

APPENDIX C

Margin Decoupling Tracker

1. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in Rate Schedules 101, 102 and 152 of Piedmont Natural Gas Company (Company) shall be adjusted by an amount hereinafter described which amount is referred to as the "Margin Decoupling Adjustment." The Margin Decoupling Adjustment shall be calculated, as a decrement or an increment, and applied to Rate Schedules 101, 102 and 152 to refund or recover the balance in the "Margin Decoupling Deferred Account." The Margin Decoupling Deferred Account shall be established by a monthly adjustment hereinafter described, which monthly adjustment is referred to as the "Margin Decoupling Deferred Account Adjustment."

2. Definitions

For the purposes of this Rider:

"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 Rider.

3. Computation of Margin Decoupling Deferred Account Adjustment

The Margin Decoupling Deferred Account Adjustment, for each of the Rate Schedules 101, 102 and 152, shall be computed monthly to the nearest dollar by the following formulas:

Base Load Therms_i = Actual Customers_i X Base Load_i

Heat Sensitive Therms_i = Actual Customers_i X Heat Sensitivity Factor_i X Normal Degree Days

Normalized Therms_i = Base Load Therms_i + Heat Sensitive Therms_i

Normalized Margin_i = Normalized Therms_i X R Factor_i

Actual Margin_i = Actual Therms_i X R Factor_i

Margin Decoupling Deferred Account Adjustment_i = Normalized Margin_i – Actual Margin_i

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Where:

i	=	any particular rate schedule
Actual Customers _{i}	=	Actual customers billed for the billing cycle month for the i^{th} rate schedule
Actual Therms _{i}	=	Actual therms used for the billing cycle month for the i^{th} rate schedule
R Factor _{i}	=	base rate (approved rate less fixed and commodity cost of gas) 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.
Heat Sensitivity Factor _{i}	=	heat sensitive factor for the i^{th} schedule of classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.
Normal Degree Days	=	normal, 15 th to 15 th , heating degree days utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.
Base Load _{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.

4. Filing with Commission

The Company will file monthly as directed by the Commission (a) a copy of each computation of the Margin Decoupling Deferred Account Adjustment by rate schedule, (b) a schedule showing the effective date of each such Margin Decoupling Deferred Account Adjustment, and (c) a schedule showing the factors of values derived from the Relevant Rate Order used in calculating such Margin Decoupling Deferred Account Adjustment. 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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5. Computation of Margin Decoupling Adjustment

Effective for both the first day of April's Bill Cycle Month and the first day of November's Bill Cycle Month, the Margin Decoupling Adjustment to refund or recover the balance in the Margin Decoupling Deferred Account, shall be calculated to the nearest one-thousandth cent per therm by the following formula:

$$\text{Margin Decoupling Adjustment} = \frac{\text{Margin Decoupling Deferred Account Balance}}{\text{Annual Therms}_{ti}}$$

Where:

$$\text{Margin Decoupling Deferred Account Balance} = \text{Balance at January 31 and August 31}$$

$$\text{Annual Therms} = \text{Normalized volumes assigned in most recent rate case}$$

$$ti = \text{Total for Rate Schedules 101, 102 and 152}$$

6. Interest

Interest will be applied to the Margin Decoupling Deferred Account at the Company's authorized overall rate of return.

7. Filing with Commission

The Company will file revised tariffs for Commission approval upon 14 days notice to implement a decrement or an increment each April and November. With the filing the Company will include a copy of each computation of the Margin Decoupling Adjustment.