

McGuireWoods LLP  
201 North Tryon Street  
Suite 3000  
Charlotte, NC 28202-2146  
Phone: 704.343.2000  
Fax: 704.343.2300  
www.mcguirewoods.com

James H. Jeffries IV  
Direct: 704.343.2348

McGUIREWOODS

jjeffries@mcguirewoods.com

April 29, 2022

**VIA ELECTRONIC FILING**

Ms. Antonia Dunston  
Chief Clerk  
North Carolina Utilities Commission  
430 N. Salisbury Street, Dobbs Building  
Raleigh, North Carolina 27603

**Re: Docket No. G-9, Sub 781; Docket No. G-9, Sub 786; and Docket No. G-9, Sub 722**

Dear Ms. Dunston:

Enclosed herewith please find a supplemental Appendix E to Piedmont Natural Gas Company, Inc.'s North Carolina Service Regulations ("Appendix E") for filing in the above-captioned docket.

Appendix E is the tariff provision describing Piedmont's approved Integrity Management Rider mechanism. In the Commission's January 6, 2022 *Order Approving Stipulation, Granting Rate Increase, and Requiring Public Notice* in Docket Nos. G-9, Sub 722, G-9, Sub 781, and G-9, Sub 786 ("Rate Case Order"), the Commission extended the provisions of Appendix E consistent with the agreement of the Stipulating Parties under the September 7, 2021 Stipulation of Partial Settlement in these dockets. In the Rate Case Order, the Commission directed Piedmont to file updated versions of its tariff with the Commission within five days of the date of the Rate Case Order. Piedmont complied with this directive in its filing in these dockets on January 11, 2022, which included an updated Appendix E.

The version of Appendix E filed on January 11, 2022, contained placeholders for certain factors. Piedmont is now making this supplemental filing to update these factors to those appropriately reflecting the authorized results of the rate case. Piedmont is authorized to represent to the Commission that the factors reflected in the supplemental version of Appendix E filed herewith have been reviewed and agreed to by the Public Staff as accurately reflecting the approved results of the Rate Case Order.

Thank you for your assistance with this matter. If you have any questions regarding this filing, you may reach me at the number shown above.

Sincerely,

/s/ James H. Jeffries IV  
James H. Jeffries IV

JHJ/bms

Enclosure

cc: Elizabeth Culpepper  
Bruce Barkley  
Pia Powers  
Parties of Record

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the attached is being served this date upon all of the parties to this docket electronically or by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, at the addresses contained in the official service list in this proceeding.

This the 29th day of April, 2022.

/s/ Brooke M. Szymanski  
Brooke M. Szymanski

**Piedmont Natural Gas Company, Inc.’s  
North Carolina Service Regulations**

**SUPPLEMENTAL APPENDIX E**

## APPENDIX E

### Integrity Management Rider

Pursuant to G.S. 62-133.7A, “[i]n setting rates for a natural gas local distribution company in a general rate case proceeding under G.S. 62-133, the Commission may adopt, implement, modify, or eliminate a rate adjustment mechanism to enable the company to recover the prudently incurred capital investment and associated costs of complying with federal gas pipeline safety requirements, including a return based on the company's then authorized return.” These capital investment and associated costs are required in order to comply with federal laws and regulations, will generate no additional revenue for Piedmont Natural Gas Company, Inc. (Company), and vary significantly in nature, scope, and scale from prior system reinforcement/maintenance projects and also from the Company’s more usual system expansion projects.

#### 1. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in Rate Schedules 101, 102, 152, 142, 144, 103, 104, 113, 114 and T-10 of the 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). The Integrity Management Adjustment shall be implemented on a biannual basis subject to an audit and adjustment process as described herein. The Integrity Management Deferred Account shall be established to track the Company’s recovery of the IMRR.

#### 2. Definitions

For the purposes of this revised Rider:

“Applicable Rate Schedules” means Rate Schedules 101, 102, 152, 142, 144, 103, 104, 113, 114 and T-10.

“Commission” means the North Carolina Utilities Commission.

“Relevant Rate Order” means the final order of the Commission in the most recent litigated rate case of the Company 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 revised Rider.

“Integrity Management Plant Investment” means the gross plant and associated costs incurred by the Company resulting from prevailing federal standards for pipeline integrity and safety 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 Plant Investment associated with this revised Rider shall be included in base rates.

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“Special Contracts” has the same meaning as set forth in Section 2(cc) of the Company’s Service Regulations and includes electric generation contracts.

“Vintage Period” means the period of time during which the Integrity Management Plant Investment is made.

### 3. Computation of Integrity Management Revenue Requirement (IMRR)

The Company shall file by October 31<sup>st</sup> and April 30<sup>th</sup> of each year information showing the computation of the IMRR that forms the basis of the next biannual Integrity Management Adjustment. The total annual revenue requirement will be calculated for each Vintage Period of Integrity Management Plant Investment, as follows:

Integrity Management Plant Investment	\$X,XXX,XXX
Less: Accumulated Depreciation	XXX,XXX
Less: Accumulated Deferred Income Taxes	XXX,XXX
Net Plant 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
Total	\$X,XXX,XXX

The total of the annual revenue requirements for each Vintage Period of Integrity Management Plant Investment is the annual IMRR. The IMRR shall be reduced by a Special Contract Credit to compute the Net IMRR that forms the basis for determining the Integrity Management Adjustment. The Special Contract Credit represents the amount provided by the Special Contracts towards the Integrity Management Plant Investment. The Special Contract Credit applicable to each twelve-month period beginning December 1 are as follows:

December 1, 2021	\$0
December 1, 2022	\$X,XXX,XXX
December 1, 2023	\$X,XXX,XXX
December 1, 2024	\$X,XXX,XXX
December 1, 2025	\$X,XXX,XXX
December 1, 2026	\$X,XXX,XXX

For the purposes of determining the Net IMRR on a biannual basis, the Special Contract Credit shall be prorated by month using the Integrity Management Month Factors shown below in this Section 3.

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Each month the Company shall charge its Integrity Management Deferred Account for the portion of the Net IMRR (the IMRR as reduced by the Special Contract Credit), that corresponds to that month. The monthly IMRR is the product of the annual Net IMRR and the Integrity Management Month Factor. The Integrity Management Month Factor represents the percentage of annualized and normalized therms as set forth in the Relevant Rate Order by month for the Applicable Rate Schedules. The Integrity Management Month Factors for each month are as follows:

January	13.85%
February	13.69%
March	10.79%
April	8.20%
May	5.95%
June	5.08%
July	4.82%
August	5.06%
September	5.08%
October	6.10%
November	9.08%
December	12.30%

#### 4. Computation of Biannual Integrity Management Adjustment

The Company will file for Commission approval by November 15<sup>th</sup> and May 15<sup>th</sup> of each year information showing the computation of the Integrity Management Adjustment for each rate schedule and the revised tariffs that it proposes to charge customers during the six month period beginning the following December 1<sup>st</sup> and June 1<sup>st</sup>, respectively. To compute the Integrity Management Adjustment, the Net IMRR shall first be apportioned to each customer class based on margin apportionment established in the Relevant Rate Order. The customer class apportionment percentages are as follows:

Residential	Rate Schedule 101	64.72%
Small/Med General & NGV	Rate Schedules 102, 142, 144, 152	30.34%
Large General - Firm	Rate Schedules 103, 113, T-10	2.96%
Large General - Interruptible	Rate Schedules 104, 114	1.98%

The amount of the Net IMRR apportioned to each rate schedule shall then be divided by the annual therms as set forth in the Relevant Rate Order for each rate schedule to determine the Integrity Management Adjustment to the nearest one-thousandth cent per therm. The annual therms of throughput used in the computation of the Integrity Management Adjustment for each rate schedule are as follows:

Residential	Rate Schedule 101	392,644,495
Small/Med General & NGV	Rate Schedules 102, 142, 144, 152	300,856,437

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Large General - Firm	Rate Schedules 103, 113, T-10	365,693,878
Large General - Interruptible	Rate Schedules 104, 114	294,666,516

Each month the Company shall credit 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 shall be computed by multiplying the Integrity Management Adjustment for each rate schedule by the corresponding actual therms of usage billed customers for the month.

#### 5. Computation of Integrity Management Deferred Account True-Up Adjustment

The Company shall file with the Commission by November 15<sup>th</sup> to recover the balance in the Integrity Management Deferred Account as of October 31<sup>st</sup>. The Integrity Management Deferred Account True-Up Adjustment shall be computed by multiplying the balance of the Integrity Management Deferred Account as of October 31<sup>st</sup>, by the customer class apportionment percentages shown in Section 4 above. The Integrity Management Deferred Account balance apportioned to each customer class shall then be divided by the annual therms of throughput for each rate schedule shown in Section 4 above to determine the Integrity Management Deferred Account True-Up Adjustment applicable to each rate schedule for the following twelve-month period beginning December 1<sup>st</sup>. The Integrity Management Deferred Account True-Up Adjustment shall be computed to the nearest one-thousandth cent per therm. The Company may, at its discretion, file for further Integrity Management Deferred Account True-Up Adjustments throughout the year, upon 14 days notice to the Commission.

#### 6. Interest

Interest will be applied to the Integrity Management Deferred Account at the Company's authorized net-of-tax overall rate of return.

#### 7. Integrity Management Deferred Account

The Company shall maintain an Integrity Management Deferred Account for the purpose of recording the monthly (a) net IMRR, (b) Integrity Management Adjustment, (c) Integrity Management Deferred Account True-Up Adjustment, and (d) interest on the Integrity Management Deferred Account.

#### 8. Monthly Filing with Commission

The Company shall file monthly (a) detail of the current month's Integrity Management Plant Investment, including supporting documentation for the amount incurred, (b) the cumulative Integrity Management Plant Investment subject to this revised Rider, and (c) a report of the activity recorded for the month in the Integrity Management Deferred Account. Such reports will be filed within 45 days after the end of the month for which the report is being filed.

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#### 9. Annual Integrity Management Plant Investment Forecast

The Company shall file by October 31<sup>st</sup> its projected three-year plan of Integrity Management Plant Investment, which will encompass Integrity Management Plant Investment planned for its next three fiscal years.

#### 10. Review and Approval of Annual IMR Report and Rates

The Company shall file the Annual IMR Report summarizing the Integrity Management Plant Investment for the prior 12-month period ending September 30th and the data substantiating and supporting its IMRR calculation for the next biannual Integrity Management Adjustment by October 31<sup>st</sup>.

Upon the Annual IMR Report filing, the Public Staff and any other intervenors of record shall have until the following February 15<sup>th</sup> to review such filing and to prepare and file with the Commission a report of such review to include supporting testimony if disallowances or adjustments are proposed in such report. The Company shall have until March 1<sup>st</sup> to respond to any report or testimony filed with the Commission and, to the extent necessary to resolve disputes regarding the Company's Annual IMR Report, such disputes shall be promptly scheduled for hearing by the Commission with the goal of resolving such disputes by Commission order issued by May 15<sup>th</sup> with corresponding rate adjustments made on a prospective basis on June 1<sup>st</sup>.

#### 11. Commission Review

The terms and conditions of this revised Rider shall be reviewed, and prospective modifications considered by the Commission: (1) in the Company's next general rate case; or (2) at the end of four years from the effective date of this revised Rider, whichever first occurs. Further any interested party may petition the Commission to modify or terminate the revised Rider on the grounds that the revised Rider, as approved, is no longer in the public interest