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BEFORE THE TENNESSEE REGULATORY AUTHORITY

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IN RE:

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

)
) T.R.A. DOCKET ROOM
) DOCKET NO. 13-00119
)
)

PARTY STAFF'S FIRST DISCOVERY REQUESTS TO
PIEDMONT NATURAL GAS COMPANY, INC.

Comes now the Tennessee Regulatory Authority ("TRA" or "Authority") Staff Participating as a Party ("Party Staff") by and through counsel and issues the following discovery requests to Piedmont Natural Gas Company, Inc. ("Piedmont"). Where spreadsheets or other electronic files are requested please provide a copy of those documents electronically in Microsoft Excel. Where an admission or a denial is requested please provide a detailed explanation for any answer other than an unequivocal admission.

1. Please identify the new Director of Gas Cost Accounting referenced on page 3 of *Petition of Piedmont Natural Gas Company, Inc. for Accounting Order*. Please provide the name, curriculum vitae, and the date of hire.
2. Please identify the changes that were made to the ACA account to correct "inadvertent errors and omissions during prior periods" that were "included in subsequent ACA filings" and were approved by Staff and the Authority.¹ For each correction to the ACA account, provide: a spread sheet detailing the explanation of the change, the dollar

¹ *Petition*, page 3 (paragraph 6).

amount, the month and year it was recorded in the ACA account and the ACA audit docket number.

3. Please explain the process (or procedures) that Piedmont accounting personnel use to validate the activity in the ACA account.
4. How often is the ACA account balance reconciled to Piedmont's general ledger? Prior to the discovery in early 2012 that the general ledger balance did not agree to the approved ACA filing balance, when was the last time a reconciliation was performed?
5. How did Piedmont discover that the ACA account balance did not agree with the general ledger balance in early 2012? What time period was looked at to make that discovery?
6. Do Piedmont's outside auditors examine the ACA account to see if it reconciles to the general ledger during its annual audits? Please explain what process the outside auditors utilize if they do reconcile the ACA account to the general ledger.
7. At the conclusion of the annual ACA filing audits, do Piedmont accounting personnel make appropriate accounting adjustments to the ACA account to reflect the ending balance approved by the Authority? When adjustments to the ACA account are made, are those adjustments also reflected in the general ledger?
8. At the time that Piedmont filed its ACA report with the Authority for the 12 months ended December 31, 2006, in Docket No. 07-00174, did the balance in its ACA account agree with the general ledger balance for that account?
9. Generally speaking, how does it come to the attention of Piedmont accounting personnel that certain adjustments to the ACA account need to be made? Does it usually take several years for errors to be recognized?

10. At the time that Piedmont and Audit Staff reached the final agreed balance in the ACA account as of December 31, 2006, which was filed with the Authority in the *Joint Final Report of Audit Staff and Piedmont Natural Gas* on June 10, 2008, in Docket No. 07-00174, did Piedmont accounting personnel make the appropriate accounting entries necessary to the ACA account to reflect this agreed upon balance on its books? Were reconciling adjustments also made to the general ledger account?
11. Tenn. Comp. R. & Reg. 1220-4-7-.03(1)(c)(3) specifically addresses prior period ACA adjustments and how they should be accounted for. “In the event that **circumstances warrant** a correction to or restatement of a prior period ACA, such correction or restatement shall be made in accordance with the ACA calculation in effect for the time period(s) to which the correction or restatement relates.” [emphasis added] Considering the length of time spent in negotiations following the filing of Audit Staff’s report in Docket No. 07-00174,² the *Joint Final Report of Audit Staff and Piedmont Natural Gas Company* filed on June 10, 2008, and the three and a half years that followed before Piedmont “discovered” that the ACA account balance did not agree to the general ledger balance, explain fully Piedmont’s rationale that additional adjustments based primarily on oversight or improper accounting of transactions by Piedmont’s accounting personnel³ are justified and should be considered by the Authority at this time.
12. Provide schedules that calculate the interest component attached to each of the five (5) adjustments requested by Piedmont. Provide the files electronically, with working formulas and show the monthly interest rates approved by the Authority for that time period.

² Two months of communications between Audit Staff and Company personnel and analysis of adjustments to the ACA account that includes most of the invoices and numbers underlying the Company’s request in this docket.

³ *Petition*, page 4 (paragraph 8).

13. Please explain Piedmont's statement that the accounting adjustments requested are "in the public interest and will benefit Piedmont and its customers."⁴ Include in the explanation the rationale that customers should pay Piedmont additional interest over a six (6) year period for errors and omissions made by Piedmont accounting personnel.⁵
14. Provide copies of Piedmont's workpapers and related electronic files (with working formulas) showing the reconciliation between the ACA account balance and the general ledger balance. Also, provide copies of any additional workpapers and related electronic files (with working formulas) generated in the preparation of this filing.
15. Please explain Piedmont's reasoning that it is appropriate to request recovery years later for large amounts resulting from the Company's accounting errors.
16. Please explain why the Authority should modify the order in Docket No. 07-00174 approving the agreed upon balance in the ACA account for the 12 months ended December 31, 2006,⁶ which resulted from extensive research, analysis and negotiations by both Audit Staff and Piedmont personnel, as well as assertions made by Piedmont during the audit.
17. If Audit Staff found past audit errors that if corrected would benefit customers, and assuming they were a significant amount, would Piedmont support reaching back to those closed audit periods and making prior period adjustments to the Company's current ACA filing? Why or why not?

⁴ *Petition*, page 7 (paragraph 13).

⁵ Total interest requested totals \$955,960.55 or 26% of the overall adjustment.

⁶ Piedmont stated that the adjustments it is requesting in this docket stem from gas costs accounted for in the 12-month ACA period ended December 31, 2006. The ACA account balance as of June 30, 2012 at issue in this docket, and approved by this Authority in Docket No. 12-00114 (see Order Adopting ACA Audit Report of TRA's Utilities Division on March 26, 2013), is based on the December 31, 2006 ACA account balance and four (4) subsequent audits since then.

18. Admit or deny the requested adjustments 2, 3, 4 and 5 relate to ACA transactions/entries in Docket No. 07-00174 that were addressed in some fashion during the audit, whether as miscellaneous adjustment documentation, data request responses, or reconciliation schedules provided by Piedmont.
19. Admit or deny in the conduct of an audit, Audit Staff must rely on actual invoices, representations made by Piedmont (written and oral) and other schedules (documentation) provided by Piedmont to reach its conclusions and recommendations.
20. Admit or deny that Piedmont did not contest audit Findings #7 and #15 in Docket No. 07-00174.
21. Admit or deny that Piedmont and Audit Staff participated in a negotiation process to settle any unresolved audit issues that Piedmont did contest in Docket No. 07-00174.
22. Admit or deny that attachments 1 and 2 to the *Joint Final Report of Audit Staff and Piedmont Natural Gas Company* filed on June 10, 2008, in Docket No. 07-00174 represented the final agreed ACA Account Summary for the 12 months ended December 31, 2006.⁷
23. Admit or deny that Piedmont and Audit Staff requested the Authority to "...approve this Joint Final Report as the **final** accounting of Piedmont's ACA account for the Review Period." [emphasis added].⁸
24. Admit or deny that the Authority approved the Joint Final Report at its July 28, 2008, Authority Conference.⁹

⁷ *In Re: Nashville Gas Company, A Division of Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Account Filing for the Twelve Months Ended December 31, 2006*, Docket No. 07-00174, Joint Final Report of Audit Staff and Piedmont Natural Gas Company, page 1 (June 10, 2008).

⁸ *Id.*

⁹ *In Re: Nashville Gas Company, A Division of Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Account Filing for the Twelve Months Ended December 31, 2006*, Docket No. 07-00174, Order Adopting ACA Audit Report of the Tennessee Regulatory Authority's Utilities Division (August 7, 2008).

25. Admit or deny that Audit Staff concluded in its Audit Report in Docket No. 06-00087 that Piedmont's accrual methodology for reporting its gas costs in the ACA filing was unacceptable to Staff and recommended that the accrual methodology be rejected and Piedmont be directed to report actual amounts in the month incurred.¹⁰
26. Admit or deny that the Authority approved and adopted the Audit Staff's Audit Report in Docket No. 06-00087 and the findings and recommendations contained in the Report;¹¹
27. Admit or deny that Piedmont continued the accrual methodology in its next filing (Docket No. 07-00174) and Audit Staff reported a repeat finding of over-statement of gas costs due to use of accrual accounting.¹²
28. Admit or deny that the Authority put Piedmont on notice that "future non-compliant ACA filings will be subject to rejection, and Piedmont may, therefore, be subject to any and all remedies and sanctions available to the Authority."¹³
29. Admit or deny that Piedmont did not contest Audit Staff's findings and conclusions and resulting ending balance in the ACA account at December 31, 2007, in Docket No. 08-00227.¹⁴

¹⁰ In Re: Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. Actual Gas Cost Adjustment for the 12 Months Ended December 31, 2005, Docket No. 06-00087, Compliance Audit Report, page 13 (December 12, 2006).

¹¹ In Re: Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. Actual Gas Cost Adjustment for the 12 Months Ended December 31, 2005, Docket No. 06-00087, Order Adopting ACA Audit Report of Tennessee Regulatory Authority's Utilities Division, page 2 (June 14, 2007).

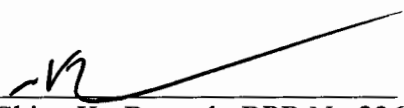
¹² In Re: Nashville Gas Company, A Division of Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Account Filing for the Twelve Months Ended December 31, 2006, Docket No. 07-00174, Compliance Audit Report Findings #1, 12, and 18, pages 8, 26, and 34 (June 10, 2008).

¹³ In Re: Nashville Gas Company, A Division of Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Account Filing for the Twelve Months Ended December 31, 2006, Docket No. 07-00174, Order Adopting ACA Audit Report of Authority's Utilities Division, page3 (August 7, 2008).

¹⁴ In Re: Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Filing for the Twelve Months Ended December 31, 2007, Docket No., Order Adopting ACA Audit Report of Tennessee Regulatory Authority's Utilities Division (June 15, 2009).

30. Admit or deny that other than recovery of its hedging costs, Piedmont did not contest Audit Staff's findings and conclusions and resulting revised ending balance in the ACA account at December 31, 2008, in Docket No. 09-00093.¹⁵
31. Admit or deny that Piedmont did not contest Audit Staff's findings and conclusions and resulting ending balance in the ACA account at June 30, 2010, in Docket No. 10-00225.¹⁶
32. Admit or deny that Piedmont did not contest Audit Staff's findings and conclusions and resulting ending balance in the ACA account at June 30, 2011, in Docket No. 11-00168.¹⁷

Respectfully submitted,



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¹⁵ *In Re: Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Filing for the Twelve Months Ended December 31, 2008*, Docket No. 08-00227, Order Adopting Revised ACA Audit Report of Tennessee Regulatory Authority's Utilities Division (October 25, 2010).

¹⁶ *In Re: Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Filing for the Period January 1, 2009 through June 30, 2010*, Docket No. 10-00225, Order Adopting ACA Audit Report of Tennessee Regulatory Authority's Utilities Division (August 15, 2011).

¹⁷ *In Re: Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Filing for the Period July 1, 2010 through June 30, 2011*, Docket No. 11-00168, Order Adopting ACA Audit Report of Tennessee Regulatory Authority's Utilities Division (April 18, 2012).

CERTIFICATE OF SERVICE

The undersigned hereby certifies that I have served a copy of the foregoing document on the following persons by U.S. Mail:

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This the 17th day of January, 2014.


Shiva K. Bozarth