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October 3, 2019

VIA ELECTRONIC FILING

Ms. Kimberley A. Campbell
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. Campbell:

Pursuant to Ordering Paragraph No. 10 of the Commission's September 29, 2016 *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* in the above-referenced docket, 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/sko

cc: Beth Culpepper
Bruce Barkley
Pia Powers
Brian Heslin

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 3rd day of October, 2019.

/s/ Sloane K. O'Hare
Sloane K. O'Hare

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 \$7.6 billion at the end of February 2019¹ to \$8.1 billion at the end of August 2019.² In total, Piedmont unitized \$330.6 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 \$20.8 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).

¹ The last Status Report on Capital Project Unitization and Plant Retirements was filed by the Company on April 2, 2019, showing Piedmont's utility plant in service balance through February 28, 2019.

² August 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 August 31, 2019 was approximately \$1.6 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.³

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. Compared to the last semi-annual unitization report, the Company has now unitized a larger portion of the projects that were placed into service prior to 2019. Specifically, for the period between March 1, 2019 and August 31, 2019, approximately 500 projects were placed into service. During this same six month period, approximately 2,000 projects were unitized. The Company continues to focus on improved unitization processes that are expected to sustain this 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.

³ 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

October 3, 2019

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

Exhibit A

		Total Company				Total Company	
Account No.	Account Name	Balance at		Activity:		Activity:	Balance at
		2/28/2019		Increases		(Decreases)	8/31/2019
10700	Construction Work in Progress	\$ 403,026,512	\$	548,008,940	\$	(444,000,746)	\$ 507,034,706
10600	Completed Construction Not Classified	1,497,761,591		434,621,809		(330,553,812)	1,601,829,588
10100	Utility Plant in Service	5,710,975,219		330,553,812		(20,775,993)	6,020,753,037
10500	Gas Plant Held for Future Use	7,214,447		38,864		-	7,253,311
Total		\$ 7,618,977,768	\$	1,313,223,425	\$	(795,330,551)	\$ 8,136,870,642

Oct 03 2019

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EXHIBIT B

Detail on Account 10600 Balance as of 08/31/2019 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 Unitized	Project Count	Balance to be Unitized	Project Count	Balance to be Unitized	Project Count	Balance to be Unitized	Project Count	Balance to be Unitized	Project Count
2014 and prior	\$ 227,221,959	706	\$ 139,846,855	503	\$ 9,771,648	11	\$ 872,940	13	\$ 76,730,516	179
2015	77,794,261	387	61,139,521	267	2,111,967	12	1,513,767	10	13,029,007	98
2016	117,494,198	528	73,302,880	351	4,837,401	20	3,363,691	12	35,990,226	145
Total Through 2016	\$ 422,510,418	1,621	\$ 274,289,255	1,121	\$ 16,721,016	43	\$ 5,750,397	35	\$ 125,749,749	422
2017	252,837,727	788	134,619,334	548	3,129,852	10	8,223,475	32	106,865,066	198
2018	350,366,086	791	290,471,255	485	635,186	5	4,665,130	71	54,594,516	230
2019	402,303,195	653	268,021,358	450	56,921,266	5	196,829	6	77,163,742	192
Blanket Projects	173,812,162	n/a	101,133,683	n/a	7,039,027	n/a	10,194,555	n/a	55,444,897	n/a
Grand Total	\$ 1,601,829,588	3,853	\$ 1,068,534,885	2,604	\$ 84,446,347	63	\$ 29,030,386	144	\$ 419,817,971	1,042