

April 2, 2018

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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
Brian Heslin
Elizabeth Culpepper

Charlotte, NC
Research Triangle Park, NC
Charleston, SC

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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, 2018.

/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, Piedmont 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 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 fully integrated asset accounting systems effective January 1, 2018. Since then, Duke Energy's Central Project Accounting (CPA) group has assumed 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 initial Status Report on Capital Project Unitization and Plant Retirements, which was filed October 3, 2017, 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. As shown in [Exhibit A](#), 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 \$6.525 billion at the end of August 2017 to \$6.813 at the end of February 2018.¹ In total, Piedmont unitized \$311.8 million in utility assets over this period, which is shown in Exhibit A as the increase in Utility Plant in Service

¹ February 2018 is the most recent closed accounting month as of the date of preparation of this status report.

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 \$10.1 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).

Piedmont's Completed Construction Not Classified account balance (account 10600) at February 28, 2018 was approximately \$993 million. 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.² More than half of the Company's February 2018 balance for account 10600 represents assets that were placed into service prior to Piedmont's implementation of the new project completion and unitization timeline on December 1, 2016.

It is the Company'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 account 10600 balance for projects placed into service prior to December 2016 as quickly as reasonably possible.

² 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).

EXHIBIT A

Piedmont Natural Gas Company, Inc.

NCUC Docket No. G-9, Sub 682

April 2, 2018

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

Exhibit A

Account No.	Account Name	Total Company Balance at 8/31/2017	Activity: Increases	Activity: (Decreases)	Total Company Balance at 2/28/2018
10700	Construction Work in Progress	235,342,831	295,328,170	(286,795,289)	243,875,712
10600	Completed Construction Not Classified	1,018,026,350	286,735,332	(311,803,932)	992,957,750
		-			-
10100	Utility Plant in Service	5,263,660,313	311,803,931	(10,096,395)	5,565,367,849
		-			-
10500	Gas Plant Held for Future Use	7,750,638	2,634,184	(8,204)	10,376,618
Total		6,524,780,132.49	\$ 896,501,617	\$ (608,703,820)	\$ 6,812,577,929

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EXHIBIT D

Piedmont Natural Gas Company, Inc.

NCUC Docket No. G-9, Sub 682

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

Exhibit B

Detail on Account 10600 Balance as of 2/28/2018, 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	\$ 272,451,291	853	\$ 169,847,587	582	\$ 9,771,648	11	\$ 1,000,357	12	\$ 91,831,698	248
2015	115,792,533	633	89,508,212	407	2,111,967	12	1,373,079	9	22,799,275	205
Jan 2016 - Nov 2016	175,328,630	1,003	109,028,314	623	4,799,813	18	245,318	7	61,255,185	355
Total Through Nov 2016	563,572,454	2,489	368,384,114	1,612	16,683,428	41	2,618,754	28	175,886,158	808
Dec 2016	15,302,145	99	14,028,867	72	34,943	1	72,861	1	1,165,474	25
2017	381,359,831	1,305	242,523,438	893	2,828,092	6	3,872,291	16	132,136,010	390
2018	13,705,015	108	9,126,465	66			26,991	4	4,551,559	38
Blanket Projects ¹	19,018,305	n/a	12,776,028	n/a	923	n/a	1,197,759	n/a	5,043,595	n/a
Grand Total	\$ 992,957,750	4,001	\$ 646,838,912	2,643	\$ 19,547,386	48	\$ 7,788,656	49	\$ 318,782,796	1,261

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.

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