

McGuireWoods LLP
201 North Tryon Street
Suite 3000
Charlotte, NC 28202-2146
Phone: 704.343.2000
Fax: 704.343.2300
www.mcguirewoods.com

James H. Jeffries IV
Direct: 704.343.2348

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jjeffriesj@mcguirewoods.com

October 3, 2018

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

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, 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, 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. Also, additional human resources were dedicated to accelerate the unitization of assets associated with older capital projects – projects that went into service prior to December 2016 -- as prioritized based on the total project dollar amount and age. 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.

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 resides organizationally within Duke Energy's asset accounting department under Duke Energy's Senior Vice President, Controller and Chief Accounting Officer's span of responsibility.

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 CPA 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 \$6.8 billion at the end of February 2018¹ to \$7.2 billion at the end of August 2018.² In total, Piedmont unitized \$24.4 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 \$9.0 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 August 31, 2018 was approximately \$1.17 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 Approximately half of the Company's August 2018 balance for account 10600 represents assets that were placed into service prior to 2017.

The Company remains firmly committed 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.

¹ The last Status Report on Capital Project Unitization and Plant Retirements was filed by the Company on April 2, 2018, showing Piedmont's utility plant in service balance through February 28, 2018.

² August 2018 is the most recent closed accounting month as of the date of preparation of this status report.

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, 2018
Semi-Annual Status Report on Capital Project Unitization and Plant Retirements

Exhibit A

		Total Company			Total Company				
Account No.	Account Name	Balance at 2/28/2018		Activity: Increases	Activity: (Decreases)	Balance at 8/31/2018			
10700	Construction Work in Progress	\$	243,875,712	\$	417,555,211	\$	(201,757,240)	\$	459,673,683
10600	Completed Construction Not Classified		992,957,750		201,490,721		(24,442,161)		1,170,006,310
10100	Utility Plant in Service		5,565,367,849		24,442,161		(9,044,273)		5,580,765,737
10500	Gas Plant Held for Future Use		10,376,618		1,833		(9,697)		10,368,754
	Total	\$	6,812,577,930	\$	643,489,926	\$	(235,253,372)	\$	7,220,814,484

EXHIBIT B

Piedmont Natural Gas Company, Inc.

NCUC Docket No. G-9, Sub 682

October 3, 2018

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

Exhibit B

Detail on Account 10600 Balance as of 8/31/2018, 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	\$ 260,959,111	857	\$ 160,682,178	584	\$ 9,771,648	11	\$ 1,040,864	15	\$ 89,464,420	247
2015	112,030,462	637	85,801,492	409	2,111,967	12	1,373,079	9	22,743,924	207
2016	187,921,097	1,131	116,036,741	714	4,834,756	19	3,997,538	10	63,052,063	388
2017	398,259,536	1,403	250,190,910	964	3,129,852	10	7,482,832	23	137,455,941	406
2018	145,610,765	702	118,820,220	503	133,163	1	1,650,279	9	25,007,103	189
Blanket Projects ¹	65,225,339	n/a	37,504,163	n/a	2,242,535	n/a	3,800,400	n/a	21,678,242	n/a
Total	\$ 1,170,006,310	4,730	\$ 769,035,704	3,174	\$ 22,223,921	53	\$ 19,344,992	66	\$ 359,401,692	1,437

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.

Oct 03 2018

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