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Apr 02 2019

April 2, 2019

Ms. M. Lynn Jarvis  
Chief Clerk  
North Carolina Utilities Commission  
430 N. Salisbury Street, Dobbs Building  
Raleigh, North Carolina 27603

Re: Docket No. G-9, Sub 682

Dear Ms. Jarvis:

Pursuant to Ordering Paragraph No. 10 of the Commission's Order Approving Merger Subject to Regulatory Conditions and Code of Conduct in the above-referenced dockets, Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company") submits the enclosed status report detailing Piedmont's progress in implementing procedures to ensure that project unitization and plant retirements are finalized within 180 days of project completion.

Thank you for your assistance with this matter. If you have any questions about this filing, you may reach me at the number shown above, or contact Pia Powers at 704-731-4259.  
Sincerely,

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

JHJ/rkg

**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 2nd day of April, 2019.

/s/ Richard K. Goley  
Richard K. Goley

## Semi-Annual Status Report on Capital Project Unitization and Plant Retirements

Ordering Paragraph No. 10 of the North Carolina Utilities Commission's September 29, 2016 *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* states:

"That within 180 days after the close of the Merger, Piedmont shall begin to implement procedures to ensure that project unitization and plant retirements are finalized within 180 days of project completion. Piedmont shall file semi-annual status reports with the Commission detailing its progress in implementing these practices, with the first report due twelve months from the close of the merger."

The merger was consummated on October 3, 2016. Since that date, the Company began implementing new procedures to expedite its capital project unitization and plant retirement processes for new projects going into service in December 2016 and thereafter. The new procedures, consisting primarily of incremental controls and oversight on new projects, were intended to ensure that, with very limited exception, new capital project completions occur within six months (180 days) of the date the project assets are placed into service. The Company considers projects to be complete after all known and anticipated costs have been incurred and applied to the project. Within six months (180 days) of a project completion date, project unitization and associated plant retirements are to be accomplished.

The improved procedures initiated in December 2016, which were primarily manual applications and oversight, were ultimately not wholly successful in ensuring timely unitization due to the significant uptick in the number of capital projects that went into service in 2016 and 2017. Accordingly, the Company's central project accounting group has taken several actions to further augment the unitization process and its oversight through automation, additional process changes and extended training.

As shown in the schedules herein, the Company has continued to make significant investments in utility assets supporting the continuation of safe and reliable regulated natural gas service for its customers. **Exhibit A** shows that Piedmont's utility plant balance (which covers Utility Plant in Service + Completed Construction Not Classified + Construction Work in Progress + Gas Plant Held for Future Use) grew from \$7.2 billion at the end of August 2018<sup>1</sup> to \$7.6 billion at the end of February 2019.<sup>2</sup> In total, Piedmont unitized \$159.9 million in utility assets over this period, which is shown in Exhibit A as the increase in Utility Plant in Service account balance (Account 10100) over this 6-month period, and likewise as the decrease in Completed Construction Not Classified account balance (account 10600) over this period. Furthermore, Piedmont retired \$29.7 million in utility assets over this period, which is shown in Exhibit A as the decrease in Utility Plant in Service account balance (Account 10100).

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<sup>1</sup> The last Status Report on Capital Project Unitization and Plant Retirements was filed by the Company on October 3, 2018, showing Piedmont's utility plant in service balance through September 30, 2018.

<sup>2</sup> February 2019 is the most recent closed accounting month as of the date of preparation of this status report.

Piedmont's Completed Construction Not Classified account balance (account 10600) at February 28, 2019 was approximately \$1.5 billion. This amount represents the cumulative cost of in-service capital projects that have not yet been unitized as of that date. [Exhibit B](#) provides a breakdown of this total by age.<sup>3</sup>

The Company remains firmly committed to its goal for maintaining timely project completions, unitizations and retirements, while at the same time reducing the unitization backlog on older projects as quickly as reasonably possible. Although the last semi-annual unitization report showed a decline in the pace of unitization activity, that pace is beginning to pick up again. The Company is continuing to work on improved unitization processes in 2019, including a work management system integration, that are expected to enable sustainable progress toward becoming current with the projects placed in service as well as catching up on the backlog of un-unitized projects from prior years.

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<sup>3</sup> Piedmont records utility assets according to five distinct jurisdictions: NC Direct Assets (assets supporting natural gas service only in North Carolina), SC Direct Assets, TN Direct Assets, 2-state Corporate Assets (assets supporting natural gas service in North Carolina & South Carolina, such as our Bentonville LNG and Huntersville LNG assets) and 3-state Corporate Assets (assets supporting natural gas service in North Carolina, South Carolina and Tennessee, such as our customer information and billing systems).

# EXHIBIT A

Piedmont Natural Gas Company, Inc.

NCUC Docket No. G-9, Sub 682

April 2, 2019

Semi-Annual Status Report on Capital Project Unitization and Plant Retirements

Exhibit A

Account No.	Account Name	Total Company Balance at 8/31/2018	Activity: Increases	Activity: (Decreases)	Total Company Balance at 2/28/2019
10700	Construction Work in Progress	459,673,683	430,349,166	(486,996,336)	403,026,512
10600	Completed Construction Not Classified	1,170,006,310	487,664,289	(159,909,008)	1,497,761,591
10100	Utility Plant in Service	5,580,765,737	159,909,008	(29,699,527)	5,710,975,219
10500	Gas Plant Held for Future Use	10,368,754	212	(3,154,519)	7,214,447
Total		7,220,814,484	\$ 1,077,922,675	\$ (679,759,391)	\$ 7,618,977,768

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# EXHIBIT B

Piedmont Natural Gas Company, Inc.

NCUC Docket No. G-9, Sub 682

April 2, 2019

Semi-Annual Status Report on Capital Project Unitization and Plant Retirements

Exhibit B

Detail on Account 10600 Balance as of 02/28/2019 by Project-In Service Date and Asset Jurisdiction

In-Service Date	TOTAL COMPANY		NC DIRECT		2-STATE CORPORATE		3-STATE CORPORATE		OTHER (SC & TN DIRECT)	
	Balance to be	Project	Balance to be	Project	Balance to be	Project	Balance to be	Project	Balance to be	Project
	Unitized	Count	Unitized	Count	Unitized	Count	Unitized	Count	Unitized	Count
2014 and prior	\$ 236,723,042	857	\$ 140,810,991	584	\$ 9,771,648	11	\$ 1,040,864	15	\$ 85,099,539	247
2015	\$ 89,584,659	636	\$ 69,380,997	409	\$ 2,111,967	12	\$ 1,513,767	10	\$ 16,577,929	205
2016	140,422,922	1,145	89,625,431	714	4,837,401	20	4,125,060	14	41,835,031	397
Total Through 2016	466,730,624	2,638	299,817,419	1,707	16,721,016	43	6,679,691	39	143,512,498	849
2017	\$ 358,611,887	1,394	224,822,298	950	3,129,852	10	8,169,019	30	122,490,718	404
2018	\$ 497,745,821	1,230	431,485,455	831	2,430,941	7	3,359,535	45	60,469,890	347
2019	\$ 58,113,135	155	54,557,973	122	14,155	1	41,100	1	3,499,906	31
Blanket Projects	116,560,124	n/a	67,161,016	n/a	6,822,556	n/a	4,717,335	n/a	37,859,217	n/a
Grand Total	\$ 1,497,761,591	5,417	\$ 1,077,844,160	3,610	\$ 29,118,521	61	\$ 22,966,680	115	\$ 367,832,229	1,631

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