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October 3, 2017

**VIA ELECTRONIC FILING**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

Enclosure

cc: Bruce Barkley  
Pia Powers  
Elizabeth CulpepperCharlotte, NC  
Research Triangle Park, NC  
Charleston, SC

**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, 2017.

/s/ Laida A. Alarcon  
Laida A. Alarcon

Piedmont Natural Gas Company, Inc.  
NCUC Docket No. G-9, Sub 682  
October 3, 2017

### 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, Piedmont has implemented procedures to expedite its capital project unitization and plant retirement processes. Specifically, for all capital projects placed into service in December 2016 and thereafter, the Company has implemented controls and oversight to ensure that, with very limited exception, capital project completions occur within six months (180 days) of the date the project assets are placed into service. Piedmont 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. Therefore, plant placed into service starting in December 2016 will be unitized within one year of the project in-service date. For capital projects that were placed into service prior to December 2016 that have been completed, but not yet unitized, Piedmont is prioritizing unitization based on the project dollar amount and age. Piedmont is currently prioritizing unitization efforts for this group of capital projects on the oldest projects (based on the in-service date) that have a total capital expenditure in excess of \$1 million.

Piedmont and Duke Energy are planning to fully integrate asset accounting systems in January 2018. Once that system integration has been completed, Duke Energy's Central Project Accounting (CPA) group will assume primary responsibility for the unitization of Piedmont's capital projects. The CPA group was established at Duke Energy to centralize key transactional capital project accounting activities, processes, and reporting, including the timeliness of unitization. The CPA group is organizationally within Duke Energy's asset accounting department under Duke Energy's Senior Vice President, Controller and Chief Accounting Officer's span of responsibility.

Since the merger<sup>1</sup>, Piedmont has continued to make significant investments in utility assets supporting the continuation of safe and reliable regulated natural gas service for its customers. As shown in [Exhibit A](#), Piedmont's utility plant (Utility Plant in Service + Completed Construction Not Classified + Construction Work in Progress + Gas Plant Held for Future Use) grew from \$6.058 billion at the time of the merger to

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<sup>1</sup>Piedmont's analysis for this report uses utility asset balances as of September 30, 2016 as a proxy for such balances as of the date of the merger (October 3, 2016).

\$6.525 billion as of the end of August 2017.<sup>2</sup> In total, Piedmont unitized \$319.2 million in utility assets over this period, which is shown in Exhibit A as the increase in Utility Plant in Service (Account 10100) over this 11-month period, and likewise as the decrease in Completed Construction Not Classified (account 10600) over this period. Furthermore, Piedmont retired \$36.3 million in utility assets over this period, which is shown in Exhibit A as the decrease in Utility Plant in Service (Account 10100).

Piedmont's Completed Construction Not Classified balance (account 10600) as of August 31, 2017 was approximately \$1.0 billion. This amount represents the total value of in-service capital projects that have not yet been unitized as of that date. [Exhibit B](#) provides a breakdown of this total.<sup>3</sup> More than half of the Company's August 31, 2017 balance for account 10600 represents assets went into service prior to Piedmont's implementation of the new project completion and unitization timeline on December 1, 2016.

As the initial status report on capital project unitization and plant retirements, this report provides a basis upon which Piedmont's continued unitization and retirement endeavors can be compared and evaluated. It is Piedmont's goal to maintain timely project completions, unitizations and retirements for all projects placed into service in December 2016 and thereafter, while at the same time reducing the 10600 account balance for projects placed into service prior to December 2016 as quickly as reasonably possible.

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<sup>2</sup> August 2017 is the most recent closed accounting month as of the date of preparation of this status report.

<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/billing systems).

Piedmont Natural Gas Company, Inc.  
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Exhibit A

Account No.	Account Name	Total Company Balance at 9/30/2016	Activity : Increases	Activity: (Decreases)	Total Company Balance at 8/31/2017
10700	Construction Work in Progress	\$ 226,896,613	\$ 502,633,369	\$ (494,187,151)	\$ 235,342,831
10600	Completed Construction Not Classified	843,047,114	494,187,151	(319,207,916)	1,018,026,350
10100	Utility Plant in Service	4,980,780,506	319,207,916	(36,328,108)	5,263,660,313
10500	Gas Plant Held for Future Use	7,750,638	-	-	7,750,638
Total		\$ 6,058,474,872	\$ 1,316,028,436	\$ (849,723,175)	\$ 6,524,780,132

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Exhibit B

Detail on Account 10600 Balance as of 8/31/2017, 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	\$ 314,365,991	949	\$ 209,008,334	673	\$ 9,771,648	11	\$ -	-	\$ 95,586,009	265
2015	131,842,001	754	103,869,033	528	2,500,178	13	-	-	25,472,790	213
Jan 2016 - Nov 2016	233,128,980	1,076	169,161,578	699	4,975,631	20	-	-	58,991,771	357
Total Through Nov 2016	679,336,972	3,728	482,038,945	2,573	17,247,457	55	-	-	180,050,570	1,100
Dec 2016	95,587,404	111	94,342,576	85	34,943	1	-	-	1,209,886	25
Jan 2017 - Aug 2017	229,353,328	815	143,576,788	572	2,809,005	8	-	-	82,967,535	235
Blanket Projects 1/	13,748,644	n/a	10,082,021	n/a	-	n/a	2,392	n/a	3,664,231	n/a
Grand Total	\$ 1,018,026,350	4,654	\$ 730,040,330	3,230	\$ 20,091,406	64	\$ 2,392	-	\$ 267,892,222	1,360

1/The Blanket Project balances represent projects covered under blanket work orders that ordinarily close directly to account 10100 when placed into service, however due to processing errors remain in account 10600 until corrected. This blanket balance is reviewed and corrected on a periodic basis.