN RATE

Monthly Charge	\$800.00
Demand Charge (per therm of billing demand)	\$.80000

EFFECTIVE:

Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.18700
2 nd Step (15,001-40,000 therms)	\$.16800
3 rd Step (40,001-90,000 therms)	\$.14000
4 th Step (Over 90,000 therms)	\$.08000

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge plus the monthly Demand Charge.

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas Service. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial Service until Service is terminated at the Customer's request.

BILLING DEMAND

The billing demand shall be determined as follows:

A Customer's billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinant will become effective June 1 of each year.

For Customers commencing initial gas Service under this Rate Schedule and who do not have a consumption history from other Services provided by the Company, the billing demand determinant shall be the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms. If a Customer has received gas Service from the Company prior to receiving Service under this Rate Schedule but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based upon the highest monthly level of consumption during the previous winter period multiplied by six percent (6%).

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers served under this Rate Schedule shall be subject to the Company's standard contracts and/or Service applications and subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

EFFECTIVE:

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," and the operation of Service Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Rider (IMR)."

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional Service or the transfer of existing Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this Rate Schedule is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RATE SCHEDULE NO. 304

Large General Sales Service - Interruptible

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

CHARACTER OF SERVICE

The nature of Service provided by the Company to Customer under this Rate Schedule is interruptible sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

Once a qualified Customer elects Service under this Rate Schedule, all Services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive Service under Rate Schedule No. 309, "Special Availability Service," concurrent with Service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue Service under this Rate Schedule and receive Service under Rate Schedule No. 314, "Large General Transportation Service – Interruptible," by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer interruptible transportation Service under Rate Schedule No. 314, (b) the Company is able to provide Service under Rate Schedule No. 314 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue Service under this Rate Schedule and Company shall provide Service under Rate Schedule No. 314 effective the first June 1 following the notice.

Customers served pursuant to this Rate Schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas Service without further notice to the Customer in the event Customer fails to interrupt or curtail Customer's use of gas in accordance with the Company's notice of interruption or curtailment.

All gas delivered pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

EFFECTIVE:

BASE MARGIN RATE

Monthly Charge	\$800.00
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.13500
2 nd Step (15,001-40,000 therms)	\$.11050
3 rd Step (40,001-90,000 therms)	\$.09100
4 th Step (Over 90,000 therms)	\$.04035

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas Service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial Service until Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer.

SERVICE AGREEMENTS

All Customers served pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or Service applications and subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," and the operation of Service Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Rider (IMR)."

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional Service or the transfer of existing Service to a higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations

EFFECTIVE:

and The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this Rate Schedule is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

EFFECTIVE:

SERVICE SCHEDULE NO. 306

Schedule for Limiting and Curtailing Service

This Service Schedule defines the types of Service interruptions and curtailment that the Company may invoke from time to time due to the occurrence of extreme weather conditions, operating conditions or force majeure events, and describes the process and procedures to be followed in the implementation of gas Service restrictions.

DISTRIBUTION PRESSURE INTERRUPTIONS AND CURTAILMENTS

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Company's Tennessee Service Regulations, Rules and Regulations Governing Supply and Consumption of Gas, or the demands of the Company's firm Customers as the same may affect the Company's ability to provide interruptible Service, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will interrupt or curtail Service to interruptible Customers served under Rate Schedule Nos. 304, 309 or 314, by priority of their margin contribution to the Company (interrupting or curtailing Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption or curtailment is required, the Company will proceed with interruption or curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SUPPLY OR CAPACITY RELATED INTERRUPTIONS AND CURTAILMENTS

In situations when supply and capacity Services contracted by the Company are not sufficient to meet the full requirements of Customers desiring sales Services from the Company, the Company will first curtail Service to interruptible sales Customers receiving Service under Rate Schedule No. 304 by priority of their margin contribution to the Company. Customers receiving discounted sales Service under Rate Schedule No. 309 will also be curtailed according to the discounted rates. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 314 at market prices in order to serve Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

EMERGENCY SERVICE

All emergency gas Service is of a discretionary nature and implies no present or future obligation of the Company to any Customer to provide such Service on either a temporary or continuing basis. Deliveries of gas hereunder shall be made pursuant only to advance operating arrangements between the Company's authorized personnel and the Customer and shall be subject to curtailment and interruption at any time should the Company deem it necessary.

RATE FOR EMERGENCY SERVICE

If the Company has authorized the Customer to consume limited quantities of emergency gas as provided in the above paragraph, then all gas consumed by the Customer will be at a rate of \$1.00 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price", until otherwise notified that either (1) further gas sales will be under the Customer's regular rate schedule or (2) complete curtailment is unavoidable and that further gas sales will be considered unauthorized. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Bidweek Spot Gas Prices" and

EFFECTIVE:

indicated specifically under “Northeast” for “Tennessee, zone 6 del.” “Daily Price” shall be defined as the daily price for gas defined by Gas Daily as stated in the “Daily Price Survey”, “Northeast”, “Tennessee, zone 6 del.”, “Midpoint” price. For Days of consumption when the “Monthly Contract Index” is not published, the “Monthly Contract Index” shall equal the corresponding “Daily Price” published for the first day of the month of flow. For days of consumption when the “Daily Price” is not published, the “Daily Price” shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day by Gas Daily. Revenues realized from emergency Service transactions will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

UNAUTHORIZED OVER RUN PENALTY

If at any time a Customer exceeds specified contract entitlements or if during any curtailment period, any affected Customer takes, without the Company’s advance written approval, a volume of natural gas in excess of the curtailment period quantity entitlement applicable to such Customer, said volume shall constitute an unauthorized over run volume. For each therm of such unauthorized over run volume taken by such Customer, such Customer shall pay to the Company a rate of \$1.50 per therm plus the higher of two gas commodity indices, “Monthly Contract” and “Daily Price”. “Monthly Contract” shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, “Monthly Bidweek Spot Gas Prices” and indicated specifically under “Northeast” for Tennessee, zone 6 del.” “Daily Price” shall be defined as the daily price for gas defined by Gas Daily as stated in the “Daily Price Survey”, “Northeast”, “Tennessee zone 6 del.”, “Midpoint” price. For Days of consumption when the “Monthly Contract Index” is not published, the “Monthly Contract Index” shall equal the corresponding “Daily Price” published for the first day of the month of flow. For days of consumption when the “Daily Price” is not published, the “Daily Price” shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day by Gas Daily. The Customer shall be liable for the above charges together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the interstate pipeline during the time of the unauthorized usage by such Customer. The payment of a penalty for unauthorized over run volumes shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule. Revenues realized from unauthorized over run penalties will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer’s check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311. “Purchased Gas Adjustment (PGA) Rider,” and the operation of Service Schedule No. 316, “Performance Incentive Plan.”

All gas adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

EFFECTIVE:

SERVICE SCHEDULE NO. 307

Balancing, Cash-Out, and Agency Authorization

APPLICABILITY

The provisions of this Service Schedule shall apply to all transportation Services provided by the Company under Rate Schedule Nos. 313 and 314, as well as all transportation Service special contracts unless expressly provided otherwise therein.

LIMITATIONS ON INTRA-MONTH IMBALANCES

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalances. Customers (or its Agent) are responsible to match daily gas deliveries into the Company's system with daily gas consumption by Customer as closely as possible. Any imbalances shall be corrected by the Customer (or its Agent), insofar as practicable, during the month in which they occur. Customers (or its Agent) are expected to proactively manage intra-month imbalances. Customer (or its Agent) may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems, comply with balancing requirements of the upstream pipeline(s), and to mitigate the need to acquire additional daily supply at prices that would adversely affect sales customers. The Customer (or its Agent) will be responsible for any imbalance charges assessed by upstream pipeline(s) in connection with any gas transported by the Customer under this Rate Schedule.

In the event Customer (or its Agent) fails to abide by the requirements set forth above, the Company shall have the right to curtail deliveries to Customer (Customers in a transportation pool operated by a single Agent will be curtailed on a pro rata basis based on nominated quantities) if an imbalance is negative or reducing Customer's nominated quantities if an imbalance is positive. The Customer will be responsible for any imbalance charges assessed by upstream pipeline(s) in connection with any gas transported by the Customer. The Company reserves the right to take other reasonable action to mitigate system operational problems. The Company will use its reasonable efforts to notify the Customer or the Customer's Agent before proceeding with a unilateral nomination reduction or delivery curtailment and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company. The Company reserves the right to initiate Standby Sales Service if elected by the Customer pursuant to Rate Schedule No. 313 when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems resulting from the gas imbalances of the Customer. The Company will use reasonable efforts to notify the Customer or the Customers' Agent before initiating Standby Sales Service hereunder.

No later than one-hour prior to the NAESB deadline for the timely nomination cycle on the fifth business day prior to the beginning of each month, the Customer must inform the Company of the nominating Agent for gas to be transported. If no notification to the contrary is provided, the Agent providing Service during the prior month shall be deemed to be the nominating Agent by default. No later than one-hour prior to the NAESB deadline for the timely nomination cycle on the fourth business day prior to the beginning of each month, the Customer shall submit a timely and valid nomination for transportation. Changes to nominations for gas transportation within the month are due to the Company no later than one-hour prior to the NAESB deadline for the timely

nomination cycle on the business day prior to gas flow. The Company will have no obligation to accommodate "late" or "next day intraday" or "intraday" nomination changes.

BALANCING ON UPSTREAM PIPELINE(S)

It shall be the Customer's responsibility to remain in balance on a daily and monthly basis with upstream pipeline(s) to avoid any assessment of penalties by such pipeline(s) against the Company. If the Company is assessed a penalty by an upstream pipeline, the Company shall have the right to pass-through all such penalties to the Customer or its Agent if the Customer has had an imbalance with the Company during the period for which the penalty was assessed.

MONTHLY IMBALANCE RESOLUTION

Any differences between the monthly quantities delivered to the Company's city gate facilities for the account of the Customer, and the monthly quantities consumed by the Customer as metered by the Company, shall be the monthly imbalance. The Percentage of Imbalance is defined as the monthly imbalance divided by the monthly quantities consumed by the Customer. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than has been delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If Customer's monthly imbalance is less than or equal to 2% of the total monthly volume consumed or if the total aggregated monthly imbalance for the Agent is less than or equal to 2% of the total monthly volume consumed by all of the Agent's Customers in that transportation pool, and such imbalance or aggregated monthly imbalance is long, then the price paid by the Company will be the sum of (a) the average of the weekly "Weighted Index Price" as defined below plus (b) the pipelines Rate Schedule FT variable charges at the applicable pipeline percentages that comprise the "Weighted Index Price," including applicable fuel and surcharges, for delivery to the Company's city gate.

If Customer's monthly imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated monthly imbalance for the Agent is less than or equal to 2% of the total monthly volume consumed by all of Agent's Customers in that transportation pool, and such imbalance is short, then the price paid by the Customer (or Agent) will be the sum of (a) the average of the weekly "Weighted Index Price" as defined below plus (b) the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price," including applicable fuel and surcharges, for delivery to the Company's city gate.

If the Customer (or Agent) is "short" by more than 2% of the monthly volume consumed, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the highest "Weighted Index Price" for any week beginning in the calendar month as published in *Natural Gas Week*, plus the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price," including applicable fuel and surcharges, and deliver to the Company's city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume consumed, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the lowest "Weighted Index Price" for any week beginning in the calendar month as published in *Natural Gas Week*, plus the pipelines Rate Schedule FT variable charges, including applicable fuel and surcharges, at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to the Company's city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & equal to or less than 5%	110%	90%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

The "Weighted Index Price" shall be derived from the prices published in *Natural Gas Week* in the table Natural Gas Weekly Spot Prices for the following pipeline designations and weighted by the corresponding percentages set forth below:

GULF COAST, Tenn 500 So LA Z1	X	.5
+		
GULF COAST, Tenn 800 So LA Z1	X	.5

If an index listed in the table above fails to publish, the Company will use an average of the published corresponding Gas Daily indexes for the corresponding dates not published in *Natural Gas Week*.

The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider.". Increments or decrements which may result from the PGA adjustments will not apply to the cash-out of imbalances.

AGENCY AUTHORIZATION FORM

Certain Rate Schedules permit a Customer to appoint a Customer's Agent to act on its behalf with respect to nominations, imbalance resolution, and/or billing. Customer shall authorize a Customer's Agent by executing an Agency Authorization Form in the form attached to this Rate Schedule. In order to be considered a Customer's Agent, a third-party must execute and be in compliance with all of the terms of the Customer Agent Agreement form set forth in Appendix A to the Company's Service Regulations. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering Service to such Agent. Once a Customer has designated an Agent, the Agent is then authorized to act on behalf of that Customer and as such, the Agent will be considered as the Customer in all corresponding references contained within this Rate Schedule. The Customer may not change Agents within the calendar month without the permission of the Company, unless the Agent's

right to conduct business on the Company's system has been suspended by the Company, in which case, the Customer may act without an Agent or may provide written notice to the Company of the new Customer's Agent designated by the Customer. The Company will provide reasonable notice to Customer in the event of any suspension of Customer's Agent and will provide copies to Customer, on an expeditious basis and by electronic or other means, of any formal notices issued to the Customer's Agent. All Agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover from the Agent all costs incurred in providing the Agent access to the electronic bulletin board.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

AGENCY AUTHORIZATION FORM

EFFECTIVE DATE _____

CUSTOMER _____

NAME OF FACILITY _____

ACCOUNT NUMBER (S) _____

AGENT _____

AGENT CONTACT _____

AGENT PHONE # _____

This is to advise Piedmont Natural Gas Company that _____ (**Customer**) has
authorized _____ (**Agent**) to act on its behalf for the following transactions:

_____ nominations.
_____ imbalance resolution.
_____ billing.

of gas for the above listed account(s). Piedmont Natural Gas Company is hereby authorized to deal with the Agent directly, and the **CUSTOMER AND THE AGENT UNDERSTAND THAT THEY ARE RESPONSIBLE, JOINTLY AND SEVERALLY, FOR ANY AMOUNTS DUE PIEDMONT NATURAL GAS COMPANY ARISING UNDER THIS RATE SCHEDULE, PIEDMONT'S TENNESSEE SERVICE REGULATIONS, OR AGENT'S CUSTOMER AGENT AGREEMENT** which are not paid on these accounts. Customer will provide Piedmont Natural Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least five (5) business days prior to the beginning of the month for the accounts designated, unless the Agent's right to conduct business has been suspended by Piedmont Natural Gas Company without prior notice.

CUSTOMER AUTHORIZED SIGNATURE

AGENT AUTHORIZED SIGNATURE

Please Print:

AGENT'S NAME _____ TITLE _____

PHONE # _____ EMAIL _____

Please submit completed form to:

Citygate Operations
Piedmont Natural Gas Company
P. O. Box 33068
Charlotte, N.C. 28233

OR GasCommercialOperations@duke-energy.com

EFFECTIVE:

RATE SCHEDULE NO. 309

Special Availability Service

AVAILABILITY

Gas Service under this Rate Schedule is available to any Customer served under Rate Schedule No. 303, 304, 313, or 314 when the Company has gas supplies or Services that it cannot sell at its established fixed rates where the Company's distribution mains are suitable for supplying the desired Service. On such occasions, the opportunity is lost to the Company and its Customers. This Rate Schedule is designed to permit the Company to provide such gas Services at special rates for the purpose of enabling the Company to compete with alternative fuels and Services available for use by its Customers.

Gas Service under this Rate Schedule is available on a limited term basis to Customers who are connected to the Company's distribution system and would otherwise qualify for large general gas Service. Gas Service may be provided under this Rate Schedule only in the event that the Company has available supplies or Services that cannot competitively be provided under other Rate Schedules. Service under this Rate Schedule is temporary and the Company has the right to discontinue such Service. Gas Service under this Rate Schedule will be curtailed prior to Service under any other comparable Rate Schedule.

In the event a Customer has zero consumption during any billing month, this Rate Schedule will not apply and Service shall be rendered pursuant to the Customer's regular Rate Schedule for the class of Service indicated for the purpose of determining a minimum bill and qualifying provisions.

BASE RATE

The Customer shall pay the Company for all gas supplied or Services provided under this Rate Schedule at a predetermined rate negotiated prior to delivery for limited term periods up to seven consecutive months.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or Service applications and subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the above stated net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," and the operation of Service Schedule No. 316, "Performance Incentive Plan."

EFFECTIVE:

All adjustments and applicable taxes and fees are in addition to the above stated base rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional Service or the transfer of existing Service to a higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, the Company's Service Regulations, and The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this schedule is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

TREATMENT OF NEGOTIATED MARGIN LOSSES

Margin losses under this Rate Schedule shall be recovered by the Company through the Company's Actual Cost Adjustment (ACA) as provided in the Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider."

EFFECTIVE:

RATE SCHEDULE NO. 310

Resale Service

AVAILABILITY

Sales for resale Service is available under this rate schedule to any qualified local distribution company who purchases natural gas for the purpose of reselling same, where the Company's distribution mains are suitable for supplying the desired Service.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales for resale Service.

BASE MARGIN RATE

Demand Charge (per therm of billing demand)	\$.80000
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Commodity Charge (per therm)	\$.49063
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MONTHLY MINIMUM BILL

The minimum monthly bill shall be the monthly demand charge.

BILLING DEMAND

Demand determinants shall be those agreed to in the contract.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or Service applications and subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

EFFECTIVE:

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 31, "Purchased Gas Adjustment (PGA) Rider," and the operation of Service Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Rider (IMR)."

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional Service or the transfer of existing Service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, the Company's Service Regulations, and The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this schedule is subject to the curtailment provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

EFFECTIVE:

SERVICE SCHEDULE NO. 311

Purchased Gas Adjustment (PGA) Rider

I. General Provisions.

- A. This Purchased Gas Adjustment (PGA) Rider is intended to permit the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its Customers and to assure that the Company does not over-collect or under-collect Gas Costs from its Customers.
- B. This Rider is intended to apply to all Gas Costs incurred in connection with the purchase, transportation and/or storage of gas purchased for general system supply, including, but not limited to, natural gas purchased from interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of liquefied natural gas (LNG), liquefied petroleum gas (LPG), compressed natural gas (CNG), renewable natural gas (RNG), substitute, supplemental or synthetic natural gas (SNG), and other hydrocarbons used as feed-stock, other distribution companies and end-users, whether or not the Gas Costs are regulated by the Federal Energy Regulatory Commission and whether or not the provider of the gas, transportation or storage is affiliated with the Company.
- C. To the extent practicable, any revision in the PGA shall be filed with the Commission no less than thirty (30) days in advance of the proposed effective date and shall be accompanied by the computations and information required by this Rider. It is recognized, however, that in many instances the Company receives less than 30 days notice from its Suppliers and that other conditions may exist which may prevent the Company from providing 30 days advance notice. Therefore, should circumstances occur where information necessary for the determination of an adjustment under this Rider is not available to the Company so that the thirty (30) days requirement may be met, the Company may, upon good cause shown, be permitted to place such rates into effect with shorter advance notice.
- D. The rates for gas Service set forth in all of the Rate Schedules of the Company shall be adjusted pursuant to the terms of the PGA, or any specified portion of the PGA as determined by individual Rate Schedule(s).
- E. No provision of this Rider shall supersede any provision of a Special Contract approved by the Commission.

II. Definitions.

- A. "**Gas Costs**" shall mean the total delivered cost of gas paid or to be paid to Suppliers, including, but not limited to, all commodity/gas charges, demand charges, peaking charges, surcharges, emergency gas purchases, over-run charges, capacity charges, standby charges, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges and take-and-pay charges (except as provided below), storage charges, service fees and transportation charges and any other similar charges which are paid by the Company to its gas suppliers in connection with the purchase, storage or transportation of gas for the Company's system supply, including Company use and lost and unaccounted for gas..

EFFECTIVE:

- B. **"Fixed Gas Costs"** shall mean all Gas Costs based on the Company's right to demand gas or transportation on a daily or seasonal peak; but unless otherwise ordered by the Commission, shall not include other charges paid for gas reserve dedication (e.g., reservation fees and gas inventory charges), minimum bill charges, minimum take charges, over-run charges, emergency gas charges, take-or-pay charges or take-and-pay charges (all of which shall be considered commodity costs).
- C. **"Gas Charge Adjustment"** shall mean the per unit amount billed by the Company to its Customers solely for Gas Costs. The Gas Charge Adjustment shall be separately stated for firm Customers and for non-firm Customers.
- D. **"Suppliers"** shall mean any person or entity, including affiliates of the Company, who locates, purchases, sells, stores and/or transports natural gas or its equivalent for or on behalf of the Company. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of LNG, LPG, CNG, RNG, SNG, and other hydrocarbons used as feed-stock, other distribution companies and end-users.
- E. **"Computation Period"** shall mean the twelve (12) month period utilized to compute Gas Costs. Such period shall be the twelve (12) month period ending on the last day of a month which is no more than 62 days prior to the filing date of a PGA.
- F. **"Demand Billing Determinants"** shall mean the annualized volumes for which the Company has contracted with Suppliers as of the first day of the Filing Month.
- G. **"Commodity Billing Determinants"** shall mean the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. Should the Company expect to purchase commodity gas from several Suppliers, the Company shall allocate to each supplier a percentage of the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. The percentage used to allocate among Suppliers shall be based on historical takes during the Computation Period, if appropriate; otherwise it shall be based upon the best estimate of the Company.
- H. **"Filing Month"** shall mean the month in which a proposed revision is to become effective.

III. Computation and Application of the PGA.

The PGA shall consist of three major components: (1) the Gas Charge Adjustment; (2) the Refund Adjustment; and (3) the Actual Cost Adjustment (ACA).

A. **Computation of Gas Charge Adjustment.**

The Company shall compute the jurisdictional Gas Charge Adjustment at such time that the Company determines that there is a significant change in its Gas Costs.

1. **Formulas.** The following formulas shall be used to compute the Gas Charge Adjustment:

EFFECTIVE:

$$Firm\ GCA = \left[\left(\frac{D \pm DACA}{SF} \right) - DB \right] + \left[\left(\frac{P + T + SR \pm CACA}{ST} \right) - CB \right]$$

$$Non - Firm\ GCA = \left(\frac{P + T + SR \pm CACA}{ST} \right) - CB$$

1. Definitions of Formula Components.

GCA =	The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
D =	The sum of all fixed Gas Costs.
DACA =	The demand portion of the ACA.
P =	The sum of all commodity/gas charges.
T =	The sum of all transportation charges.
SR =	The sum of all FERC approved surcharges.
CACA =	The commodity portion of the ACA.
DB =	The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).
CB =	The per unit rate of variable Gas Costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).
SF =	Firm sales.
ST =	Total sales.

2. Determination of Factors for Gas Charge Adjustment.

a. Demand Charges (Factor D)

All fixed Gas Costs that do not vary with the amount of gas purchased or transported, including, but not limited to, the product resulting from the multiplication of (1) the respective Demand Billing Determinants by (2) the demand rates effective the first day of the Filing Month and (3) any fixed storage charges.

EFFECTIVE:

b. Demand Actual Cost Adjustment (Factor DACA)

See Subsection C of Section III.

c. Purchased Commodity Charges (Factor P)

All commodity or other variable gas costs associated with the amount of gas purchased or transported including, but not limited to, the product resulting from the multiplication of (1) the respective Commodity Billing Determinants by (2) the respective supplier's commodity/gas rate which are known, or if not known which are reasonably anticipated, to be in effect on the first day of the Filing Month.

d. Transportation Charges (Factor T)

The transportation charges actually invoiced to the Company during the Computation Period or expected to be invoiced to the Company during the current period.

e. FERC Approved Surcharges (Factor SR)

The sum of all FERC approved surcharges, including gas inventory charges or its equivalent, actually invoiced or expected to be invoiced to the Company during the Computation Period or to be effective the first day of the Filing Month by respective Suppliers.

f. Actual Cost Adjustment (Factor ACA)

See Subsection C of Section III.

g. Firm Sales (Factor SF)

Total volumes billed to the Company's firm Customers during the Computation Period, regardless of source, adjusted for known and measurable changes.

h. Total Sales (Factor ST)

Total volumes billed to all the Company's Customers during the Computation Period, regardless of source, adjusted for known measurable changes.

3. Modification of Formulas.

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Commission shall act to suspend the proposed amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

4. Filing with the Commission.

EFFECTIVE:

The computation of the Gas Charge Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I of this Rider, and shall remain in effect until a revised Gas Charge Adjustment is computed and filed pursuant to this Rider.

The Company shall file with the Commission a transmittal letter, an exhibit showing the computation of the Gas Charge Adjustment, a PGA tariff sheet, and any applicable revised tariff sheets issued by Suppliers. The transmittal letter shall state the PGA tariff sheet number, the Service area(s), the primary reasons for revision, and the effective date.

If the Company proposes to recover any Gas Costs relating to (1) any payments to an affiliate or (2) any payments to a non-affiliate for emergency gas, over-run charges, take-or-pay charges and take-or-pay charges (except as provided below) or (3) the payment of any demand or fixed charges in connection with an increase in contract demand, the Company must file with the Commission a statement setting forth the reasons why such charges were incurred and sufficient information to permit the Commission to determine if such payments were prudently made under the conditions which existed at the time the purchase decisions were made.

Any filing of a rate change under this Rider shall be effective on the proposed effective date unless the Commission shall act to suspend the proposed change within thirty day after the filing, in which case the filing shall be subject to notice and hearing.

The recovery of pipeline take-or-pay charges which were the subject of Docket No. U-87-7590 shall continue to be handled under procedures approved by the Commission in that docket until such time as such procedures may be modified or amended by further order of the Commission.

B. Refund Adjustment.

The Refund Adjustment shall be separately stated for firm and non-firm Customers, and may be either positive or negative.

1. Computation of Refund Adjustment.

The Company shall compute a Refund Adjustment on the last day of each calendar quarter using the following formulas:

$$Firm\ RA = \left(\frac{DR1 - DR2}{SFR} \right) + \left(\frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

$$Non - Firm\ RA = \left(\frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

2. Definitions of Formula Components.

EFFECTIVE:

RA =	The Refund Adjustment in dollars per Ccf/therm, rounded to no more than five decimal places.
DR1 =	Demand refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.
DR2 =	A demand surcharge from a Supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.
CR1 =	Commodity refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.
CR2 =	A commodity surcharge from a supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.
CR3 =	The residual balance of an expired Refund Adjustment.
I =	Interest on the "Refund Due Customers' Account," using the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate 2% below the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter
SFR =	Firm sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.
STR =	Total sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.

3. Modification of Formula.

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Commission shall act to suspend the proposed amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

4. Filing with the Commission.

EFFECTIVE:

The computation of the Refund Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I this Rider, and shall remain in effect for a period of twelve (12) months or for such longer or shorter period of time as required to appropriately refund the applicable refund amount.

The Company shall file with the Commission a transmittal letter, exhibits showing the computation of the Refund Adjustment and interest calculations, and a PGA tariff sheet. The transmittal letter shall state the PGA tariff sheet number, the Service area(s), the reason for adjustment, and the effective date. Should the Company have a Gas Charge Adjustment filing to become effective the same date as a Refund Adjustment, a separate transmittal letter and PGA tariff sheet shall not be necessary.

C. Actual Cost Adjustment.

Commencing with the initial effective date of this Rider, the Company shall calculate the ACA monthly. The Company may, at its option, file monthly to include the ACA in its calculation of the Gas Charge Adjustment but shall be required to do so at least annually. The ACA shall be the difference between (1) revenues billed Customers by means of the Gas Charge Adjustment and (2) the cost of gas invoiced the Company by Suppliers plus margin loss (if allowed by order of the Commission in another docket) as reflected in the Deferred Gas Cost account. The balance of said account shall be adjusted for interest at the rate provided for the calculation of interest with respect to the Refund Adjustment. The ACA shall be segregated into demand and commodity, and shall be added to or deducted from, as appropriate, the respective demand and commodity costs included in the Gas Charge Adjustment. Supplemental sheets showing the calculations of margin losses and cost savings shall also be provided.

D. Adjustments to Prior Period ACAs.

In the event that circumstances warrant a correction to or restatement of a prior period ACA, such correction or restatement shall be made in accordance with the ACA calculation in effect for the time period(s) to which the correction or restatement relates. The resulting adjustment shall then be added to or deducted from the appropriate ACA in the next ensuing ACA filing with the Commission.

E. Annual Filing with the Commission.

Each year, the Company shall file with the Commission an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the Commission provides written notification to the Company within 180 days, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of this Rider.

IV. Gas Cost Accounting.

To appropriately match revenues with cost of purchased gas as contemplated under this rule, the Company shall originally record the cost of purchased gas in a "Deferred Gas Cost" account. Monthly, the Company shall debit "Natural Gas Purchases" with an amount equal to any gas cost component included in the Company's base tariff rates (base rate) plus the PGA rate, as calculated hereunder, multiplied by the

EFFECTIVE:

appropriate sales volumes billed to Customers. The corresponding monthly credit entry shall be made to the "Deferred Gas Cost" account.

EFFECTIVE:

SERVICE SCHEDULE NO. 312

Equal Payment Plan (EPP)

AVAILABILITY

The Equal Payment Plan ("EPP") is available to Customers receiving Service under Rate Schedule Nos. 301, 302 and 352 whose accounts are in good standing. For purposes of the EPP, a Customer shall be considered in good standing if they have not had gas Service terminated for non-payment of bills during the last twelve (12) months or if they have not been removed from the EPP within the last twelve (12) months for non-payment of bills. The EPP is designed to provide the Customer the option of paying equal payments over a twelve-month period and is available during any month of the year. The Company shall have the discretion, but shall not be required, to include existing balances in the calculation of monthly EPP payments where a Customer has a difficult time paying their monthly bills. In circumstances where an existing balance exists, the Company may require that as much of the old balance as possible be paid up front in order to help keep future payments as low as possible.

GENERAL TERMS AND CONDITIONS

At the Customer's election, the Company will calculate payments under the EPP based on the Customer's actual consumption history during the past 12-months adjusted for normal weather. The estimated monthly usage will be priced at the Company's currently approved margin rates plus an estimated purchased gas adjustment factor based on the forward-looking NYMEX gas futures prices for upcoming 12-month period. Applicable franchise fees and taxes are then added to arrive at the estimated annual billing amount. If the Customer has an outstanding balance and the Company agrees to include some or all of that balance under the EPP, it will be added to the estimated annual amount. The monthly EPP payment will be calculated by dividing the estimated annual billing amount by twelve. After 11 payments have been made, the Customer will be sent a twelfth-month "true-up" bill reflecting any underage or overage of the total of the past 11 payments. Underages will be treated as debits and overages will be treated as credits and applied to the next billing. Refunds may be made by check if the overage exceeds \$25.00. Unless otherwise requested, the Customer will remain on EPP after the twelfth bill with a new monthly EPP amount calculated.

MID-YEAR ADJUSTMENTS

In order to avoid unusually large debit or credit balances to the Customer's account, the Company may make mid-year adjustments to the EPP payments. During periods of highly volatile wholesale gas prices, more frequent EPP adjustments may be required to avoid unusually large debit or credit balances. The Company will notify the Customer with a notation on the bill, bill insert or separate mailing of any adjustments to payments.

EFFECTIVE:

RATE SCHEDULE NO. 313

Large General Transportation Service - Firm

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm transportation Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

Once a qualified Customer elects Service under this Rate Schedule, all Services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive Service under Rate Schedule No. 309, "Special Availability Service," concurrent with Service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue Service under this Rate Schedule and receive Service under Rate Schedule No. 303, "Large General Sales Service – Firm," by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer large general sales Service under Rate Schedule No. 303, (b) the Company is able to provide Service under Rate Schedule No. 303 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue Service under this Rate Schedule and Company shall provide Service under Rate Schedule No. 303 effective the first June 1 following the notice.

All gas delivered to pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

The Company will redeliver gas received by Company from upstream pipeline(s) for the Customer's account under this Rate Schedule in accordance with the Customer's scheduled and confirmed nominations and subject to the Company's Operating Conditions.

APPLICABILITY

Transportation Service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver gas previously transported by a connected pipeline for the

Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations, subject to such maximum allowable daily deliveries as may be specified in the Gas Service Contract. The Company reserves the right to suspend Service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of Service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

STANDBY SALES SERVICE

At the option of the Customer, an election may be made monthly to receive Standby Sales Service from the Company under this Rate Schedule for delivery to the Customer at the Company's city gate. The Customer will also receive Standby Sales Service as a default if the Customer or the Customer's agent fails to submit a timely and valid nomination for transportation Service. In addition to paying the Monthly Standby Index Price set forth below for Standby Sales Service hereunder, the Customer will utilize the transportation Services and incur the charges otherwise applicable under this Rate Schedule to cause such gas supplies to be delivered to the Customer's meter. The price which the Customer shall pay for the gas supplied under this paragraph will be the "Monthly Standby Index Price" defined as follows: The weighted average index price for the applicable month as published in the first *Natural Gas Week* for such month in the table "Natural Gas Weekly Spot Prices" indicated specifically under the "Bid Week" column for:

GULF COAST, Tenn 500 So LA Z1	X	.5
+		
GULF COAST, Tenn 800 So LA Z1	X	.5

If the Customer nominates transportation Service hereunder and purchases gas supplies from a third-party supplier, and such Customer's consumption exceeds actual deliveries to the Company from such third party supplier to the point where operational problems are created for the Company, then the Company shall have the right, at its sole discretion, to initiate Standby Sales Service to the Customer. The price for such Service shall be the same as set forth above except when the Company is required by such imbalance shortfall to purchase incremental volumes of gas supplies. In this case the Customer receiving Standby Sales Service will pay the higher of (on a daily basis) the "Monthly Standby Index Price" or the "Daily Standby Index Price" defined as follows:

The "Daily Standby Index Price" will be equal to the "Midpoint" daily index price as published in Gas Daily for the day of consumption as stated in the "Daily Price Survey", "Louisiana/Southeast", "Tennessee, 500 Leg." For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day by Gas Daily.

For Days of consumption when any component of the "Monthly Standby Index Price" is not published, the component of the "Monthly Standby Index Price" that was not published shall equal the corresponding midpoint daily index price as published in Gas Daily for the first day of the month of flow. For days of consumption when the "Daily Standby Index Price" is not published, the "Daily Price" shall equal the average of the corresponding index prices as published on the nearest preceding and nearest subsequent day by Gas Daily.

Applicable firm transportation tariff commodity charges, fuel and any other surcharges as defined in the above transporters' FERC approved tariffs will be added to the above standby index prices. The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in accordance with Service Schedule No. 311, "Purchased Gas Adjustment Rider." Increments or decrements which may result from the PGA rider adjustments will not apply to the standby index prices.

BASE MARGIN RATE

Monthly Charge	\$800.00
Demand Charge (per therm of billing demand)	\$.80000
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.18700
2 nd Step (15,001-40,000 therms)	\$.16800
3 rd Step (40,001-90,000 therms)	\$.14000
4 th Step (Over 90,000 therms)	\$.08000

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge plus the Demand Charge.

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas Service. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial Service until Service is terminated at the Customer's request.

BILLING DEMAND

The billing demand shall be determined as follows:

Customer billing demand determinate shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinate will become effective June 1 of each year.

For Customers commencing initial gas Service under this Rate Schedule and who do not have a consumption history from other Services provided by the Company, the billing demand determinate shall be based upon a reasonable assumption of usage considering the connected load. If a Customer has received gas Service from the Company prior to receiving Service under this Rate Schedule but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based on the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers served under this Rate Schedule shall be required to execute the Company's standard contracts and/or Service applications and shall be subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider." Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Rider (IMR)."

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the Tennessee Public Utility Commission and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional Service or the transfer of existing Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, the Rules, Regulations and Orders of the Tennessee Public Utility Commission and the Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this Rate Schedule is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

BALANCING, CASH-OUT, AND AGENCY AUTHORIZATION

Service under this Rate Schedule shall be subject to all of the provisions and requirements of Service Schedule No. 307, "Balancing, Cash-Out, and Agency Authorization."

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

RATE SCHEDULE NO. 314

Large General Transportation Service - Interruptible

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. All Service under this Rate Schedule shall be contingent upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations. Upon commencement of Service under this Rate Schedule, any reclassification or change in quantity or character of Service to Customer shall be subject to the provisions of this Rate Schedule and the procedures set forth in the Company's Service Regulations. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is interruptible transportation Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

Once a qualified Customer elects Service under this Rate Schedule, all Services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive Service under Rate Schedule No. 309, "Special Availability Service," concurrent with Service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue Service under this Rate Schedule and receive Service under Rate Schedule No. 304, "Large General Sales Service – Interruptible," by giving written notice to the Company prior to April 1 of any year. The Company will not withhold such consent provided (a) the Company continues to offer interruptible general sales Service under Rate Schedule No. 304, (b) the Company is able to provide Service under Rate Schedule No. 304 under commercially reasonable terms and conditions, and (c) the analyses applicable to reclassifications or changes in Service set forth in the Company's Service Regulations support such consent. If timely notice is received from Customer and consent is provided by Company, the Customer shall discontinue Service under this Rate Schedule and Company shall provide Service under Rate Schedule No. 304, as applicable, effective the first June 1 following the notice.

All gas delivered to pursuant to this Rate Schedule shall be metered by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules.

The Company will redeliver gas received by Company from upstream pipeline(s) for the Customer's account under this Rate Schedule in accordance with the Customer's scheduled and confirmed nominations and subject to the Company's Operating Conditions.

Customers served pursuant to this Rate Schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by

EFFECTIVE:

the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas Service without further notice to the Customer in the event Customer fails to interrupt or curtail Customer's use of gas in accordance with the Company's notice of interruption or curtailment.

APPLICABILITY

Transportation Service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver **ON AN INTERRUPTIBLE BASIS** gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations. The Company reserves the right to suspend Service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of Service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

BASE MARGIN RATE

Monthly Charge	\$800.00
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.13500
2 nd Step (15,001-40,000 therms)	\$.11050
3 rd Step (40,001-90,000 therms)	\$.09100
4 th Step (Over 90,000 therms)	\$.04035

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Monthly Charge.

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas Service. This charge will be in addition to the Commodity Charge. The Monthly Charge will be billed from the date of initial Service until Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers receiving Service pursuant to this Rate Schedule shall be required to execute the Company's standard contracts and/or Service applications and shall be subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is

EFFECTIVE:

made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 317, "Integrity Management Ride (IMR)r."

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the Tennessee Public Utility Commission and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional Service or the transfer of existing Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, the Rules, Regulations and Orders of the Tennessee Public Utility Commission and the Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this schedule is interruptible and is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

BALANCING, CASH-OUT, AND AGENCY AUTHORIZATION

Service under this Rate Schedule shall be subject to all of the provisions and requirements of Service Schedule No. 307, "Balancing, Cash-Out, and Agency Authorization."

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

SERVICE SCHEDULE NO. 315

Weather Normalization Adjustment

(WNA) Rider

I. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas Service set forth in any Rate Schedules utilized by the Commission in determining normalized test period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment".

The Weather Normalization Adjustment will be applicable for bills rendered on and after October 1 and continuing through the final billing cycle in April of each year.

II. Definitions

For the purposes of this Rider:

"Commission" means the Tennessee Public Utility Commission.

"Relevant Rate Order" means the final order of the Commission in the most recent litigated rate case of the Company or Annual Review Mechanism of the Company authorized by the Commission pursuant to T.C.A. § 65-5-103(d)(6), fixing the rates of the Company, or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

III. Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment shall be computed to the nearest one-hundredth cent per therm by the following formula:

$$WNA_i = R_i \quad * \quad \frac{(HSF_i(NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where:

I = any particular rate schedule or billing classification within any particular rate schedule that contains more than one billing classification.

WNA_i = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per therm.

R_i = weighted average base rate (base rate less any embedded gas cost) of temperature sensitive sales for the i^{th} schedule or classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

EFFECTIVE:

- HSF_i = heat sensitive factor for the i^{th} schedule or classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.
- NDD = normal billing cycle heating degree days utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.
- ADD = actual billing cycle heating degree days.
- BL_i = base load sales for the i^{th} schedule or classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

IV. Filing with Commission

The Company will file as directed by the Commission (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

SERVICE SCHEDULE NO. 316

Performance Incentive Plan

Applicability

The Performance Incentive Plan (the Plan) replaces the annual reasonableness or prudence review of the Company's gas purchasing activities overseen by the Tennessee Public Utility Commission (Commission or TPUC). The Plan does not preclude the Commission from conducting an independent investigation into or examination of any aspect of the Plan or the Company's conduct thereunder. The Plan is designed to provide incentives to the Company in a manner that will produce rewards for its customers and its stockholders and improvements in the Company's gas procurement and capacity management activities. Each plan year (Plan Year) will begin July 1st. The annual provisions and filings herein would apply to this annual period. The Plan will continue until the Plan is either (a) terminated at the end of a Plan Year by not less than 90 days notice by the Company to the Commission or (b) the Plan is modified, amended or terminated by the Commission on a prospective basis.

Overview of Structure

The Plan establishes a predefined benchmark index to which the Company's commodity cost of gas is compared. It also addresses the recovery of gas supply reservation fees and the treatment of off-system sales and wholesale interstate sale for resale transactions. The net incentive benefits or costs will be shared between the Company's customers and the Company on a 75%-customers / 25%- stockholders basis for the Plan Year commencing on July 1, 2006.

The Plan also is designed to encourage the Company to actively market off-peak unutilized transportation and storage capacity on pipelines in the secondary market. It also addresses the sharing of asset management fees paid by asset managers, and other forms of compensation received by the Company for the release and/or utilization of the Company's transportation and storage assets by third-parties. The Company shall notify the TPUC Staff and the Consumer Advocate and Protection Division of the Office of the Attorney General (CAD) of all "other forms of compensation" prior to inclusion of such compensation in the Plan. The net incentive benefits or costs of such activities will be shared between the Company's customers and the Company utilizing a 75%-customers / 25%-stockholders formula commencing on July 1, 2006.

Every three years the Company's activities under the Plan will be reviewed comprehensively by an independent consultant. The first triennial review shall occur in the autumn of 2008. The scope of the review may include all transactions and activities related to the Performance Incentive Plan, including, but not limited to, natural gas procurement, capacity management, storage, hedging, reserve margins, and off-system sales.

The Company is subject to a cap on overall incentive gains or losses of \$1.6 million annually. In connection with the Performance Incentive Plan, the Company shall file with the TPUC Staff,

and supply a copy to the CAD, and update each year, a Three Year Supply Plan. The Company will negotiate/obtain firm capacity, interruptible capacity and/or gas supply pursuant to such plan.

Commodity Costs

Each month the Company will compare its *total city gate commodity and cost of gas*¹ to a benchmark dollar amount. The benchmark gas cost will be computed by multiplying total actual purchase quantities for the month by a price index. The monthly price index is defined as:

$$I = F_f(P_0K_0 + P_1K_1 + P_cK_c + \dots P_\alpha K_\alpha) + F_0O + F_dD; \text{ where} \\ F_r + F_0 + F_d = 1; \text{ and}$$

I = the monthly city gate commodity gas cost index.

F_f = the fraction of gas supplies purchased in the first-of-the-month market which are transported to the city gate under the Company's FT, negotiated FT, and IT service agreements.

P = the Inside FERC Gas Market Report price index for the first-of-the-month edition for a geographic pricing region, where subscript 0 denotes Tennessee Gas Pipeline (TGP) Rate Zone 0; subscript 1 denotes TGP Rate Zone 1; subscript C denotes Columbia Gulf Transmission (CGT) - mainline, and subscript α denotes new incremental firm services to which the Company may subscribe in the future.² The indices used for calculating Midwestern capacity shall be those produced by Natural Gas Intelligence for monthly purchases and Gas Daily for daily purchases. The commodity index prices will be adjusted to include the appropriate pipeline firm transportation (FT) and interruptible transportation (IT) commodity transportation charges and fuel retention to the city gate under the Company's FT, negotiated FT, and IT service agreements.³

¹ Gas purchases associated with service provided under Texas Eastern Transmission Company Rate Schedule SCT shall be excluded from the incentive mechanism. The Company will continue to recover 100 percent of these costs through its PGA with no profit or loss potential. Extension or replacement of such contract shall be subject to the same competitive bidding procedures that will apply to other firm gas supply agreements. In addition, the Plan will measure storage gas supplies against the benchmark index during the months such quantities are purchased for injection. For purposes of comparing such gas purchase costs against the monthly city gate index price, the Company will exclude any commodity costs incurred downstream of the city gate to storage so that the Company's actual costs and the benchmark index are calculated on the same basis.

² To the extent that the Company renegotiates existing reservation fee supply contracts or executes new reservation fee supply contracts with commodity pricing provisions at a discount to the first-of-the-month price index, the Company shall modify the monthly commodity price index to reflect such discount.

³ Capacity released for a month shall be excluded from the benchmark calculation for that month, excluding capacity released under an agreement where the Company maintains city gate delivery rights for the released capacity during such month.

K = the fraction (relative to total maximum daily contract entitlement) of the Company's total firm, negotiated firm, and interruptible transportation capacity under contract in a geographic pricing region, where the subscripts are as above.⁴

F_o = the fraction of gas supplies purchased in the first-of-the-month spot market which are delivered to the Company's system using transportation arrangements other than the Company's FT, negotiated FT, and IT contracts.

O = the weighted average of Inside FERC Gas Market Report first-of-the-month price indices, plus applicable IT rates and fuel retention, from the source of the gas to the city gate, where the weights are computed based on actual purchases of gas supplies purchased by the Company and delivered to the Company's system using transportation arrangements other than the Company's FT, negotiated FT, and IT contracts.

F_d = the fraction of gas supplies purchased in the daily spot market.

D = the weighted average of daily average index commodity prices taken from Gas Daily for the appropriate geographic pricing regions, where the weights are computed based on actual purchases made during the month. The commodity index prices will be adjusted to include the appropriate transportation commodity charges and fuel retention to the city gate.

Gas Supply Reservation Fees

The Company will continue to recover 100% of gas supply reservation fee costs through its PGA with no profit or loss potential. For new contracts and/or contracts subject to renegotiation during the Plan Year, the Company will solicit bids for gas supply contracts containing a reservation fee.

Off-System Sales And Sale For Resale Transactions

Margin on off-system sales and wholesale sale-for-resale transactions using the Company's firm, negotiated firm, and interruptible transportation and capacity entitlements (the costs of which are recovered from the Company's ratepayers) shall be credited to the Plan and will be shared with ratepayers. Margin on such sales will be defined as the difference between the sales proceeds and the total variable costs incurred by the Company in connection with the transaction, including transportation and gas costs, taxes, fuel, or other costs. For purposes of gas costs, the Company will impute such costs for its related

⁴ Because the aggregate maximum daily contract quantities in the Company's FT contract portfolio vary by month over the course of the year, the weights will be recalculated each month to reflect actual contract demand quantities for such month. The contract weights, and potentially the price indices used, will also vary as the Company renegotiates existing or adds new FT contracts. As new contracts are negotiated, the Company shall modify the index to reflect actual contract demand quantities and the commodity price indices appropriate for the supply regions reached by such FT agreements. Citygate benchmark calculations shall be computed utilizing the Company's Design Day delivery requirements (deliveries required on a peak day).

supply purchases at the benchmark first-of-the-month or daily index, as appropriate, on the pipeline and in the zone in which the sale takes place. The difference between the Company's actual costs and such index price is taken into account under the Plan. After deducting the total transaction costs from the sales proceeds, any remaining margin will be credited to commodity gas costs and shared with customers on a 75%- customer / 25%-stockholders basis.

Capacity Management

To the extent the Company is able to release transportation or storage capacity, or generate transportation or storage margin associated with off-system or wholesale sales-for-resale, the associated cost savings and/or asset management fees, or other forms of compensation associated with such activities, shall be shared by the Company and customers according to the following sharing formula: 75%-customers / 25%-stockholders. The Company shall notify the TPUC Staff and the Consumer Advocate and Protection Division of the Office of the Attorney General (CAD) of all "other forms of compensation" prior to inclusion of such compensation in the Plan.

Hedging Activities

The Company may engage in hedging transactions⁵ within the PGA/ACA mechanism. Costs related to hedging transactions may be recovered through the ACA account; provided, however, that such costs recovered through the ACA account shall not exceed one percent (1%) of total annual gas costs.⁶ Costs related to hedging transactions recoverable through the ACA account shall be defined as all direct, transaction related costs arising from the Company's prudent efforts to stabilize or hedge its commodity gas costs including, without limitation, brokerage fees, and the costs of financial instruments.

All costs related to hedging transactions, in addition to all gains and losses from hedging transactions, shall be credited/debited to the ACA account in the respective month that each hedging transaction closes. Costs related to hedging transactions that are incurred prior to the month that the hedging transaction closes shall be temporarily recorded in a separate, non-interest-bearing account for tracking purposes.

Determination of Shared Saving

Each month during the term of the Plan, the Company will compute any gains or losses in accordance with the Plan. If the Company earns a gain, a separate Incentive Plan Account (IPA) will be debited with such gain. If the Company incurs a loss, that same IPA will be credited with such loss. During a Plan Year, the Company will be limited to overall gains or losses totaling \$1.6 million. Interest shall be computed on balances in the IPA using the same interest rate and methods as used in the Company's Actual Cost Adjustment (ACA) account. The offsetting

⁵ Hedging transactions, as used herein, shall include but not be limited to futures contracts, financial derivative products, storage swap arrangements, or other private agreements to hedge, manage or reduce gas costs.

⁶ One percent (1%) of total annual gas costs, for the purposes of establishing a recovery cap, shall be computed from the most current audited and approved gas costs for the Company in a TRA docket as of the first day of the month, 12 months prior to the first day of the period under audit.

entries to IPA gains or losses will be recorded to income or expense, as appropriate. At its option, however, the Company may temporarily record any monthly gains in a non-regulatory deferred credit balance sheet account until results for the entire Plan Year are available.

Gains or losses accruing to the Company under the Plan will form the basis for a rate increment or decrement to be filed and placed into effect separate from any other rate adjustments to recover or refund such amount over a prospective twelve-month period. The Company is subject to a cap on overall incentive gains or losses of \$1.6 million annually.

Each year, effective November 1, the rates for all customers, excluding transportation customers who receive no direct benefit from any gas cost reductions resulting from the Plan, will be increased or decreased by a separate rate increment or decrement designed to amortize the collection or refund of the June 30 IPA balance over the succeeding twelve-month period. The increment or decrement will be established by dividing the June 30 IPA balance by the appropriate volumetric billing determinants for the twelve months ended June 30. During the twelve-month amortization period, the amount collected or refunded each month will be computed by multiplying the billed volumetric determinants for such month by the increment or decrement, as applicable. The product will be credited or debited to the IPA, as appropriate. The balance in the IPA will be tracked as a separate collection mechanism. Subject to approval by the TPUC, the Company may also propose to refund positive IPA balances on an intra-year basis by making direct bill credits to all customers (except transportation customers) where such direct bill credit would be beneficial to customers.

Filing with the Commission

The Company will file calculations of shared savings and shared costs quarterly with the Commission not later than 60 days after the end of each interim fiscal quarter and will file an annual report not later than 60 days following the end of each Plan Year. Unless the Commission provides written notification to the Company within 180 days of the annual reports, the Incentive Plan Account shall be deemed in compliance with the provisions of this Service Schedule. The TPUC Staff may expand the time for consideration of the annual reports by up to an additional sixty (60) days upon written notification to the Company or longer by mutual agreement or upon a showing of good cause.

Periodic Index Revisions

Because of changes in the natural gas marketplace, the price indices utilized by the Company, and the composition of the Company's purchased gas portfolio may change. The Company shall, within sixty (60) days of identifying a change to a significant component of the mechanism, provide notice of such change to the Commission. Unless the Commission provides written justification to the Company within sixty (60) days of such notice, the price indices shall be deemed approved as proposed by the Company.

Triennial Review

A comprehensive review of the transactions and activities related to the Performance Incentive Plan shall be conducted by an independent consultant once every three years. The initial triennial review shall be conducted in the autumn of 2008 and subsequent triennial reviews shall be conducted every third year thereafter. The TPUC Staff, the CAD, and the Company shall make an effort to maintain a list of no less than five (5) mutually agreeable independent consultants or consulting firms qualified to conduct the aforementioned review. Any dispute concerning whether an independent consultant shall be added to the list shall be resolved by the TPUC Staff, after consultation with the Company and the CAD. For each review, the TPUC Staff shall select three (3) prospective independent consultants from that list. Each such consultant shall possess the expertise necessary to conduct the review. The TPUC Staff shall provide the list of prospective independent consultants to the Company and the CAD via e-mail. The Company and the CAD shall have the right, but not the obligation, to strike one (1) of the prospective independent consultants from the list by identifying the stricken consultant in writing to the TPUC Staff within thirty (30) days from the date the list is e-mailed. The TPUC Staff shall select the independent consultant from those remaining on the list after the Company's and the CAD's rights to strike have expired. The cost of the review shall be reasonable in relation to its scope. Any and all relationships between the independent consultant and the Company, the TPUC Staff, and/or the CAD shall be disclosed, and the independent consultant shall have had no prior relationship with either the Company, the TPUC Staff, or the CAD for at least the preceding five (5) years unless the Company, the TPUC Staff and the CAD agree in writing to waive this requirement. The TPUC Staff, the CAD and the Company may consult amongst themselves during the selection process; provided, however, that all such communications between the parties shall be disclosed to any party not involved in such communication so that each party may participate fully in the selection process.

The scope of the triennial reviews may include all transactions and activities related either directly or indirectly to the Performance Incentive Plan as conducted by the Company or its affiliates, including, but not limited to, the following areas of transactions and activities: (a) natural gas procurement; (b) capacity management; (c) storage; (d) hedging; (e) reserve margins; and (f) off-system sales. The scope of each triennial review shall include a review of each of the foregoing matters as well as such additional matters as may be reasonably identified by the Company, the TPUC Staff, or the CAD relative to the operation or results of the Performance Incentive Plan.

The Company, the TPUC Staff, or the CAD may present documents and information to the independent consultant for the independent consultant's review and consideration. Copies of all such documents and information shall be presented simultaneously to the independent consultant and all other parties.

The independent consultant shall make findings of fact, as well as identify and describe areas of concern and improvement, if any, that in the consultant's opinion warrant further consideration; however, the independent consultant shall not propose changes to the structure of the

Performance Incentive Plan itself. The independent consultant shall complete and issue a written report of its findings and conclusions by July 1 of the year immediately following the triennial review. The report deadline may be waived by the written consent of the TPUC Staff, the Company, and the CAD.

The independent consultant shall not propose changes to the structure of the Performance Incentive Plan itself; however, the TPUC Staff, the Company, or the CAD may use the report of the independent consultant as grounds for making recommendations or proposed changes to the Commission, and the TPUC Staff, the Company, or the CAD may support or oppose such recommendations or proposed changes. Any proposed changes to the structure of the Performance Incentive Plan resulting from the initial triennial review or subsequent triennial reviews, whether adopted by agreement or pursuant to a ruling of the Commission, shall be implemented on a prospective basis only beginning with the incentive Plan Year immediately following such agreement or ruling.

The cost of the triennial reviews shall be paid initially by the Company and recovered through the ACA account. The TPUC Staff may continue its annual audits of the IPA and the ACA account, and the triennial reviews shall not in any way limit the scope of such annual audits. The CAD retains all of its statutory rights, and the triennial reviews shall not in any way affect such rights.

SERVICE SCHEDULE 317
Integrity Management Rider

1. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in Rate Schedules 301, 302, 303, 304, 310, 313, 314, and 352 (“Applicable Rate Schedules”) of Piedmont Natural Gas Company (“Company”) shall be adjusted by an amount hereinafter described which amount is referred to as the “Integrity Management Adjustment.” The Integrity Management Adjustment shall be calculated as an increment and applied to Applicable Rate Schedules to recover the “Integrity Management Revenue Requirement” (IMRR), and the balance in the “Integrity Management Deferred Account.” The Integrity Management Deferred Account shall be established by a monthly adjustment hereinafter described, which monthly adjustment is referred to as the “Integrity Management Deferred Account Adjustment” and shall track the Company’s recovery of the IMRR.

2. Definitions

For the purposes of this Rider:

“Authority” means the Tennessee Regulatory Authority.

“DIMP” means the regimen referred to as the distribution integrity management planning under Subpart P of Part 192 of the United States Department of Transportation (“U.S. DOT”) regulations.

“Integrity Management Deferred Account” means the account reflecting the cumulative difference between the amounts authorized for collection pursuant to this Rider and the collections actually received. The over or under collected amount is a result of the billing determinants used to establish the billing increment associated with this Rider for each Applicable Rate Schedule.

“Integrity Management Investment Amount” means the approved amount of actual capital investment of the Company resulting from prevailing state and federal standards for pipeline integrity and safety for complying with DIMP and TIMP regulations and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Integrity Management Investment Amounts associated with this Rider shall be included in base rates.

“Refund Adjustments” means the adjustment to the IMRR applicable to the coming annual period for the net amount of over or under collections in the Integrity Management Deferred Account, as adjusted for Interest.

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 2 of 6

“Relevant Rate Order” means the final order of the Authority in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

“TIMP” means the regimen referred to as the transmission integrity management planning under Subpart O of Part 192 of the U.S. DOT regulations.

“Vintage Year” means the fiscal year during which the Integrity Management Investment Amount is made.

3. Computation of Integrity Management Revenue Requirement

The total revenue requirement will be calculated for each Vintage Year, as follows:

Integrity Management Investment Amount	\$X,XXX,XXX
Less: Accumulated Depreciation	XXX,XXX
Less: Accumulated Deferred Income Taxes	<u>XXX,XXX</u>
Net Investment	\$X,XXX,XXX
Pre-Tax ROR set forth in the Relevant Rate Order	X.XX%
Allowed Pre-Tax Return	\$X,XXX,XXX
Plus: Depreciation Expense	XXX,XXX
Plus: Property Taxes	<u>XXX,XXX</u>
Total, Excluding Uncollectibles	\$X,XXX,XXX
Multiplied by: Uncollectibles Gross-Up Factor	<u>X.XXXXX</u>
Total Revenue Requirement, Excluding Refund Adjustments	\$X,XXX,XXX

Where:

Accumulated Depreciation	=	Accumulated depreciation calculated using rates approved in Relevant Rate Order
Accumulated Deferred Income Taxes	=	An average of the actual accumulated deferred income taxes at the beginning and end of the year
Depreciation Expense	=	Approved actual Integrity Management Investment Amount x Depreciation Rates approved in the Relevant Rate Order

EFFECTIVE: January 1, 2014

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 3 of 6

Property Taxes	=	Composite property tax rate approved in the Relevant Rate Order
Uncollectibles Gross-Up Factor	=	Uncollectibles gross-up factor used and approved in the Relevant Rate Order

The total of the revenue requirements for each Vintage Year is the IMRR. The total amount to be recovered through the Integrity Management Adjustment is the IMRR plus the Refund Adjustment.

4. Computation of Integrity Management Deferred Account Adjustment

Each month the Company will record in the Integrity Management Deferred Account the portion of the IMRR that corresponds to that month, based on the monthly allocation of throughput consistent with the Relevant Rate Order. Furthermore, each month the Company will make an offsetting entry to the Integrity Management Deferred Account for the amount of the Integrity Management Adjustment collected from customers. The amount of the Integrity Management Adjustment collected from customers will be computed by multiplying the Integrity Management Adjustment billing increment for each Applicable Rate Schedule by the corresponding actual terms of usage billed to customers for the month. The Company shall also record in the Integrity Management Deferred Account each month the interest due from or to customers related to the cumulative under or over collection of the IMRR, pursuant to the terms described in Section 6 of this Rider. An illustration of the monthly journal entries described above is as follows:

	<u>Debit</u>	<u>Credit</u>
1. To record revenue:		
Integrity Management Deferred Account	\$XXX,XXX	
Income		\$XXX,XXX
2. To record collections:		
Accounts Receivable	\$XXX,XXX	
Integrity Management Deferred Account		\$XXX,XXX
3. To record interest:		

If the Integrity Management Deferred Account has a net debit balance, which reflects net under-collections:

EFFECTIVE: January 1, 2014

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 4 of 6

Integrity Management Deferred Account	\$X,XXX	
Interest Income		\$X,XXX

If the Integrity Management Deferred Account has a net credit balance, which reflects net over-collections:

Interest Expense	\$X,XXX	
Integrity Management Deferred Account		\$X,XXX

5. Computation of Integrity Management Adjustment

The Integrity Management Adjustment will be adjusted annually using 1) actual Integrity Management Investment Amounts that the Authority has found to be reasonable, prudent, and necessary to comply with the safety regulations approved for recovery through this Rider, and 2) the Refund Adjustment recognizing the actual balance in the Integrity Management Deferred Account.

Effective for the first day of January's Bill Cycle Month, the Integrity Management Adjustment shall be calculated for each customer class to the nearest one-thousandth cent per therm, by the following formula:

Customer Class Integrity Management Adjustment	=	(Allocated portion of the Integrity Management Deferred Account Balance / Customer Class Annual Therms)
	+	(Allocated portion of the IMRR/Customer Class Annual Therms)

Where:

Integrity Management Deferred Account Balance	=	Balance at October 31
Allocated portion of the Integrity Management Deferred Account Balance	=	Integrity Management Deferred Account Balance
	x	(Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin revenue requirement for Applicable Rate Schedules from Relevant Rate Order)

EFFECTIVE: January 1, 2014

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 5 of 6

Allocated portion of the IMRR	=	IMRR
	x	(Customer Class allocated margin revenue responsibility from Relevant Rate Order / total margin revenue requirement for Applicable Rate Schedules from Relevant Rate Order)
Customer Class Annual Therms	=	Annualized and Normalized throughput assigned to the respective Customer Classes in the Relevant Rate Order
Residential Customer Class	=	Rate Schedule 301
Commercial Customer Class	=	Rate Schedules 302 and 352
Firm Large General Customer Class	=	Rate Schedules 303, 313 and 310
Interruptible Large General Customer Class	=	Rate Schedules 304 and 314

6. Interest

The Company may recover interest on the “Integrity Management Deferred Account” based on the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate equal to the rate used to compute interest on the “Refund Due Customers’ Account” as prescribed by TRA Rule 1220-4-7-.03.

7. Monthly Filing with Authority

The Company will file monthly as directed by the Authority (a) detail of the current month’s Integrity Management Investment Amount, (b) the cumulative Integrity Management Investment subject to this Rider, (c) a schedule detailing the Integrity Management Deferred Account Adjustment recorded for the month, and (d) any related general ledger support. Such reports will be filed within 45 days after the end of the month for which the report is being filed.

8. Annual Filing with Authority

The Company will include in its Annual Filing made not later than each November 30th the following information: (a) the monthly filing (pursuant to Section 7 of this Rider) for October, (b) a schedule of all journal entries made related to this Rider

EFFECTIVE: January 1, 2014

PIEDMONT NATURAL GAS COMPANY, INC.
TRA Service Schedule No. 317

Original Page 6 of 6

for the previous 12 months, (c) actual billing determinants for the prior 12 months as used in the computation of the Integrity Management 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) an affirmative statement of whether the Company is aware of any changes in the market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist.

The Company will simultaneously copy the Consumer Advocate on its Annual Filing.

9. Notice Requirements

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January. With the filing, the Company will include a copy of the computation of the Integrity Management Adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

10. Expansion of the Rider Beyond DIMP and TIMP Costs

If the Company wants to expand the recoverable capital investments allowed in the Integrity Management Investment Amount for safety regulations that are not related to DIMP or TIMP compliance, the Company is required to file a request, not less than 120 days prior to the Annual Filing discussed in Section 8 of this Rider, for the Authority to determine that cost recovery of capital investments under the safety regulations other than DIMP and TIMP are in the public interest prior to recovery of such costs in the Rider. The Company will simultaneously copy the Consumer Advocate on all such requests.

11. Public Interest Review

After a period of three years from the initial effective date of this Rider, the Consumer Advocate or other interested parties may file petitions seeking the Authority to reconsider whether the Rider remains in the public interest. Notwithstanding the aforementioned, the Consumer Advocate or any other interested party may file a petition for the Authority to reconsider the public interest of the Rider within the 3-year period upon a material change in conditions affecting the public interest.

RATE SCHEDULE NO. 343

Motor Vehicle Fuel Service

APPLICABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to all existing and qualified potential Customers under Rate Schedules Nos. 301, 302, 303, 304, 310, 313, 314, and 352 seeking to purchase or transport gas for use as a motor vehicle fuel. All requests for Service under this Rate Schedule shall be subject to application and consent by the Company to such Service, as provided in the Company's Service Regulations.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule shall be commensurate with the nature of Service for which the Customer is qualified under the applicable Rate Schedule identified above. Gas received under the provisions of this Rate Schedule shall be used for motor vehicle fuel purposes only.

All gas delivered pursuant to this Rate Schedule shall be metered and billed by the Company separately from any gas delivered to Customer under any of the Company's other Rate Schedules for non-motor vehicle fuel purposes.

<u>BASE MARGIN RATE</u>	<u>Winter</u> <u>(November-March)</u>	<u>Summer</u> <u>(April-October)</u>
Monthly Charge (\$)	varies by customer	
Commodity Charge (\$ rate per therm)	per their corresponding	
Commodity Charge (\$ rate per GGE)	Rate Schedule, as listed above	

The base margin rates and charges to be charged for Gas Service pursuant to this Rate Schedule shall be those applicable to the corresponding individual Rate Schedule under which the Customer qualifies for Service. These rates and charges are set forth on the Company's Tariff Sheet No. 1. Those Customers under this Rate Schedule using Company owned and maintained compression facilities and related equipment shall be billed at a maximum rate of \$0.50 per therm, in addition to the margin rate for Service under this Rate Schedule.

The Company may at its discretion offer a rate discount on a not unduly discriminatory basis to customers, up to the per therm compression charge referenced above, in order to compete with alternative fuel providers and further develop the market demand for natural gas vehicular fuel or the facilities available to serve such demand.

MOTOR VEHICLE FUEL TAXES

The rates to be charged for gas Service pursuant to this Rate Schedule do not include applicable Federal, State and/or local highway motor fuel use taxes and fees. Customer shall be solely and exclusively responsible for the payment of any local, state, or federal road tax, motor fuel tax, or

EFFECTIVE:

similar tax, fee or charge attributable to or arising out of the utilization of Gas delivered hereunder as a motor vehicle fuel.

SERVICE AGREEMENTS

All Customers receiving gas pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or Service applications and shall be subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is five percent (5%) greater than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," and the provisions of Service Schedule No. 317, "Integrity Management Rider (IMR)." Depending on the corresponding individual Rate Schedule under which the Customer qualifies for Service, bills for Service are also subject to adjustment in accordance with the operation of Service Schedule No. 316, "Performance Incentive Plan,"

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional Service or the transfer of existing Service to a higher priority end use will be supplied based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, the Company's Service Regulations, and The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

RESALE

Gas delivered to the Customer under the provision and authority of this Rate Schedule, except for Customers receiving gas for motor vehicle fuel purposes under Rate Schedule No. 301, "Residential Service," may be resold solely for use as a motor vehicle fuel.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this Rate Schedule is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service," and the Company's Service Regulations.

BALANCING, CASH-OUT, AND AGENCY AUTHORIZATION

Service under this Rate Schedule shall be subject to all of the provisions and requirements of Service Schedule No. 307, "Balancing, Cash-Out, and Agency Authorization."

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

TREATMENT OF GAS QUANTITIES RECEIVED PURSUANT TO THIS RATE SCHEDULE

All quantities of Gas delivered to Customer for use as a motor fuel pursuant to this Rate Schedule during any Annual Review Period shall be aggregated with quantities of Gas received by Customers under any of the Rate Schedules identified above solely for the purposes of establishing Customer's eligibility for continued Service from Company as provided in Section 1, Customer Classifications, of the Company's Service Regulations.

RATE SCHEDULE NO. 352

Medium General Service

AVAILABILITY

Gas Service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer, upon application to and consent by the Company to such Service, as provided in the Company's Service Regulations, whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

CHARACTER OF SERVICE

The nature of Service provided by Company to Customer under this Rate Schedule is firm sales Service. Any reclassification or change in quantity or character of Service to Customer will be subject to procedures set forth in the Company's Service Regulations.

<u>BASE MARGIN RATE</u>	<u>Winter</u> <u>(November-March)</u>	<u>Summer</u> <u>(April-October)</u>
Monthly Charge	\$225.00	\$225.00
Commodity Charge (per therm)	\$.48645	\$.40633

MONTHLY CHARGE

A charge will be billed monthly to all Customers for the availability of gas Service. This charge will be in addition to the Commodity Charge for gas delivered. The Monthly Charge will be billed from the date of initial Service until Service is terminated at the Customer's request.

COMMODITY CHARGE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer's premises.

SERVICE AGREEMENTS

All Customers served under this Rate Schedule shall be subject to the Company's standard contracts and/or Service applications and subject to the Company's Service Regulations.

PAYMENT TERMS

All bills for Service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for Service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Service Schedule No. 311, "Purchased Gas Adjustment (PGA) Rider," and the operation of Service Schedule No. 316, "Performance Incentive Plan." Gas Service under this Rate Schedule is also subject to the provisions contained within Service Schedule No. 315, "Weather Normalization Adjustment (WNA) Rider" and Service Schedule No. 317, "Integrity Management Rider (IMR)."

All adjustments and applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional Service or the transfer of existing Service to a higher priority end use will be considered based upon the Company's judgment as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the Company's Service Regulations, and The Rules, Regulations and Orders of the Tennessee Public Utility Commission and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas Service under this Rate Schedule is subject to the provisions contained within Service Schedule No. 306, "Schedule for Limiting and Curtailing Service" and the Company's Service Regulations.

APPLICABLE DOCUMENTS DEFINING OBLIGATIONS OF THE COMPANY AND ITS CUSTOMERS

The applicable documents defining the obligations of the Company and its Customers are those described in Section 1 of the Company's Service Regulations.

Company's Tennessee Service Regulations

Section 1 - General

Definitions

Except where the context indicated a different meaning or intent, the following terms when used in the Company's Service Regulations, Rate Schedule and Service Schedules, shall have the following meaning:

- "Commission" or "TPUC" shall mean the Tennessee Public Utility Commission.
- "Company" or "Piedmont" shall mean Piedmont Natural Gas Company, Inc.
- "Customer" shall mean any person, firm, association, partnership, joint venture, limited liability company, or corporation, or any agency of the Federal, State or local government receiving Service from the Company.
- "Customer's Agent" shall mean a person or other entity authorized to act for on behalf of a Customer.
- "Meter", without other qualification, shall mean any device or instrument which is used by the Company in measuring a quantity of gas.
- "Operating Conditions" shall mean the prevailing conditions on the Company's system as they relate to conditions under which Piedmont is providing or attempting to provide Service, including the impact of any modifications, tests or scheduled or unscheduled repairs to the Company's distribution system, which in the Company's discretion are necessary or appropriate to maintain the integrity of the Company's distribution system, which in the Company's discretion are necessary or appropriate to maintain the integrity of the Company's distribution system or to provide for the safety of the Company or the public.
- "Operational Order" shall mean an order by the Company's dispatcher or other Company representative acting on behalf of the Company's dispatcher, to limit, modify, curtail or interrupt the use of gas as required or permitted by the Commission's Rules, the Company's Service Regulations, special contracts, Rate Schedule and Service Schedules.
- "Service(s)" shall mean any sales, transportation, redelivery or other service provided by the Company to a Customer pursuant to the provisions of the Company's Rate Schedules, Service Schedules, Service Regulations and special contracts.
- "Service Territory" shall mean the area of Tennessee for which Piedmont is authorized by the Commission to provide Service to Customers.
- "Tariff" shall mean the Company's Rate Schedule, Service Schedules and Service Regulations, as approved by the Commission.

Applicable Documents Defining Obligations of the Company and its Customers

The obligations of the Company to provide Service and the obligations of the Customer upon receipt of Service are governed by and set forth in (a) applicable statutes, including those set forth in Chapter 65 of the Tennessee Code Annotated, (b) applicable Commission Rules, Regulations, and Orders, (c) applicable tariffs or Rate Schedule(s), (d) these Service Regulations, (e) any application, agreement, Special Contract, or similar document executed by Customer and approved, as necessary, by the Commission pertaining to such Service, and (f) any standard operating procedures of the Company reasonably necessary for the provision of such Service and administered on a nondiscriminatory basis. Copies of Chapter 65 of the Tennessee Code Annotated, applicable Commission Rules, Rate Schedules, and these Service Regulations are available from the Company for public inspection, as are copies of forms of applications, agreements, and other documents approved by the Commission. A copy of the Commission's Rules are available at the Commission's Web Site at www.tn.gov/tpuc. Unofficial copies of the Company's Rate Schedules and Service Regulations are also available at the Company's Web Site at www.piedmontng.com. The Company shall provide all new non-residential Customers with a copy of the applicable Rate Schedule(s) and written application for Service and/or other documents executed by the Company and the Customer pertaining to such Service. After a Customer has executed a written application and/or contract, no promise, statement or representation by an employee or agent of the Company or by any other person inconsistent with the written application and/or contract shall bind the Company to provide Service or to change the terms and conditions upon which Service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In the event there is a conflict between these Service Regulations and the provisions of the applicable currently effective Rate Schedule, the provisions of the Rate Schedule shall govern. The Commission Rules shall govern in the event of a conflict with these Service Regulations. The Company may not make any representation that conflicts with Commission Rules, its Rate Schedules or these Service Regulations.

Applicable Documents Subject to Change

All of the documents defining the obligations of the Company to provide Service and the obligations of the Customer upon the receipt of Service are subject to change from time to time upon order of or approval by the Commission and by other duly constituted governmental authorities. The Company does not undertake to advise any Customer of any such change except as may be required by the Commission or other duly constituted governmental authority.

Process for Obtaining Consent to New or Changed Service

All Customers shall be required to make application to the Company for new or changed Service under any of the Company's Rate Schedules in such form and manner as may reasonably be required by the Company. Such applications shall be required in order to initiate Service under any Rate Schedule irrespective of whether Customer is then receiving Service under any other Company Rate Schedule and for changes in the quantity of Service to be provided under an existing Rate Schedule. At a minimum, such application

shall set forth the date of the application, the name of the applicant, the location of the premises for which Service is requested, the type of Service applied for and estimated gas consumption. Prior to being obligated to provide Service to Customer pursuant to such application, Company shall conduct an examination and review of Customer's application for Service to determine: (1) that the Company has the operational ability to provide the Service requested, including the requisite upstream supply and/or capacity assets; (2) that the requested Service will not impede or interfere with the Company's ability to maintain Service to existing Customers with the same or a higher priority of Service; (3) that provision of the requested Service will not have a materially adverse impact on the Company's ability to recover its approved margin; (4) that provision of the requested Service is economically feasible; (5) that Customer is creditworthy as determined in accordance with the Commission's Rules and the Company's procedures, and (6) reasonable verification of the identity of the applicant, as required by the federal Fair and Accurate Credit Transactions Act and/or other federal and state law. Provided that the Company's review and analysis indicates that Service can be provided as requested, the Company will then approve the requested Service. Company shall have no obligation to provide the requested Service absent such approval.

When the requested Service is to be provided to a Residential, Small or Medium General Service Customer, and the provision of such Service is economically feasible, the application and the Company's acceptance thereof may be oral at the Company's option. In such event, the Company's applicable Rate Schedules and these Service Regulations shall become effective and applicable to any Service rendered to such applicant in the same manner as if the Company's standard written form of application for Service had been signed by the applicant and accepted by the Company. Upon the provision of Service by the Company to such Customer, such oral Service agreement shall be presumed to exist in any case where there is no written application accepted in writing by the Company.

In the event a Customer receiving Service under the Company's large general sales Rate Schedules anticipates a significant reduction in its gas consumption, it shall provide prompt notice thereof to Company.

Customer Classifications

Residential Service Classification. All Residential Rate Service shall be provided pursuant to the Company's Rate Schedule 301.

Small or Medium General Service Classification. All Small or Medium General Service shall be provided pursuant to the Company's Rate Schedules 302 and 352. Classification between Rate Schedules 302 and 352 shall be based on the following criteria:

- A. Definitions: As used in the Small and Medium General Service Classification, the following terms shall have the meanings assigned below:

- (1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.

- (2) "Actual Monthly Usage" shall mean the actual natural gas volumes consumed by the Customer during the highest month of consumption during the Annual Review Period as reflected on the Company's invoices for the Customer.
- (3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive Service under a rate schedule. The classification usage for Rate Schedule 302 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 352 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.
- (4) "Involuntary Curtailment Days" shall mean those days or portions of days in the highest month of consumption during a given Annual Review Period where curtailment of the Customer's natural gas Service was imposed by the Company's decision to curtail.
- (5) "Service Days" shall mean 30 days less the number of Involuntary Curtailment Days.
- (6) "Average Daily Usage" shall be the Customer's Actual Monthly Usage within the Annual Review Period divided by the number of Service Days.

B. Procedures:

- (1) At the conclusion of the Annual Review Period of each year and prior to June 1st of the ensuing year, the Company will determine for each customer served under Rate Schedules 302 and 352 that Customer's Average Daily Usage.
- (2) Those customers currently receiving Service under Rate Schedule 302 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 352, effective on the first day of June following the most recent Annual Review Period.
- (3) Those customers currently receiving Service under Rate Schedule 352 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 302 effective on the first day of June following the second, and most recent, Annual Review Period.
- (4) Those customers currently receiving Service under Rate Schedule 302 or 352 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 303, 304,

313, or 314 as applicable.

- C. Exceptions: If a customer currently being billed under Rate Schedule 302 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 352 the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.

Large General Service Classification. Rate Service classification under the Company's Rate Schedules 303, 304, 313 and 314 shall be based on the following criteria:

- A. Definitions: As used in rate Service classification, the following terms shall have the meanings assigned below:
- (1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year or the regularly scheduled meter reading nearest December 31.
 - (2) "Actual Monthly Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company during the highest month of consumption during the Annual Review Period as reflected on the Company's invoices for the Customer.
 - (3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive Service under any rate schedule. For existing Customers, the classification usage for Rate Schedule 302 or 352 shall not exceed an average usage of 55 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 303, 304, 313 and 314 shall exceed an average usage of 45 dekatherms per day.
 - (4) "Involuntary Curtailment Days" shall mean those days or portions of days in the highest month of consumption during a given Annual Review Period where interruption or curtailment of the Customer's natural gas Service was imposed by the Company's decision to interrupt or curtail.
 - (5) "Service Days" shall mean 30 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.
 - (6) "Average Dekatherm per Day" shall be the Customer's Actual Monthly Usage within the Annual Review Period divided by the number of Service Days.

B. Procedure:

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules 303, 304, 313 and 314 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 302 or 352 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 303, 304, 313 or 314, as applicable. A Rate Schedule 303, 304, 313 or 314 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Small or Medium General Service Rate Schedule. Customers receiving Service under Rate Schedules 303 or 304 shall be eligible to elect transportation Service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to their old and new rate schedules at least 21 days prior to the effective date of the change.

- C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting from the retirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for Service under Rate Schedule 303 or 304, the Customer shall provide an election form one week prior to reclassification if a transportation election is desired. Otherwise, Service will be provided under Rate Schedule 303 or 304, dependent upon rate qualification.

Requirements: Upon reclassification from Rate Schedule 302 or 352 to either Rate Schedule 303, 304, 313, or 314, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v

electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

Priority of Service

The Company has established the following categories of Service in order of priority:

1. Residential, small commercial (less than 50 MCF on a peak day), school, hospital, police protection, fire protection, sanitation, or correctional facility requirements
2. Essential agricultural requirements
3. Large commercial requirements (50 MCF or more on a peak day), firm industrial requirements for plant protection, feedstock and process needs, pipeline customer storage injection requirements, and firm industrial sales up to 300 MCF per day
4. All industrial requirements not specified in 2, 3, 5, 6, 7, 8, 9 or 10
5. Firm industrial requirements for boiler fuel use at less than 3,000 MCF per day, but more than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
6. Firm industrial requirements for large volume (3,000 MCF or more per day) boiler fuel use where alternate fuel capabilities can meet such requirements
7. Limited Availability requirements of less than 300 MCF per day, where alternate fuel capabilities can meet such requirements
8. Limited Availability requirements of more than 300 MCF per day but less than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
9. Limited Availability requirements of intermediate volumes (from 1,500 MCF per day through 3,000 MCF per day), where alternate fuel capabilities can meet such requirements
10. Limited Availability requirements of more than 3,000 MCF per day, but less than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements
11. Limited Availability requirements of more than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements.

Free Services

The Company provides the following Services at no charge to the Customer:

- Install gas meters and regulators for new customers
- Turn-on, turn-off, & service gas meters;
- Check for gas leaks;
- Investigate the possible presence of carbon monoxide;
- Cut off pilots;
- Disconnect appliances (disconnect & cap existing pipe only) in connection with a meter turn-off;
- Diagnostic time or time to provide an estimate for jobbing work;
- Quotes for appliance installation;
- Seasonal light-up on central furnaces;
- Gaslight turn-on and re-lighting;

Effective:

- Service appliances other than central heating systems (no parts needed) including:
 - Service calls to diagnose problems
 - Check gas pressure
 - Adjust burners
 - Clean air mixers
 - Light pilots
 - Clean & adjust pilots
 - Examine flue connections & check draft
 - Check and calibrate thermostats & controls
 - Check appliance wiring & other electrical components
- Service non-central heating systems where safe and ready access is available including floor furnaces, wall furnaces, space heaters and unit heaters including:
 - Service calls to diagnose problems
 - Gas and air adjustments on burners and pilot assemblies
 - Adjustments of controls and thermostats
 - Minor electrical repairs that do not require materials

Note: When an appliance is not operating, every effort will be made to answer the call without delay, and in most circumstances, on the same day. Should repair work be required, parts needed to complete the repair will be ordered from the manufacturer and installed if the Customer so desires. There is, however, a charge for this work.

The Company will provide immediate response to any hazardous situation in its Service Territory or where Company otherwise owns or operates facilities in Tennessee in connection with the provision of Service to Customers that might cause threat to life or property at no charge, including:

- Fire or explosion;
- Gas leak;
- Damaged gas main or Service lines (charges for parts & labor may apply);
- Gas appliance that won't cut off;
- Carbon monoxide investigation.

Work the Company Does Not Provide

- Replacement of filters in central heating equipment;
- Installation, connection, or repair of unit heaters and central heating equipment;
- Repair or replacement of unit heaters and other equipment requiring an electrician;
- Repair or installation of any equipment that has not been tested and approved by applicable US safety standards or where gas appliances are not used in accordance with the manufacturer's listing;
- Repairs on heating equipment that requires parts will not be made except on those units sold by the Company prior to May 1, 1974. In addition, the Company does not install furnace filters;
- No work will be performed on electrical air conditioning units installed with a gas furnace (this work will be referred to the installer or mechanical contractor).

Effective:

Charges for Work

Unless a charge for work contemplated by this Section 1 is specified herein, all work performed for Customers, on or related to appliances, fuel and gas lines (behind the Company's meter), gas lights or other equipment shall be performed at the Company's standard rates and charges. Such charges may be modified or adjusted from time to time at the Company's discretion.

Use of Credit Cards by Customers

Company will accept credit card payments from residential Customers receiving Service under Rate Schedule No. 301. Company will not accept credit card payment of bills from Customers receiving Service under any other Rate Schedule or contract.

Termination of Service

The Company has the right to terminate Service to any Customer who may be in arrears for a longer period than twenty (20) days in paying for gas Service furnished hereunder or under any other prior or subsequent agreement, or for gas Service furnished to the Customer at the Customer's present or any prior subsequent address. The said twenty-day period commences to run from the date the bill was rendered. Notice of termination of Service to the Customer will be provided by the Company in accordance with Commission Rules, Regulations and Orders.

In addition to Commission Rules, Regulations and Orders prescribing the reasons under which the Company may terminate or deny Service to a Customer, the Company may terminate Service for any material misrepresentation of the identity of the Customer receiving Service, or where there is clear, documented evidence of action taken by the Customer with the intent to unlawfully evade payment for Service.

The Company will not terminate Service during any 24-hour period, as measured from 8:00 am on the planned date of termination, where the forecasted low temperature, as determined by the National Weather Service, is 32 degrees Fahrenheit or below.

Reinstating Service

If natural gas service is disconnected for nonpayment, Service will be restored after the Customer has paid the total amount past due, paid the reconnection charge (the amount of which is listed in Section 6 of the Company's Service Regulations) and paid a deposit.

Third-Party Notification

At the Customer's request, the Company will send a copy of any termination notice to a designated third party. However, the designated third party is not responsible for paying the bill.

Medical Emergencies and Life Support Devices

In accordance with Commission Rules, Regulations and Order, the Company will delay termination of gas Service for 30 days if a physician, public health officer or social service official certifies in writing that discontinuing gas Service will worsen an existing medical emergency for a permanent resident of the premises where Services are rendered. During

Effective:

such extension, payment of the bill must be guaranteed by another person or entity that is acceptable to the Company.

The Company will not terminate Service at the Service address if there are natural gas appliances that are critical to maintaining the health of one or more permanent residents. The Company must be contacted to determine whether a gas appliance is considered a life-support device.

Notice of Rights and Remedies

Should the Customer request help in paying their natural gas bill, the Company will provide the Customer with a list of community agencies that provide aid in paying their natural gas bill. The Company will also, in some cases, offer alternative pay arrangements if the Customer is temporarily unable to pay their natural gas bill. However, if such an agreement is made, the Customer gives up their right to dispute the amount due under the agreement. If the Customer does not fulfill the terms of the agreement, the Company may terminate Service and a new pay agreement will not be offered before the Company terminates Service.

If the Customer wants to appeal an unfavorable decision regarding a natural gas bill, they may contact the Tennessee Public Utility's Complaint Division, 502 Deadrick Street, Nashville, TN 37243 (615-741-2904 or 800-342-8359). This must be done before the net due date if the dispute involves a termination notice. The Company will not terminate Service for non-payment of the disputed portion of the bill while it is being reviewed. The Customer's right to appeal will not expire if delay on the Company's part makes it impossible to contact the Commission within the required time period. The Customer also has the right to suspend payment of the disputed portion of the bill while the dispute procedures mentioned above are in progress.

Meter Turn On

There is no charge for meter turn on for a new Customer. There will be a flat charge for meter turn on for an existing Customer or member of same family or household. For reinstating Service to Customers whose Service was previously terminated for non-payment of bills, there will be a flat charge for meter turn on plus payment of all past due bills. The Company may also secure an additional customer deposit. If an existing Customer requests that their meter be turned off for the summer to avoid minimum bills (monthly charges) during the summer period and then requests the Company to turn the meter back on, the flat charge for meter turn on will apply. Such flat charges for meter turn-ons referenced herein are "Reconnection Charges," the amount of which is listed in Section 6 of the Company's Service Regulations.

Gas Wastage

Excessive gas consumption without knowledge by the Customer may result from improper and/or inefficient operation of gas appliances downstream of the meter or for gas leaks on facilities downstream of the meter. Gas bill adjustments generally will not be permitted for such circumstances.

Title to Facilities

The title to all facilities including mains, gas service lines, meters, and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the Customer for extending Service.

Natural Gas Appliance Classifications

The following classification of natural gas appliances shall apply throughout the Company's Tennessee Service Regulations:

- Major appliances:
 - gas heating systems utilized as primary heating source in the structure;
 - gas water heaters.
- Minor appliances:
 - clothes dryers;
 - gas fireplaces;
 - gaslights;
 - generators;
 - grills;
 - incinerators;
 - log starters;
 - logs;
 - ranges;
 - swimming pool gas water heaters.

Liquid Propane Conversion to Natural Gas

Any new conversion Customer converting from liquid propane (LP) to natural gas will receive gas Service line and meter installation on the same basis as any other residential or non-residential Customer.

Company's Tennessee Service Regulations

Section 2 – Meters

Installation & Location

The Company performs standard meter installation at no charge to the Customer. However, a Customer desiring an underground meter installation will be charged for the additional cost. The most desirable and serviceable location for a new residential meter installation is on the outside of the structure, approximately four feet past the front wall, where it is not subject to damage from automobiles. The new meter shall be so located unless it is physically impractical or it interferes with Customer's use of their property.

The targeted meter location for large outside commercial or industrial meters, especially those having multiple structures, is at the property line wherever possible. Under no circumstances shall a meter be located within 10 feet of a combustion air intake. Further, meters shall not be located within 3 feet of an ignition source such as heating or air conditioning equipment, water heaters, electric meters, switch gear, electric panels, etc.

The Customer or property-owner must at all times provide a proper and accessible location for all meters and regulators. The following rules apply as well:

1. All meters installed on high-pressure services must be installed outdoors.
2. All "farm tap" meters shall be located at the main.
3. All meters served from standard and medium pressure mains shall be installed outdoors, except in those instances in which it is extremely difficult to do so or is very undesirable from the Customer's viewpoint. In such cases, the meter may be installed indoors, at the discretion of the Company, if the installation conforms to applicable codes.
4. If a customer desires to use gas solely for swimming pool water heating, the meter shall be located at the house and the fuel line run from this point to the pool heater.
5. If located indoors, the meter shall not be located:
 - a. Above the ground floor (with the exception of vertical mains, which are installed at the Company's discretion);
 - b. Less than 3 feet from a hot air furnace or boiler;
 - c. Less than 3 feet from a gas oven or hot water heater;
 - d. On or under stairways;
 - e. In bathrooms or adjoining clothes closets;
 - f. In small, unvented, or confined spaces;
 - g. Where subject to damage, extreme high temperature, or corrosion;
 - h. In entrances or exits so as to obstruct passage in any way;
 - i. Less than 10 feet from boilers or other sources of heat, if the meter capacity is 80B or larger.

Effective:

Meter Relocation

Outside meters will be relocated when requested by the Customer, however, the Customer will be charged on a Time and Materials basis.

Meter Testing

The Company maintains a regular program of periodic meter testing and change-out to insure metering accuracy. Upon written request from the Customer for a special test of his meter, the Company will inspect the meter at a reasonable time in accordance with provisions of the Commission's Rules, Regulations and Orders. Such meters will be considered to register correctly if the error is not greater than plus or minus two percent (2%). If the meter is found to be registering incorrectly, the meter will be repaired or adjusted to conform to standards with no charge to the Customer for testing or repair. If the meter is registering correctly, there will be a meter testing charge to the Customer.

Meter Tampering or By-pass

The term "metered gas" is defined as "all gas that has passed through the Customer's meter." It is Company policy to prosecute those persons involved where the Company finds evidence of meter tampering or by-pass. Such acts are illegal, as well as extremely dangerous, and Tennessee State Law provides for substantial punishment. In such cases, the Customer or party involved will be charged for all gas used and the cost of meter repair including travel time and all other related expenses on a Time and Materials basis. At the Company's option, gas Service may also be terminated.

Meter Damage

The Customer has a responsibility to provide reasonable protection for the Company's metering facilities from damage by members of their household, guests, their employees and the general public. The Company selects and approves meter locations. If a location is in a drive, parking lot, alley, etc. where damage is likely, then it is the Company's responsibility to provide adequate protection such as posts, etc. In cases where the Company's metering facilities are damaged, with regard to actual damage responsibility, the following applies:

1. If the Customer or their employees cause damage (accidentally or purposely), then the Customer should be billed for damages.
2. If a visitor, commercial vehicle, or general public vehicle damages a meter, damage relief should come from that person or party causing the damage. Damage relief shall not come from the Customer, unless it can be proven that the damage by a third party resulted from negligence on the Customer's part.

Company's Tennessee Service Regulations

Section 3 – Fuel Lines

Customer gas fuel lines installed on Company mains shall comply with all applicable codes and provisions of the current version of the International Fuel Gas Code adopted by the county in which the gas facilities operate. The care and maintenance of all customer-owned underground fuel lines is the responsibility of the Customer. All piping carrying metered gas is considered a fuel line. When in place in a finished building, hidden from view and not easily accessible, the piping is considered a concealed fuel line. All fuel lines will be (a) standard threaded and coupled or welded steel minimum schedule 40 pipe (depending on operating pressure), (b) plastic pipe or tubing of the following types: TR-418 PE 2306 -- orange color, Drisco 7000 or 8000 PE 3406 -- black color, or approved equal, or (c) other piping meeting code and deemed acceptable by the Company.

Fuel Lines May

- Be installed underground in accordance with applicable codes to include corrosion protection.
- Be installed to serve any number of buildings if all the buildings are located on a single or continuous tract of land with common ownership.
- Be concealed if installed in accordance with applicable codes.

Fuel Lines May Not

- Extend to or across property under different ownership.
- Cross any public street, alley, or highway. Fuel lines shall be sized to have a minimum pressure drop between the meter outlet and any appliance of 0.3-inch water column. Those fuel lines served from standard pressure distribution systems will be sized on 0.2-inch water column pressure drop.

Installation Charges

All fuel lines will be installed at the Customer's expense with one exception: when determined necessary, the Company may choose to install a fuel line instead of a Service line. In this event, ownership with maintenance responsibility shall remain with the customer. In such cases, footage of fuel line installed shall be equal to the footage of Service line that would be "free service" if the Customer were served in the usual manner (a "farm tap" customer is an example). Charges for residential underground fuel lines will be on the basis of the Company's standard rates and charges. Pre-installation estimates may be obtained from the Company. The Customer at their expense will replace any sidewalk or pavement cut. The Customer will be charged on the basis of the Company's standard rates and charges for all fuel line repairs made by the Company.

Commercial or Industrial Fuel Lines

Commercial or Industrial fuel line piping work will be performed by the Company according to applicable codes and licensing requirements. If the Company installs a Customer's underground fuel line, the charges will be based on the Company's standard rates and charges.

Company's Tennessee Service Regulations

Section 4 – Service Lines

Service Lines are pipes used to carry unmetered gas from the main to the Customer's meter. The preferred route of the Service line will be from the nearest adequate main to four (4) feet beyond the customer's nearest building wall. Service lines, Service relocations, and extensions may be installed in accordance with applicable codes by either the Company or by a contractor approved by the Company. The complete installation must be inspected and approved, prior to being backfilled, by the appropriate Company representative. In general, Service lines should not be laid on vacant property adjoining the building to be served if there is likelihood that a building will be constructed on the vacant property. Service line installation policies are subject to conditions of gas supply and the Company's limited service attachment programs.

Residential

The Company will install free of charge 100 feet of Service line for one major appliance, as defined in Section 1, where no main extension is required. The gas Service line must extend along the route selected by the Company. In the event that the above conditions are not met, the Service line installed for the customer must provide a reasonable return to the Company. If the customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas Service line is more than the length allowed above and/or the Service to be rendered to the Customer will not produce a reasonable return to the Company, the Company may require the Customer to pay the excess cost of constructing the facilities along the alternate route or in excess of the footage allowed and/or to make a contribution which will permit the Company to earn a reasonable return. In all cases any pavement or sidewalk cut will be replaced by and at the Customer's expense.

Commercial or Industrial

For permanent use and where revenues provide a reasonable return to the Company, the Company will install free of charge 100 feet of Service line measured from Customer's property line or four feet past the nearest building wall, whichever is less.

Exceptions

In cases where there is exceptional cost due to length of Service line, high pressure main, paving (such as crossing major street), rock, etc., these Service orders shall be reviewed by Piedmont on a case-by-case basis to determine if they meet the main extension policy provided in Section 5.

Excess Service

Excess Service refers to that portion of the total cost of a Service line installed for a Customer that is in excess of the Company's justifiable investment and is that portion of Service line cost paid for by the customer.

Repairs

Repairs to Service lines damaged by others shall be charged at the Company's actual repair costs.

Service Extensions

A Service extension includes all piping carrying unmetered gas from the termination of the previous Service line to the inlet of the meter. Service extensions and relocations shall be installed at the Customer's expense.

Excess Flow Valves

Customer has the right to request the placement of an Excess Flow Valve ("EFV") on any Service Line that does not already have such a valve installed. Company shall work with the Customer to reasonably determine the date of such installation. The installation will not be made where it will interfere with or jeopardize the Company's Service either to the Customer desiring the installation or to any other Customer or Customers. As a precondition to installation of an EFV, Customer shall be required to enter into a written agreement with Company reflecting the terms of such installation and assuming responsibility for all of the actual costs of such installation. Company shall be entitled to collect a deposit on such costs prior to initiating installation of the EFV in the amount of the estimated cost of installation.

Branch Services

Branch Services will be permitted only when the point of junction of the two Service lines is either in the public right-of-way or on a Customer's property. In the latter case, written and notarized permission of the property owner must be obtained and filed with the Register of Deeds of the appropriate county. In the case of Service lines requiring in-line valves, the Service line must be branched in the public right-of-way, and Piedmont must confirm presence of a valve in each branch.

Multiple Buildings on Same Lot

In those cases where two or more buildings are located on the same lot in such a manner as to be reasonably suited to subdividing, the Company will, if requested, run separate Service lines to these buildings. However, if the buildings are not so situated (e.g. garage apartments or combination commercial and residential buildings), the Company will not run separate Services except where the full cost of the additional Service from main to meter, including paving, is borne by the Customer.

Service Line Enlargements

If the load through an existing Service is so increased as to require a larger Service line, the Company will enlarge the existing Service to a point four (4) feet beyond the Customer's nearest outside building wall without charge. Any enlargement of the Service line beyond this point will be at the Customer's expense. Any fuel line changes will be at the Customer's expense.

Shopping Centers

A shopping center shall be considered as a single structure containing a minimum of 7,500 square feet of floor space and a minimum of four (4) tenants or business stores operating within the structure. The Company shall install one Service line and one bank of gas meters for each 12,000 square feet of floor space. The final number of meter banks shall be at the discretion of the Company, based upon the size and layout of the particular shopping center under consideration.

Company's Tennessee Service Regulations

Section 5 – Mains

The Company has a policy of extending its main(s) to serve a new Customer (or Customers) provided such main extension is determined to be economically feasible. The criteria for economic feasibility shall be met when the total annual net revenue to be obtained from the Customer (or Customers) provides a rate of return that is equal to or greater than the overall cost of capital established in the Company's last general rate case.

The determination of the anticipated rate of return on the main extension will be based on a net present value (NPV) computation utilizing the following parameters:

1. Net revenues will be calculated by applying the applicable tariff margin rate to the estimated annual total usage and, where applicable, potential for future growth may be considered.
2. Estimated annual total usage shall be based on those appliances that will be in use during the first five (5) years of Service, except as provided in paragraph 3 under "Main Extension Contract".
3. The required investment will be based upon engineering cost estimates as determined by the Company and will include the costs of all facilities required for providing Service including material and labor costs associated with the installation of mains, Service lines, metering and regulating equipment, easements, rights of way, street crossings, and all other required equipment or facilities.
4. The discount rate shall be equal to the overall cost of capital allowed in the Company's last general rate case adjusted for taxes and depreciation.
5. The discount period shall be equal to the economic useful life of the investment in the mains and Service lines.
6. Main extensions producing a positive net present value at the end of the discount period shall be considered economically feasible.

Main Extension Contract

To the extent the net present value computation produces a negative result:

1. The Customer shall pay to the Company an amount equal to the negative net present value at the end of the discount period, plus any additional funds required to provide for the payment of resulting taxes. This payment may be made in a lump sum or in periodic payments (without interest) -- annual, monthly, etc.
2. If within three (3) years after the original installation, the Customer making the payment adds additional major or minor appliances, the Company will refund to the Customer (if

Effective:

paid in advance or credit his account if on extended terms), upon written request, an amount equal to the net annual revenues anticipated to be realized from the usage of the additional appliance(s).

3. In no case shall the Customer making the payment be refunded more than he paid.

The above provisions assume that only one Customer will make the payments. If two or more Customers make the payments, the contract will be adjusted to reflect this fact; for example, if two Customers made equal payments and a refund is due because one of the two has added an additional appliance, then the entire refund shall be paid to him.

Exceptions

The Company may make exceptions to the main extension rule when system improvements are realized by the extension.

Main Relocation

If a Customer requests a re-routing or relocation of a main located on a public right-of-way, the Customer will be charged for this work. If the main is located on private property, such as an easement, railroad right-of-way, Piedmont will make a determination as to whether a charge shall be assessed. The same will apply to relocations or re-routings requested by a contractor. Repairs to mains damaged by a contractor will be charged to the contractor on a "Time and Materials" basis.

Above-Ground Facilities

If the above-ground facilities (such as post regulators, vent pipe, etc.) are so located that they seriously interfere with, or make impracticable, the owner's use of this property, the relocation of such facility will be done at no cost to the Customer. An example of serious interference would be when the aboveground facility was located in front of a proposed narrow driveway. In all other cases, the cost of relocation will be charged to the Customer. The charge, unless specified for any of the above items, will be either of the following, at the Customer's option, prior to commencement of work:

1. Estimated cost as determined by the Company;
2. Actual cost.

Piedmont's Tennessee Service Regulations

Section 6 – Other Rules & Regulations

The Customer agrees to the following rules and regulations, having made proper application and deposit for Service with the Company.

1. Customer is responsible for damage to any gas meter or equipment belonging to the Company placed on the premises occupied by the Customer and will immediately reimburse the Company for all costs of repairing or replacing same. In accordance with Commission Rules, Regulations and Orders, the Company may terminate or refuse Service if Customer has damaged the Company's equipment or tampered with the lock on a meter. The Company will charge its standard rates and charges for a broken meter lock.
2. Customer will use gas supplied through Company's meter only. Use of other metering devices or bypassing equipment and tampering or adjustments on Company-owned metering facilities by Customer are prohibited. The Company will not permit secondary meter billing.
3. In case the meter has failed to register the quantity of gas consumed, in whole or in part, the Company may hold the Customer responsible for such reasonable sum as is ascertained to be due for the period involved in accordance with Commission Rules, Regulations and Orders.
4. The Company's authorized agents shall have access to Customer's premises at all reasonable times for the purpose of checking, reading, servicing, replacing or disconnecting the meter; shutting off gas; and for such other purposes as the Company may deem advisable to protect its interests.
5. The Company shall be under no duty to inspect, repair, or maintain the Service of other pipes, connections, equipment, or appliances located beyond the meter outlet on the premises of the Customer.
6. The Customer shall be liable and shall pay for all gas passing through the meter until it is turned off. When termination of Service is requested, Customer must ensure that the Company receives either written or verbal notice at least two business days prior to the desired date of termination. Access to the meter must be provided.
7. The Customer is entitled to the usual discount allowed by the Company if bills are paid within the first twenty-five (25) days following the date bills are rendered. All gas bills are due when rendered and they will be considered as rendered when mailed to the address specified by the Customer. A residential, head of household Customer dependent on social security or other retirement check may request a net to gross discount waiver. Qualified Customers will be granted a net to gross discount waiver and the account will be monitored for continuing compliance.
8. The Company is authorized to require the Customer to make a deposit, or increase any existing deposit, in such amount as the Company deems proper for its

protection before restoring gas Service. The deposit amount will not exceed two consecutive billing periods or ninety (90) days, whichever is less.

9. Interest on Customer Deposits: All Customer deposits will accrue simple interest on the principal at the rate approved by the Commission.
10. Reconnection Charge: The Company will charge \$55 during the months of February through August and \$85 for the months of September through January for turning on a meter for an existing residential or non-residential Customer or member of the same family, household or business at same address. This charge applies only to those Customers who have previously elected to have the meter turned off without discontinuing Service (seasonal turn-off) or whose Service has been previously terminated for non-payment. The Company will not be liable for damages for shutting off gas or for delay in restoring Service. At the Company's option, special discounts may be offered to the approved reconnect fee to encourage Customers to have their Service reinstated during non-peak turn-on periods. Such special discounts will be made upon a 1-day notice to the Commission and will be available on a nondiscriminatory basis within the classifications stated herein. Notification will include the time period during which the promotion will be conducted as well as the terms and conditions of the promotion.
11. The Customer agrees to notify the Company in advance of any planned change in physical premise or environment around meter or Service to determine impact on safety cases, meter reading, and meter maintenance.
12. In the event the Company is unable, wholly or in part, by reason of force majeure to carry out its obligations to provide Service, the obligations of the Company so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed above shall mean acts of God; extreme weather conditions; strikes, lockouts, or other industrial disturbances; acts of the public enemy; war; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage of or accidents to machinery, lines of pipe, or the Company's peak shaving plants; freezing of wells or lines of reduction in gas pressure by its suppliers; inability to obtain rights-of-way, permits, materials, equipment, or supplies for use in the Company's peak shaving plants; and any other causes whether of the kind herein enumerated or otherwise, not within control of the Company, and which by the exercise of due diligence the Company is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Company, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the Company.
13. When the Company in its discretion determines that it is necessary to interrupt or curtail Service to maintain the integrity of its distribution system or to provide for its or the public's safety, the Company shall have the right to interrupt or curtail Service to any Customer.

14. In the event of a failure or interruption of Service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such failure or interruption due to accidents, force majeure, extreme weather conditions, or causes beyond its control.

APPENDIX A

CUSTOMER AGENT AGREEMENT

This Customer Agent Agreement ("Agreement") is made this _____ day of _____, 20__, by and between Piedmont Natural Gas Company, Inc. ("Piedmont") and _____ ("Agent").

WHEREAS, Piedmont's natural gas transportation tariffs provide for the ability of Customers receiving Piedmont's transportation services to designate and utilize a third-party agent for purposes of making nominations for and delivering natural gas to Piedmont on behalf of such Customers and managing imbalances on the Piedmont system resulting from such activities; and

WHEREAS, in undertaking such activities on behalf of Piedmont's Customers, such Agents have the capacity to create material economic and operational risks for Piedmont and its Customers; and

WHEREAS, Agent desires to act as a Customer Agent on Piedmont's system; and

WHEREAS, Piedmont is willing to permit Agent to operate on its system under the terms and conditions set forth herein and under the parameters of Piedmont's approved tariffs and service regulations.

NOW, THEREFORE, in consideration of the premises, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Piedmont and Agent agree as follows:

1. Establishment and Maintenance of Creditworthiness. Each Agent must establish credit with Piedmont in the form of a Letter of Credit, escrow deposit, parental guaranty, or otherwise, in form and substance acceptable to Piedmont, in an amount equal to or greater than the dollar value obtained by the following formula at all times:

The higher of Agent's average daily load for the previous month or Agent's First-of-Month confirmed daily nomination quantity for the new month x 3 days x (NYMEX prompt month close) x 1.25.

Each month, prior to nominating transactions for the first of the month business, an evaluation will be made to ensure that the established credit does not fall below the value obtained from the formula shown above. In the event Agent's established credit falls below the value obtained through application of the formula shown above, either during this monthly evaluation or at any other time, Piedmont may require that the value of said Letter of Credit, escrow deposit, parental guaranty, or other form of assurance be changed at any time in order to reestablish adequate creditworthiness hereunder. In the event Agent fails to establish creditworthiness as set forth above, or fails to comply within 5 days with directions from Piedmont to increase the amount of its credit instruments as provided herein, then Agent's right to conduct business on the Piedmont system shall be suspended until such time as Agent shall be in compliance with the

creditworthiness provisions set forth herein (including any requirements to increase said creditworthiness).

2. Customer Agent Imbalance Restrictions. Agent shall not create a cumulative intra-month imbalance which exceeds three times Agent's aggregate First-of-Month confirmed daily nomination quantity. If this cumulative month-to-date imbalance restriction is exceeded at any time, then Agent's authorization to conduct business on Piedmont's system shall be immediately suspended except to the extent of transactions designed to reduce Agent's cumulative month-to-date imbalance. Upon any such suspension, Agent's authorization to conduct business on the Piedmont system shall not be restored until such time as Agent is in full compliance with the provisions hereof and all applicable provisions of Piedmont's tariffs and service regulations.

3. Allocation of Imbalance Quantities/Penalties. Concurrent with the submission of monthly nominations, Agent shall provide Piedmont with a schedule of allocated nominations for Customers to be served by Agent for the following month. This allocation shall serve as the basis for resolving imbalances with Agent's Customers to the extent those imbalances are not resolved by Agent. In the event Agent fails to submit such schedule, and further fails to resolve any monthly imbalance during the term hereof, those imbalances and any attendant penalties shall be allocated to Agent's Customers, *pro rata*, based upon the actual usage of each such Customer during the month to which the unresolved imbalance and/or penalties is attributable.

4. Failure to Comply with Operational Notices, and Agent Creditworthiness and Imbalance Requirements. If Agent fails to adhere to the imbalance and credit requirements set forth above, or to obey specific instructions issued by Piedmont and designed to preserve the operational integrity of Piedmont's system, Agent (a) shall be subject to the Unauthorized Over Run Penalty provisions of Piedmont's Service Schedule No. 306, and (b) shall have its right to transact business on Piedmont's system suspended.

5. Term. This Agreement shall become effective as of the date first written above and shall continue in full force or effect until terminated by either party hereto upon sixty (60) days written notice.

6. Supplemental Nature of Agreement. This Agreement is supplemental to the provisions of Piedmont's approved tariffs and service regulations, the provisions of which shall also apply to services rendered hereunder. As such, the restrictions and requirements set forth herein are cumulative in nature and in addition to any other imbalance or penalty provisions set forth in Piedmont's approved tariffs and service regulations.

7. Billing and Payment. Billings to Agent for any amounts due hereunder, and payments by Agent on such billings, shall be made in a manner consistent with the billing and payment provisions of the underlying transportation tariffs pursuant to which service is rendered.

8. Miscellaneous.

A. Modification. This Agreement may not be modified or amended except by the execution of a written agreement by the parties hereto.

- B. Waiver. No failure by any party to enforce this agreement with respect to any default in the performance of any of the provisions of this Agreement shall operate or be construed to operate as a waiver thereof or of any similar future default.
- C. Assignment. This Agreement may not be assigned by any party hereto without the express written consent of the other party hereto.
- D. Jurisdiction. This Agreement and the respective obligations of the parties hereto are subject to all valid laws, orders, rules and regulations of the Tennessee Public Utility Commission and any other governmental bodies having jurisdiction.
- E. Conflict of Laws. The construction, interpretation, and performance of this Agreement shall be in accordance with the substantive laws of the State of Tennessee without regard to any conflicts of laws provisions thereof.

IN WITNESS WHEREOF, the undersigned parties have executed this agreement as of the year and date first written above.

AGENT

PIEDMONT NATURAL GAS COMPANY, INC.

By: _____
Title: _____

By: _____
Title: _____

Please submit to: Citygate Operations
Piedmont Natural Gas Company
P.O. Box 33068
Charlotte, N.C. 28233

OR

GasCommercialOperations@duke-energy.com

EFFECTIVE:

Docket No. 21-00135

Exhibit_(BPB-4)

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

May 6, 2021

IN RE:

**PETITION OF PIEDMONT NATURAL GAS
COMPANY, INC. FOR APPROVAL OF AN
ADJUSTMENT OF RATES, CHARGES, AND
TARIFFS APPLICABLE TO SERVICE IN
TENNESSEE**

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**DOCKET NO.
20-00086**

**ORDER APPROVING SETTLEMENT AGREEMENT SETTING RATES AND APPROVING
THE PROCEDURES FOR REFUNDS TO CUSTOMERS**

This matter came before Commissioner Robin L. Morrison, Commissioner John Hie, and Commissioner David F. Jones of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on February 16, 2021, to consider the *Stipulation and Settlement Agreement* (“*Settlement Agreement*”) filed on February 3, 2021, by Piedmont Natural Gas Company, Inc. (“Piedmont” or “Company”) and the Tennessee Attorney General and Reporter, through the Consumer Advocate Unit of the Financial Division (“Consumer Advocate”) (collectively, the “Parties”) to resolve this docket and set just and reasonable rates. In a unanimous decision, the Commission approved the *Settlement Agreement* attached herein as Exhibit A.

PROCEDURAL BACKGROUND

Piedmont is a subsidiary of Duke Energy Corporation and is incorporated under the laws of Tennessee. Piedmont is a public utility under the jurisdiction of the Commission and is in the business of transporting, distributing, and selling natural gas to approximately 191,000 residential,

commercial, and industrial customers in the State of Tennessee.¹ On July 2, 2020, Piedmont filed the *Piedmont Natural Gas Company Inc. Petition for an Adjustment of Rates, Charges, and Tariffs Applicable to Service in Tennessee* (“*Petition*”) seeking an increase in rates; revisions to rate and service schedules, service regulations, and depreciation rates; and amortization of certain deferred regulatory assets.

The *Petition* sought to increase base service rates, inclusive of certain Integrity Management Rider (“IMR”) charges, by \$29.9 million annually.² The proposed base rates represented an increase of 23.9% to the current base rates of residential customers, as well as increases ranging from 11.6% to 19.9% for other customer classes.³

The Consumer Advocate filed a petition to intervene in the docket on July 30, 2020, which was subsequently granted by the Hearing Officer.⁴ Thereafter, the parties were unable to come to an agreement upon a procedural schedule. The Company sought to have its rates implemented before the end of the calendar year and the Consumer Advocate asserted a need for more time to investigate the new rates sought by Piedmont.⁵ Taking into account the preferences of the parties, the challenges of scheduling around holidays, the impact of the COVID-19 pandemic on the investigation of the proposed rates, and the need for sufficient time to test the veracity of the requested rate increase, the Hearing Officer issued a procedural schedule with a target date for a hearing on the merits during the week of January 11-15, 2021.⁶

¹ *Piedmont Natural Gas Company, Inc. Petition for an Adjustment of Rates, Charges, and Tariffs Applicable to Service in Tennessee*, p. 2 (July 2, 2020).

² Paul M. Normand, Pre-Filed Direct Testimony Re: Embedded Cost of Service Rate Design Recommendations, Exh. PMN-4-COS (July 2, 2020).

³ *Id.*; Kally Couzens, Pre-Filed Direct Testimony, Exhibit KAC-4 (July 2, 2020).

⁴ *Order Granting the Petition to Intervene Filed by the Consumer Advocate* (August 24, 2020).

⁵ *Piedmont Natural Gas Company’s Letter to the Hearing Officer Regarding Revised Procedural Schedule* (August 6, 2020); *Letter of the Consumer Advocate to the Hearing Officer Regarding Procedural Schedule* (August 12, 2020).

⁶ *Order Establishing Procedural Schedule* (August 25, 2020).

Following discovery pursuant to the procedural schedule, the Consumer Advocate submitted pre-filed direct testimony on November 30, 2020, contesting several aspects of the *Petition*. The contested issues covered a range of accounting adjustments and methodologies for revenues, operating expenses, rate base and the Company's proposed capital structure and rate of return for rate-making purposes.⁷ In rebuttal testimony filed by the Company, Piedmont revised its requested rate increase from \$29,919,130.00 to \$25,802,068.00, reflecting agreement with the Consumer Advocate regarding certain adjustments.⁸

Following a correction submitted in revised pre-filed testimony, the Consumer Advocate proposed a rate increase of \$244,888.00, an amount considerably less than the \$25,802,067.00 sought by Piedmont.⁹

PIEDMONT'S NOTICE OF INTENT TO IMPLEMENT NEW RATES ON JANUARY 2, 2021

Prior to the filing of the Consumer Advocate's pre-filed direct testimony, on November 6, 2020, Piedmont filed the *Notice of Intent to Implement Rates Subject to Refund Pursuant to Tenn. Code Ann. § 65-5-103(b)(1) of Piedmont Natural Gas Company, Inc.* ("Notice of Intent") informing the Commission that, in accordance with its statutory right to do so, it would place the proposed base rates into effect on January 2, 2021.¹⁰ In response, the Consumer Advocate sought "safeguards" to be implemented, including the requirement that the IMR filing, submitted in Commission Docket No. 20-00130, should be implemented at the same time as the interim rates.¹¹

⁷ See generally, David Dittmore, Pre-Filed Direct Testimony, (November 30, 2020); Alex Bradley, Pre-Filed Direct Testimony, (November 30, 2020); William H. Novak, Pre-Filed Direct Testimony, (November 30, 2020); Dr. Christopher Klein, Pre-Filed Direct Testimony, (November 30, 2020).

⁸ *Stipulation and Settlement Agreement* ("Settlement Agreement"), p. 3 (February 3, 2021).

⁹ *Consumer Advocate's Response to The Tennessee Public Utility Commission Staff First Data Request*, Schedule 1, (January 6, 2021); Quynh Pham Bowman, Pre-Filed Direct Testimony, p. 2 (December 16, 2020).

¹⁰ *Notice of Intent to Implement Rates Subject to Refund Pursuant to Tenn. Code Ann. § 65-5-103(b)(1) of Piedmont Natural Gas Company, Inc.* ("Notice of Intent"), p. 3 (November 6, 2020).

¹¹ *Consumer Advocate's Response to Piedmont's Notice of Intent to Implement Rates Subject to Refund*, pp. 2-6 (December 3, 2020).

Following the filing of the Consumer Advocate's pre-filed testimony, Piedmont revised and lowered the amount of new rates it sought to implement on January 2, 2021 by 10% to recognize adjustments made by the Consumer Advocate with which the Company did not object.¹² Pursuant to the requirements of Tenn. Code Ann. § 65-5-103(b), the Commission imposed conditions on Piedmont's implementation of new rates, including requirements for refunds to customers for any amount of the new rates disallowed at the conclusion of this rate case.¹³

SETTLEMENT AGREEMENT

As publicly noticed on January 8, 2021, a hearing on the merits of the *Petition* was convened on January 19, 2021. At the hearing, the parties informed the Commission that on the eve of the hearing a settlement in principle had been reached to resolve the case.¹⁴ The parties jointly requested a continuance to allow the explicit agreed upon terms to be reduced to writing and allow for time for review and approval prior to filing with the Commission. The Hearing Panel set a deadline of February 3, 2021 for the filing of any settlement document to allow adequate time for Commission review and to allow for scheduling the evidentiary hearing should the settlement be rejected by the Commission.

On February 3, 2021, the parties submitted the *Settlement Agreement* which included a recommended annual revenue increase of \$16,250,000 for the attrition period ending December 31, 2021. This revenue requirement consists of:

1. Required net operating income for return of \$61,451,135;
2. A rate base of \$897,267,145;
3. An overall return of 6.85%
4. A return on common equity of 9.80%;
5. A capital structure consisting of 50.5% common equity, 4% short-term debt, and 45.5% long-term debt;

¹² *Order Imposing Conditions and Refund Requirements Regarding Piedmont Natural Gas Company, Inc's Intention to Implement New and Temporary Rates Pursuant to Tenn. Code Ann. § 65-5-103(b)*, p. 10 (February 26, 2021).

¹³ *Id.* at 12-14.

¹⁴ Transcript of Hearing, pp. 7-9 (January 19, 2021).

6. A cost of short-term debt of 0.40%; and
7. A cost of long-term debt of 4.14%.¹⁵

With respect to refunds for customers for rates paid since January 2, 2021, beyond the rates authorized by the *Settlement Agreement*, the parties agreed to the following:

Piedmont shall fully credit its customer's accounts for refunds due and required by Tenn. Code Ann. § 65-5-103-(b)(1) no later than 90 days following the entry of a Commission order approving this Stipulation. Such refunds shall include interest accrued at the Company's overall rate of return, as shown in paragraph 14c herein and shall be calculated to ensure that the overcharge, calculated based upon specific customer usage, shall be the amount refunded to such customer.¹⁶

The parties made many stipulations as part of the *Settlement Agreement*. A number of agreements included in the *Settlement Agreement* went beyond the overall revenue deficiency and set forth matters the parties determined should be addressed in the future in other proceedings. Both parties agreed the *Settlement Agreement* has no precedential effect.

THE HEARING

The hearing on the *Settlement Agreement* was noticed by the Commission on February 5, 2021 and held during the regularly scheduled Commission Conference on February 16, 2021. The hearing was held electronically via WebEx pursuant to Executive Order No. 16 issued by Governor Bill Lee on March 20, 2020, and most recently extended by Executive Order No. 71 issued on December 22, 2020, which authorizes the Commission to meet electronically, without a physical quorum. Electronic access to the hearing was made available to the parties and the public. Appearances were made by the following:

Piedmont Natural Gas Company, Inc.— James H. Jeffries, IV Esq., McGuire Woods LLP, 201 North Tryon Street, Suite 3000, Charlotte, North Carolina, 28202; Paul S. Davidson, Esq., Waller Lansden Dortch & Davis, 511 Union Street, Suite 2700 Nashville, Tennessee 37219-2498.

¹⁵ *Settlement Agreement*, pp. 4-6 (February 3, 2021).

¹⁶ *Id.* at 11.

Consumer Advocate – Daniel P. Whitaker, III, Esq. Financial Division of the Office of the Tennessee Attorney General and Reporter, Post Office Box 20207, Nashville, Tennessee, 37219.

The *Settlement Agreement* was presented to the Hearing Panel and summarized by Piedmont witness Ms. Pia Powers. Witnesses for both parties were available for questions. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

FINDINGS & CONCLUSIONS

The Commission commends the Parties for their hard work in developing a comprehensive evidentiary record in this proceeding, which could only contribute to the ability of the Parties to reach an overall settlement on the wide-ranging issues in this proceeding. The comprehensive record also provided the Commission with the requisite information to appropriately evaluate the reasonableness of the agreed-upon rate relief.

Settlements entail give-and-take negotiations, the end result of which may see a long-standing Commission precedent on a particular issue set aside by the parties for purposes of reaching an agreement. Approving such settlements is not a rejection of a Commission precedent, although parties should be mindful that abandoning long-standing Commission precedents and practices in the name of settlement will only court greater uncertainty and may result in modification or rejection of a proposed settlement.

While the Commission may not have ruled in the same manner or adopted the same methodology after a hearing on the merits, after careful consideration of the *Settlement Agreement* submitted on February 3, 2021, the Hearing Panel found the *Settlement Agreement*, when taken in its entirety, contains settled issues which lead to a revenue deficiency that falls within the zone of reasonableness. The Hearing Panel voted unanimously to approve the *Settlement Agreement*.

The resulting annual rate increase of \$16.25 million will provide Piedmont with sufficient funds to deliver quality service to its customers while also allowing Piedmont's shareholders a fair equity return. The Hearing Panel voted to adopt the following components of the calculated revenue deficiency of \$16.25 million:

1. An attrition period for the twelve months ending December 31, 2021;
2. Required net operating income for return of \$61,451,135;
3. A rate base of \$897,267,145;
4. Total operating revenues of \$216,896,951;
5. Total operation and maintenance expenses of \$51,816,193;
6. Total other expenses, including depreciation and taxes of \$54,724,811;
7. A return on equity of 9.80%; and
8. An overall rate of return of 6.85%.

The Hearing Panel further found the depreciation rates for Tennessee direct assets, set forth in the depreciation study filed by Piedmont witness Dane A. Watson, are reasonable and voted unanimously that they be approved. The Hearing Panel also found the rate design contained within the *Settlement Agreement*, which increases base rates by 10.7% across all classes, to be just and reasonable. The Hearing Panel also approved a separate rider mechanism to recover rate case expenses of up to \$900,000 over a three-year period following an opportunity for the review of invoices.

Additionally, the Hearing Panel found that should the Company petition for an alternative regulatory mechanism, including annual rate review, the forward-looking methodologies adopted in the *Settlement Agreement* shall be reviewed for appropriateness in determining service rates pursuant to such an annual rate-setting mechanism. Finally, the Hearing Panel found that the

Settlement Agreement provision for refunds is consistent with the Commission's ruling that amounts shall be refunded to customers for the difference between the base rate increases placed into effect by Piedmont on January 2, 2021, and the base rates approved in a final decision by the Commission. The Hearing Panel directed Piedmont to file a full reconciliation of all calculated refunds by individual class with the Commission within thirty (30) days of issuing refunds.

IT IS THEREFORE ORDERED THAT:

1. The *Stipulation and Settlement Agreement* filed by Piedmont Natural Gas Company, Inc. and the Tennessee Attorney General and Reporter, through the Consumer Advocate Unit of the Financial Division on February 3, 2021, is approved, adopted, and incorporated herein as Exhibit A.

2. As set forth in the *Stipulation and Settlement Agreement*, the following components of the calculated revenue deficiency of \$16.25 million are as follows:

- a. An attrition period for the twelve months ending December 31, 2021;
- b. Required net operating income for return of \$61,451,135;
- c. A rate base of \$897,267,145;
- d. Total operating revenues of \$216,896,951;
- e. Total operation and maintenance expenses of \$51,816,193;
- f. Total other expenses, including depreciation and taxes of \$54,724,811;
- g. A return on equity of 9.80%; and
- h. An overall rate of return of 6.85%.

3. As set forth in the *Stipulation and Settlement Agreement*, refunds provided by the Piedmont Natural Gas Company, Inc. shall be given on an individual basis and interest shall be calculated at the authorized rate of return set at the conclusion of this rate case.

4. Piedmont Natural Gas Company, Inc. shall file a reconciliation of all calculated refunds by individual class with the Commission within thirty (30) days of issuing refunds.

5. Piedmont Natural Gas Company, Inc. shall file tariffs reflecting this decision.

6. Any party aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

7. Any party aggrieved by the Commission'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 (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Commissioner Robin L. Morrison
Commissioner John Hie, and
Commissioner David F. Jones concurring.**

None dissenting.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT A

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:

**PIEDMONT NATURAL GAS COMPANY,
INC. PETITION FOR AN ADJUSTMENT
OF RATES, CHARGES, AND TARIFFS
APPLICABLE TO SERVICE IN
TENNESSEE**

Docket No. 20-00086

STIPULATION AND SETTLEMENT AGREEMENT

Piedmont Natural Gas Company, Inc. ("Piedmont" or "the Company") and Herbert H. Slatery III, the Tennessee Attorney General and Reporter, through the Consumer Advocate Unit in the Financial Division ("Consumer Advocate") (collectively, the "Parties") constituting all of the parties to the above-captioned general rate proceeding and in comprehensive settlement of the matters at issue therein, do hereby stipulate and agree as follows:

BACKGROUND

1. Piedmont is a subsidiary of Duke Energy Corporation and is incorporated under the laws of the State of North Carolina. Piedmont is engaged in the business of transporting, distributing, and selling natural gas in the states of Tennessee, North Carolina, and South Carolina. Piedmont's principal office and place of business is located at 4720 Piedmont Row Drive, Charlotte, North Carolina.

2. Piedmont is a public utility under the laws of Tennessee, and its public utility operations in Tennessee are subject to regulation and supervision by the Tennessee Public Utility Commission ("TPUC" or "Commission") pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

3. Piedmont is engaged in the business of distributing natural gas to customers located

in Nashville and the remainder of Davidson County as well as portions of the adjoining counties of Cheatham, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson, and Wilson and in certain incorporated towns and cities located therein. Piedmont currently provides natural gas service to approximately 191,000 residential, commercial, and industrial customers in Tennessee.

4. On July 2, 2020, Piedmont filed a Petition for an Adjustment of Rates, Charges, and Tariffs Applicable to Service in Tennessee ("Petition") in the instant docket. In its Petition, Piedmont sought an increase in its annual operating revenues of \$29,919,130, representing an increase of 14.7% to total operating revenues or alternatively viewed as an increase of 19.8% to margin operating revenues.

5. On July 30, 2020, the Consumer Advocate filed a Petition to Intervene in the instant proceeding. On August 24, 2020, the Commission issued an order granting the Consumer Advocate's request to intervene. No other entity has sought or been granted party status in this proceeding.

6. Since the filing of Piedmont's Petition, the Parties have engaged in substantial discovery, informal information exchanges, and extensive communication. In addition to the information provided pursuant to the Commission's Minimum Filing Requirements, Piedmont responded to one data request from Commission Staff and three sets of data requests, consisting of multiple items, from the Consumer Advocate. The Consumer Advocate responded to one data request from Commission Staff and a set of discovery requests from the Company. Piedmont representatives and representatives from the Consumer Advocate have also spent a significant amount of time discussing the various aspects of Piedmont's rate case.

7. On November 30, 2020, the Consumer Advocate filed direct testimony in this proceeding challenging numerous aspects of Piedmont's Petition, including the requested revenue

increase. In this testimony, witnesses for the Consumer Advocate recommended a number of changes to the relief sought by Piedmont, including a proposed reduction in Piedmont's attrition period revenue requirement. The Consumer Advocate initially proposed a revenue decrease of \$3,795,187.

8. On December 16, 2020, Piedmont filed rebuttal testimony addressing concerns raised in the direct testimony of the Consumer Advocate. In rebuttal testimony, the Company also revised its requested increase in this proceeding from \$29,919,130 (representing a 14.7% and 19.8% requested increase to total operating revenues and margin operating revenues, respectively) to \$25,802,067 (representing a 12.1% and 17.0% requested increase to total operating revenues and margin operating revenues, respectively) in agreement with certain findings of the Consumer Advocate. Such revised requested increase was explained in the rebuttal testimony of Piedmont witnesses Quynh Bowman and Kally Couzens.

9. On December 23, 2020, the Consumer Advocate filed its Updated Testimony of David N. Dittmore which included a correction to the Consumer Advocate's pre-filed direct testimony. The correction resulted in an updated proposed revenue requirement of \$244,888.

10. On November 6, 2020, Piedmont submitted its Notice of Intent to Implement Rates Subject to Refund Pursuant to Tenn. Code Ann. § 65-5-103(b)(1) ("Notice"), and the Consumer Advocate filed a response to Piedmont's Notice on December 3, 2020. The Commission held a hearing on Piedmont's Notice on December 14, 2020, and issued an oral decision based on the parties' arguments. On January 2, 2021, the Tariff Base Rates proposed by the Company and as reflected in column <1> on Rebuttal Exhibit_(KAC-4) of Piedmont witness Kally Couzens, which are designed to recover an additional \$25.8 million in revenue, took effect for customer billings. Pursuant to the TPUC's approved motion at its December 14, 2020 Remote Commission

Conference, this revenue increase is subject to refund based on the final rates approved by the Commission in this proceeding.

SETTLEMENT

11. Following Piedmont's review of the Consumer Advocate's testimony, representatives of Piedmont and the Consumer Advocate engaged in extensive discussions, by telephone and electronic mail, to discuss the differences in position reflected in their respective testimony filings and to explore the possibility of a settlement in this proceeding.

12. Based on the exchange of information and discussions described above, and in order to resolve all disputed issues in this case through settlement and avoid the need for further litigation, Piedmont and the Consumer Advocate have agreed to certain adjustments to Piedmont's Petition, including adjustments to its proposed revenues, expenses, net operating income, net operating income for return, rate base, and return on rate base, among others. Piedmont and the Consumer Advocate have also agreed to the disposition of a variety of non-rate matters at issue in this proceeding. Piedmont's and the Consumer Advocate's agreements encompass the matters discussed below.

13. **Attrition Period.** Piedmont and the Consumer Advocate agree that the appropriate attrition period for use in this proceeding is the 12 months ended December 31, 2021.

14. **Revenue Requirement.** Piedmont and the Consumer Advocate agree that Piedmont's attrition period cost of service should include the components set forth on Attachments A and B hereto, which the parties agree can be adopted by the Commission for purposes of settlement:

- a. Required Net Operating Income for Return of \$61,451,135;

- b. A rate base of \$897,267,145;
- c. An overall rate of return of 6.85%;
- d. A return on common equity of 9.80%;
- e. A capital structure consisting of 50.50% common equity, 4.00% short-term debt, and 45.50% long-term debt;
- f. A cost of short-term debt of 0.40%; and
- g. A cost of long-term debt of 4.14%.

The stipulated Revenue Requirement embeds the following matters that were specifically agreed to by the Parties:

- h. Employee Incentive Compensation. 50% of the incentive compensation costs for the Company's short-term incentive plan (STIP) and 100% of the incentive compensation costs for the Company's long-term incentive plan (LTIP) shall be removed from operating expense and rate base.
- i. Deferred Pension Expense. The Company's unamortized deferred pension expense balance of \$11,862,981 in this proceeding shall be amortized to operating expense over a period of 8 years and recovered from customers in base rates. The Attrition Period deferred debits balance for pension included in rate base shall be aligned with the stipulated amortization of the unamortized deferred pension balance, as further reduced by an amount equivalent to one year's deferred pension expense amortization.
- j. GTI Program Funding. No costs for funding of GTI programs shall be included in Piedmont's base rates agreed to herein.
- k. Rate Case Expense. No externally incurred costs related to the preparation

and litigation of this rate case proceeding (rate case expense) shall be included in Piedmont's base rates agreed to herein.

- l. Lead-Lag Study. The lead-lag value included in the rate base shall be calculated consistent with the manner supported by Piedmont witness Paul M. Normand.
- m. Revenue Conversion Factor. The revenue conversion factor shall be calculated consistent with the methodology advocated by Consumer Advocate witness Novak.
- n. HomeServe Revenues. Home Serve revenues and expenses shall be treated below the line for purposes of calculating Attrition Period Revenues in this proceeding.
- o. Forfeited Discount Revenue. The Consumer Advocate's level of Forfeited Discount revenue for the Attrition Period is appropriate for use in setting rates in this proceeding.
- p. Unless otherwise expressed in this Stipulation, all other components used in the computation of the stipulated Revenue Requirement for this proceeding shall reflect the amounts and/or methodologies supported by Company in its filed Rebuttal position.

15. **Revenue Deficiency**. The adjustments to Piedmont's filed case described in paragraph 14 above collectively reduce Piedmont's Attrition Period revenue deficiency from \$25,802,067¹ to \$16,250,000. Subject to Commission approval, Piedmont and the Consumer Advocate agree that this reduction in Piedmont's attrition period revenue deficiency is appropriate

¹ Per Piedmont's Rebuttal position.

for resolution of this case. The Company and Consumer Advocate agree that the methodologies used to reach this revenue deficiency, as reflected in this Agreement and the attachments hereto, are appropriate for use in this proceeding and should be approved.

16. **Rates.** Piedmont and the Consumer Advocate agree that the rates, billing determinants, WNA Factors, and HDDs reflected on Attachments D and C are appropriate for use in this proceeding. The Parties further agree that, subject to Commission approval, the proposed base tariff rates set forth on Attachment D shall be effective for bills rendered on and after the first day of the month following approval of such rates by the Commission and shall be used to calculate refunds due Piedmont's customers as provided in paragraph 17.p. below.

17. Piedmont and the Consumer Advocate further stipulate and agree as follows:

- a. Rate Design. The rate design underlying the rates set forth on Attachment B hereto, including the constituent components of rates for each of Piedmont's customer classes, which is based on a pro rata allocation of the agreed revenue deficiency between each of Piedmont's customer classes, is appropriate for use in this proceeding.
- b. Future Pension Deferrals. . The Company may capitalize future pension contributions as a deferred debit. The deferral of such contributions does not limit the right of the Consumer Advocate or other parties to contest the amount of incremental deferred pension costs that the Company seeks to recover in future rate proceedings. Furthermore, in future rate adjustment applications, the Company shall provide explanation and support to demonstrate its position that such incremental pension deferral amounts were prudently incurred to meet the Company's obligation to qualified

employees and retirees and shall bear the burden of rate recovery in future rate proceedings. Going forward, the Company will preserve all relevant documents pertaining to incremental deferred pension costs necessary to justify cost recovery, including but not limited to actuarial reports, for use by the parties and the Commission in evaluating the Company's pension contributions.

- c. HomeServe Revenues. The Parties reserve all rights in future rate proceedings to argue the extent to which HomeServe revenues and expenses should be considered above the line for ratemaking purposes.
- d. Information Sharing. Piedmont does not object to a future generic Commission proceeding to address policy issues raised by the Consumer Advocate in its testimony, including but not limited to whether it is appropriate to share customer information with third parties without customer consent, absent a legal requirement to do so.
- e. Minimum Margin Agreements. No refunds and/or penalties shall be made or imposed upon the Company related to service rendered under the two existing Minimum Margin Agreements. On a going forward basis, Piedmont shall be entitled to continue to operate under existing Minimum Margin Agreements but shall file any new proposed Minimum Margin Agreements with the Commission for review.
- f. Rate Case Expense. Rate Case expense shall be limited to no more than \$900,000 in actual rate case costs and shall be amortized over a three (3) year period and collected through a separate rider mechanism. The rates of

such rider mechanism shall be approved by the Commission upon the filing of invoices supporting such expense and the audit and approval thereof. At the conclusion of the three-year rider period, any amount that is over collected or under collected under this rider shall be refunded to or collected from customers by transferring such overcollection or under collection to Piedmont's Actual Cost Adjustment account. The Consumer Advocate reserves its right to review the rate case invoices provided by Piedmont and file comments concerning the information for consideration by the Commission.

- g. Tariff. Piedmont agrees to continue to publish its base rates in each of its Rate Schedules. All other tariff changes proposed by Piedmont in this case should be approved. Attachments F and G reflect all the tariff changes, as agreed to by the Parties.
- h. Annual Review Mechanism ("ARM"). The Consumer Advocate reserves its right to challenge whether any ARM filing made by Piedmont subsequent to this proceeding is in the public interest or otherwise should be approved by the Commission. Piedmont may identify and propose that the methodologies incorporated within the revenue requirement, if approved by the Commission, constitute the methodologies that should be utilized to implement any approved ARM mechanism for Piedmont. If Piedmont petitions for an alternative regulatory mechanism, the methodologies adopted in this case should be reviewed for appropriateness, and the Consumer Advocate reserves all rights in that future proceeding.

- i. Future Environmental Deferrals. Piedmont agrees that in future rate proceedings, to the extent its environmental expenses for which recovery is sought exceed \$100,000, it will submit testimony fully explaining the nature and extent of its request.
- j. Billing Determinants. The Parties agree that Piedmont's Attrition Period billing determinants are appropriate for use in setting rates in this proceeding. Such Attrition Period billing determinants are set forth in Attachment B hereto.
- k. PGA Billing Demand Rates. No changes to PGA billing demand rates shall be made in this proceeding. These charges are removed from base rates and instead are considered rates to be recovered within the PGA mechanism.
- l. Special Contract. The existing Bridgestone Special Contract shall expire at the end of its current renewal term.
- m. Depreciation Study on Piedmont common assets. Piedmont agrees to submit to the Commission a depreciation study of Piedmont common assets no later than December 31, 2022. In the event that this depreciation study is addressed by the Commission, Piedmont does not object to the Consumer Advocate's participation in the proceeding.
- n. Allocated Depreciation Expense from Service Company. Piedmont agrees that in future rate proceedings it will clearly and separately present detailed support for the underlying depreciation rates embedded in the depreciation expense allocated from the Service Company (Duke Energy Business Service – DEBS). Further the Company will provide support for the assets

whose depreciation expenses are allocated to Piedmont's Tennessee operations.

- o. Depreciation Rates on Piedmont Tennessee direct assets. The depreciation rates set forth in the depreciation study filed by Piedmont witness Dane A. Watson and applied to the Company's Tennessee direct property are appropriate for use in this proceeding and should be approved by the Commission.
- p. Refunds. Piedmont shall fully credit its customer's accounts for refunds due and required by Tenn. Code Ann. § 65-5-103-(b)(1) no later than 90 days following the entry of a Commission order approving this Stipulation. Such refunds shall include interest accrued at the Company's overall rate of return, as shown in paragraph 14c herein and shall be calculated to ensure that the overcharge, calculated based upon specific customer usage, shall be the amount refunded to such customer.

18. The Parties hereby agree that the revised rates, tariffs, rate schedules, and service regulations agreed to herein, both individually and in the aggregate, are acceptable for purposes of settlement to all customer classes and will provide Piedmont with a reasonable opportunity to recover the agreed upon operating revenue requirement and a reasonable rate of return on investment.

19. The resolution of issues reflected herein is the result of give-and-take negotiations between the Parties and does not necessarily reflect the position of any single Party on any discrete issue, and no Party waives the right to assert any position in any future proceeding.

20. None of the Parties waives its right to take other positions with respect to matters

similar to those settled herein in future proceedings before the Commission.

21. Except to the limited extent necessary to allow the Commission to implement or evaluate whether an ARM pursuant to Tenn. Code Ann. § 65-5-103(d)(6) is appropriate, conforms with statutory requirements, and is in the public interest, the Parties acknowledge and agree as follows:

- a. This Settlement Agreement shall not have any precedential effect in any other proceeding or be binding upon any of the Parties in this or any other jurisdiction;
- b. None of the signatories hereto shall be deemed to have acquiesced in any ratemaking or procedural principle, including without limitation, any cost of service determination or cost allocation or revenue related methodology; and
- c. No provision of this Settlement Agreement shall be deemed an admission of any Party. Further, no provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this Docket or any other docket.

22. The Parties agree that all pre-filed testimony and exhibits of the Parties may be admitted into evidence without objection and the Parties hereby waive their right to cross-examine all witnesses with respect to such pre-filed testimony and exhibits; provided, however, that should questions be asked of such witnesses by any person at the hearing of this matter (including any questions by Directors or Commission staff), the Parties may cross-examine any witness with respect to such questions consistent with the agreements set forth in this Stipulation and Agreement.

23. The Parties jointly agree that the provisions in this Stipulation and Settlement Agreement are appropriate for purposes of global resolution of this matter. The Parties jointly recommend that the Commission issue an order adopting this Stipulation and Settlement Agreement in its entirety without modification.

24. If the Commission does not accept the Stipulation and Settlement Agreement in whole and as full and final settlement of the issues in this Docket, this Stipulation and Settlement Agreement shall terminate and the Parties shall not be bound by any position set forth in this Stipulation and Settlement Agreement. Should this Stipulation and Settlement Agreement terminate, it will be considered void and have no binding effect, and the signatories to this Stipulation and Settlement Agreement reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Stipulation and Settlement Agreement. The provisions of this Stipulation and Settlement Agreement are not severable.

25. By agreeing to this Stipulation and Settlement Agreement, no Party waives any right to continue litigating this matter should the Stipulation and Settlement Agreement be rejected by the Commission in whole or in part.

26. The Parties agree to support this Stipulation and Settlement Agreement in any proceeding before the Commission in this Docket; however, the Parties further agree and request the Commission to order that the settlement of any issue pursuant to this Stipulation and Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Commission or any court, state or federal.

27. The acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of the Company's acts or practices.

28. This Stipulation and Settlement Agreement shall be governed by and construed

under the laws of the State of Tennessee, notwithstanding conflict of law provisions.

29. The Parties agree that this Stipulation and Settlement Agreement constitutes the complete understanding among the Parties and any and all oral statements, representations, or agreements made prior to the execution of this Stipulation and Settlement Agreement shall be null and void and shall be deemed to have been merged into this Stipulation and Settlement Agreement.

30. The signatories to this Stipulation and Settlement Agreement warrant that they have informed, advised, and otherwise consulted with the parties for whom they sign regarding the contents and significance of this Stipulation and Settlement Agreement, and, based upon those communications, the signatories represent they are authorized to execute this Stipulation and Settlement Agreement on behalf of the parties.

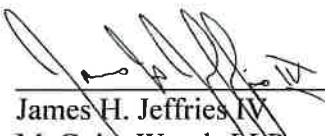
31. The date set forth immediately following shall be the Effective Date for purposes of this Settlement Agreement.

The foregoing is agreed and stipulated to this 2nd day of February, 2021.

**PIEDMONT NATURAL GAS
COMPANY, INC.**



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