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August 30, 2013

VIA HAND DELIVERY

Executive Director Earl Taylor
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: ***In re: Petition of Piedmont Natural Gas Company, Inc. for Accounting Order***
Docket No. 13-00119

Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company, Inc's Petition for Accounting Order. Also enclosed is a check in the amount of $25.00 for the filing fee for Piedmont Natural Gas Company, Inc.'s Petition. This Petition is also being filed electronically today with the Authority's Docket Manager, Sharla Dillon.

Please file the original and four copies of this material and stamp the additional copy as "filed." Then please return the stamped copy to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

Sincerely,

David Killion

cc: James H. Jeffries, IV

12313795.1

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION OF PIEDMONT NATURAL GAS	)	
COMPANY, INC. FOR ACCOUNTING	)	Docket No. 13-
ORDER	)	
	)	

PETITION OF PIEDMONT NATURAL GAS COMPANY, INC.
FOR ACCOUNTING ORDER

Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel and pursuant to Rules 1220-1-1-.08 and 1220-4-7-.03 of the Rules of the Tennessee Regulatory Authority ("Authority"), respectfully requests that the Authority authorize Piedmont to make an accounting adjustment to the reported balance in its deferred Actual Cost Adjustment ("ACA") account in order to reflect the appropriate balance in that account consistent with the Company's general ledger balance for the costs included in that account. This request is necessitated, as is explained in detail below, by the discovery of prior period discrepancies between Piedmont's per books cost of gas allocable to Piedmont's Tennessee customers and its ACA account balance. In support of this Petition, Piedmont respectfully shows unto the Authority as follows:

1. It is respectfully requested that any notices or other communications with respect to this Petition be sent to:

Jane Lewis-Raymond
Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
Post Office Box 33068
Charlotte, NC 28233
Telephone: 704-731-4261

and

R. Dale Grimes
Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201
Telephone: 615-742-6244
and

James H. Jeffries IV
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Telephone: 704-331-1079

2. Piedmont is incorporated under the laws of the state of North Carolina and is duly authorized by its Articles of Incorporation to engage in the business of transporting, distributing and selling natural gas. Piedmont is duly domesticated and is engaged in conducting the business above mentioned in the states of Tennessee, North Carolina and South Carolina. Piedmont is a public utility under the laws of this State, and its public utility operations in Tennessee are subject to the jurisdiction of this Authority.

3. On September 28, 2012, Piedmont submitted its most recent annual deferred ACA account filing for the period July 1, 2011 through June 30, 2012 in Docket No. 12-00114.

4. On March 26, 2013, the Authority issued its *Order Adopting ACA Audit Report of Tennessee Regulatory Authority's Utilities Division.* The Authority concluded that "the Company appears to be correctly implementing its purchased gas adjustment as calculated in the ACA account in all material respects" and voted unanimously to approve Staff's audit report which found that as of June 30, 2012, Piedmont's ACA account balance reflected an over-collection of $8,639,411.62.

5. Piedmont now believes that the over-collection balance in its ACA account, as approved by the Authority in its March 26, 2013 Order, is over-stated by $3,664,354.59 and

hereby requests authorization from the Authority to correct that balance in order to accurately reflect the cumulative impact of prior gas cost collections and payments by Piedmont. A summary of the adjustments necessary to bring Piedmont's General Ledger and ACA Account into alignment are set forth on Exhibit A attached hereto and incorporated herein by reference. The underlying basis for Piedmont's request to adjust its ACA account balance in the manner reflected on Exhibit A is explained below and in the "White Paper" analysis of Piedmont's ACA account attached hereto as Exhibit B and incorporated herein by reference.

6. Several years ago, Piedmont determined that its previous gas cost accounting staffing and procedures required supplementation in order to handle the growing accounting complexity associated with the thousands of annual gas cost transactions reflected in its ACA account. In order address these concerns, Piedmont hired additional gas cost accounting personnel, including a new Director of Gas Cost Accounting, to take over Piedmont's gas cost accounting function on a going forward basis. After an extensive review of Piedmont's prior gas cost accounting activities, Piedmont concluded that a number of changes to the balances in Piedmont's ACA account were necessary in order to properly reflect the impact of prior transactions that were not appropriately recorded in Piedmont's Gas Cost account at the time they occurred. These changes simply reflected the correction of inadvertent errors and omissions during prior periods. These changes were included in subsequent ACA filings with the Authority and have been approved by Staff and by the Authority in those proceedings.

7. Following these adjustments to its gas cost accounts, Piedmont believed that it had resolved any discrepancies between its books and its ACA account. It was discovered in early 2012 that, even though Piedmont had been validating the activity in the ACA account, the general ledger balance did not agree to the approved balance in the ACA filings. This

discrepancy was disguised due to Piedmont recording gas costs in the general ledger on an estimated basis and the ACA filings being recorded on an actual cost basis, along with the lag time on receiving approved ACA filings in prior years,

8. Piedmont undertook an extensive additional analysis of the discrepancy between its per books gas costs and its ACA account balance reported to and approved by the Authority. That analysis involved the dedication of Piedmont's Manager of Gas Accounting to the primary task of ferreting out the nature of the imbalance between Piedmont's General Ledger and its ACA account. This process took roughly 9 months to complete and was finalized late 2012. The process revealed the existence of five (5) prior gas cost transactions that were either overlooked or improperly accounted for in Piedmont's ACA account and which were responsible for most of the discrepancy between Piedmont's ACA account and its General Ledger.[1] These transactions and the appropriate adjustments are as follows:

a. Demand Payment to Midwestern Gas Pipeline – Piedmont's 2006 ACA filing did not include the first demand payment to Midwestern Gas Pipeline in November 2006. This omission results in a total adjustment of $54,043.26, which consists of the omitted $41,200.00 demand payment and $12,843.26 in interest.

b. Removal of Estimated Information – Piedmont inappropriately included in the 2006 ACA filing the December 2005 estimate to actual variance. The 2005 ACA filing had been approved on an actual cost basis, therefore this adjustment was not necessary. This error results in a total adjustment of $431,638.27, which consists of the duplicated $309,357.47 adjustment and $122,280.80 in interest.

[1] The analysis process also revealed several mistakes in Piedmont's General Ledger totaling $793,087.45 which favored customers. Piedmont made those adjustments to its books upon finalizing the review results.

c. Inclusion of Incoming Wire – Piedmont received a wire from a pipeline for credit invoices. The ACA schedule was credited with this wire in error as the credits had already been recorded to the ACA schedule in prior months. This inclusion of the incoming wire results in a total adjustment of $917,248.71, which consists of the previously included $699,266.65 credits and $217,982.06 in interest.

d. Payment Issues with Tennessee Gas Pipeline (TGP) – There were multiple factors that contributed to payment errors and ACA misstatements related to Tennessee Gas Pipeline. Some of Piedmont's Tennessee Gas Pipeline assets were released to a third party and there was confusion surrounding who would be the billable party for these released assets. Piedmont erroneously omitted payments to Tennessee Gas Pipeline and remitted the amounts to the asset manager as Piedmont believed that Tennessee Gas Pipeline would bill the asset manager for these amounts. Piedmont contacted Tennessee Gas Pipeline and TGP was able to assist Piedmont in providing the correct invoiced amounts and payment variances. Using this information, Piedmont was able to revise and correct the ACA schedule. These issues require an adjustment in the amount of $951,853.41, which consists of $692,137.60 in ACA misstatements and $259,715.81 in interest.

e. Failure to Book True-Up Adjustment – Piedmont did not book an adjustment associated with an asset manager true-up because Piedmont mistakenly thought it was processed in 2005. Piedmont now knows that the true-up was not booked in the 2005 ACA audit.[2] The incorrect removal of the storage true-up adjustment results in a total adjustment of $1,309,570.94, which consists of the $966,432.32 adjustment and $343,138.62 in interest.

[2] Piedmont believes the adjustment was not exposed because it did not adjust the inventory schedule and therefore, the general ledger ending balance matched the ending balance on the ACA inventory worksheet.

9. Piedmont notes that each of these errors benefitted its customers by artificially and incorrectly reducing the amount of gas charges allocable to those customers during a time when commodity gas costs were relatively high compared to today's prices.

10. In order to resolve the discrepancy between the Company's general ledger and the reported balance in the ACA account, Piedmont requests that the Authority authorize Piedmont to make an adjustment in the amount of $3,664,354.59, inclusive of interest, to its ACA Account No. 18650.

11. Piedmont initially intended to make its filing for approval of the adjustments sought herein shortly after it discussed these matters with Staff in March of this year but at the time it began the process of preparing its filing, its internal tax accountants determined that an offsetting adjustment to its accumulated deferred income tax account was necessary in order to return to customers an overcollection in Piedmont's ADIT account. Piedmont's determination at that time was that it would be efficient to combine these two otherwise unrelated account adjustments into a single filing with the Authority. That intention has been frustrated in the intervening months, however, due to unresolved multi-state allocation issues associated with the ADIT refund and the extreme workload burden on internal tax accountants at Piedmont during this period. Piedmont still anticipates making the refund filing with the Authority as soon as its tax accountants finalize the multi-state allocation issue. In recognition of the approximate 5 month delay in submitting this Petition, however, Piedmont proposes that any interest that would otherwise have accrued on the adjusted balance during that period be waived in order to protect ratepayers from such delay.

12. The relief requested herein does not involve a change to Piedmont's terms or conditions of service and is not in conflict with any Authority rule, regulation or policy.

13. Piedmont submits that the accounting adjustment requested herein will be in the public interest and will benefit Piedmont and its customers by correctly stating the balance in Piedmont's ACA account and eliminating the discrepancy between Piedmont's per books gas costs and its ACA account.

WHEREFORE, for the reasons set forth above, Piedmont respectfully requests that the Authority issue an accounting order for the purpose of correctly stating the balance in ACA Account No. 18650 as provided for above.

Respectfully submitted, this the 30th day of August, 2013.

Piedmont Natural Gas Company, Inc.

R. Dale Grimes
Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201
Telephone: 615-742-6244

James H. Jeffries IV
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Telephone: 704-331-1079

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

VERIFICATION

Robert L. Thornton, being duly sworn, deposes and says that he is Director of Gas and Regulatory Accounting of Piedmont Natural Gas Company, Inc., that as such, he has read the foregoing documents and knows the contents thereof; that the same are true of his own knowledge except as to those matters stated on information and belief and as to those he believes them to be true.

RL Thornton

Robert L. Thornton

Mecklenburg County, North Carolina
Signed and sworn to before me this day by Robert L. Thornton

Date: August 29, 2013

Sandra K. Hammond

Sandra K. Hammond, Notary Public

(Official Seal)

SANDRA K. HAMMOND
NOTARY PUBLIC
MECKLENBURG COUNTY, N. C.
My Commission Expires August 4, 2018

My commission expires: August 4, 2018

EXHIBIT A

Piedmont Natural Gas
Adjustment Impact on the ACA Approved Ending Balance as of 6/30/12

Total ACA Ending Balance at 6/30/12, as approved in Docket #12-00114:	$	(8,639,411.62)
1) Missing Midwestern Invoice Including Interest	$	54,043.26
2) December 2005 Estimate to Actual Variance Including Interest	$	431,638.27
3) Tennessee Gas Pipeline Wire Reversal Including Interest	$	917,248.71
4) Tennessee Gas Pipeline Invoices Including Interest	$	951,853.41
5) FSMA True-Up Including Interest	$	1,309,570.94
Revised ACA Ending Balance	$	(4,975,057.03)

EXHIBIT B

Piedmont Natural Gas

Tennessee Adjustment Summary
Prepared By: Mandi King & Rob Thornton
Amount of Adjustments Including Interest: $3,664,354.59

It was discovered that, even though Piedmont had been validating the activity in the ACA account 18650, the general ledger balance in the account did not agree to the approved balance in the ACA filings. The ACA and the general ledger disagree by $4,457,442.07 as of June 30, 2012. The approved ACA balance is ($8,638,881.89) and the general ledger balance is ($4,181,439.82) as of June 30, 2012. Estimate to actual differences and the lag time on receiving approved ACA filings in prior years were the main contributors in disguising this issue in the previous years. However, since the ACA filings are now current and filed on an actual basis, Gas Accounting began to look into the variance. After detailed investigation and review of the ACA filings and the entries made to the general ledger, it was determined that the year 2006 was the primary source of the variance. The conclusion of the detailed investigation and review results in an adjustment to the general ledger of ($793,087.45) and an adjustment to the ACA filing of $3,664,354.62. The revised ACA balance at June 30, 2012 should be ($4,974,527.27).

Piedmont made the entries that resulted in the ($793,087.45) adjustment to account 18650 in the general ledger in October 2012. Summarized below are the details related to the $3,664,354.62 adjustments that need to be made to the ACA filings, including associated interest, which must be reviewed and approved by the TRA staff.

1. $41,200.00 – We did not include the first demand payment for Midwestern Gas Pipeline from November 2006 in the ACA schedule, nor did we provide a copy of the invoice to the TRA. The interest associated with this adjustment is an additional $12,843.26, resulting in a total adjustment of $54,043.26
2. $309,357.47 – We originally filled the ACA schedules with estimate information in one period, and the estimate to actual variance in the next. The TRA only wanted the actual information represented, and the schedule was changed accordingly. It was not realized that the TRA had adjusted the 2005 filing to remove the estimated data as well. Therefore, an adjustment was included in January 2006 for the estimate to actual variance from December 2005 in error. The interest associated with this adjustment is an additional $122,280.80, resulting in a total adjustment of $431,638.27.
3. $699,266.65 – We received a wire from Tennessee Gas Pipeline in November 2006 for credit invoices. The ACA schedule was credited with this wire in error as the invoices had already been recorded to the ACA. We reversed the credit in December 2006 on the ACA schedule. The TRA questioned the December 2006 reversal in a data request. We responded that the reversal was in error and removed it. However, we now know that the wire was due Piedmont for credit invoices over the summer as demand was released to the asset manager. The interest associated with this adjustment is an additional $217,982.06, resulting in a total adjustment of $917,248.71.
4. $692,137.60 - The Tennessee Gas Pipeline invoices from January 2006 – December 2006 were misrepresented in the approved ACA schedule. We were paying the incorrect amounts each month, but with the acceptance of the credit from Tennessee Gas Pipeline in November 2006, we actually paid each month as invoiced in full. The $699,266.65 credit was not only for credit invoices, it also included all the payment variances from November 2005 – October 2006. (We had to include the November & December 2005 payment variances as these were included on the ACA in January 2006). The interest associated with this adjustment is $259,715.81, resulting in a total adjustment of $951,853.41. Follow up: We have learned

that Tennessee Gas Pipeline had a system limitation that was only corrected in 2010. When assets were released to a third party, Tennessee Gas Pipeline continued to bill directly for withdrawals when the delivery location was also a system balancing point. In 2006, we began by paying Merrill Lynch for FSMA withdrawals because we expected Tennessee Gas Pipeline to bill them for all released assets. In April of 2006, we gave up trying to get a credit from Tennessee Gas Pipeline, and took a credit against the Merrill Lynch invoice instead. For the remainder of the asset manager contract with Merrill Lynch, all FSMA withdrawal charges were remitted directly to Tennessee Gas Pipeline. We believe this to be the main cause of our payment issues with Tennessee Gas Pipeline from November 2005 through April 2006.

5. $966,432.32 – An asset manager true-up was performed on FSMA for the period of April 2005 – October 2005. In May 2006, Gas Accounting was notified by Gas Supply that the adjustment would reduce the storage balance by 101,516 dts. Gas Accounting assigned the October rate of $9.52, resulting in a $966,432.32 adjustment. The TRA questioned the adjustment. We removed the adjustment from the schedule believing that the adjustment had already been processed in 2005. We recreated the inventory schedules for FSMA and now know that the adjustment was not booked in the 2005 ACA audit. We believe we responded incorrectly because GCS was altered in October 2005 for the dts. We also made the mistake of not changing the inventory schedule that goes with the filing so the removal was masked because our ending balance in the general ledger agreed with the ending balance on the ACA inventory worksheet. The interest associated with this adjustment is an additional $343,138.62, resulting in a total adjustment of $1,309,570.94.