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November 5, 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***

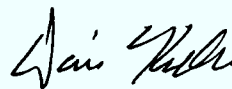
Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company, Inc's Response to TRA Staff Data Request No. 1.

This material is also being filed electronically today by way of email to the Tennessee Regulatory Authority 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  
Joe Shirley, Consumer Advocate and Protection Division

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**Piedmont Natural Gas Company, Inc.**  
**Docket No. 13-00119**  
**Response to TRA Staff Data Request No. 1**  
**November 5, 2013**

Data Request No. 1: In Docket No. 07-00174, the Company contested many of Audit Staff's findings and resultant ending balance. After negotiations between the Audit Staff and Company personnel, a *Joint Final Report of Audit Staff and Piedmont Natural Gas Company* ("Joint Final Report") was filed with the Authority on June 10, 2008. The Joint Final Report stated at page 3, paragraph 9, "the agreements between Piedmont and Audit Staff reflected herein resolve all monetary matters in dispute between the parties with respect to Piedmont's ACA account for the twelve months ended December 31, 2006." And at paragraph 10, "... Audit Staff and Piedmont respectfully request that the Authority accept the final agreed balance of Piedmont's Review Period ACA account as reflected herein..." The TRA issued its Order approving the ACA Audit Report, as amended by the Joint Final Report, on August 7, 2008. Please explain fully what effect Piedmont's current request to revise the ending balance in the ACA account at June 30, 2012 for adjustments arising primarily from the 2006 ACA filing has on the approved settlement.

Response: From Piedmont's perspective, the settlement reached in TRA Docket No. 07-00174 does not preclude the accounting adjustment sought in this proceeding. The basis for this position is the fact that the gas cost transactions underlying the current docket had not been identified at the time of the resolution of Audit Staff's 2006 ACA audit. They were, instead, unknown to both Piedmont and Audit Staff at that time and, as such, were not "monetary matters in dispute between the parties with respect to Piedmont's ACA account for the twelve months ended December 31, 2006." Accordingly, the current pending adjustments were not resolved by the 2006 ACA settlement. Further, the reason the current pending adjustments were not identified in the 2006 audit was the fact that they were masked by the use of an "estimate-actual" accounting convention in filing monthly ACA reports which had been used by Piedmont for some time in reporting its gas costs (consistent with the method by which Piedmont recorded its gas costs on its books). In short, the accounting adjustments pending in TRA Docket No. 13-00119 have no impact on and are not impacted by the previous settlement in docket No. 07-00174.

This docket is not a case where Piedmont seeks to retrade concessions made knowingly and consciously in a prior settlement with Staff. Instead, it is a case where Piedmont seeks to correct newfound mistakes in its ACA accounting for prior periods which were masked by the accounting methods utilized to report its gas costs for ACA purposes and not detected by either Piedmont or Staff in prior audits. Piedmont submits that such corrections are appropriate because: (1) the ACA mechanism, as reflected by the TRA ACA Rule, is intended to capture and account for all gas cost transactions entered into by Piedmont; (2) the corrections sought in this case are necessary to accurately state the balance of Piedmont's ACA account which is also a requirement of the Authority's ACA Rule; (3) the adjustments sought herein are not barred because they were not resolved by prior staff audits; (4) TRA Rule 1220-4-7-.03 specifically contemplates prior period adjustments to Piedmont's ACA account when necessary, and (5) the TRA has previously authorized such adjustments when appropriate and necessary, as is the case here.