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February 21, 2014

Via Hand-Delivery

Executive Director Earl Taylor
c/o Sharla Dillon
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

**Re: *Petition of Piedmont Natural Gas Company, Inc. for Authorization to Amortize
and Refund to Customers Excess Accumulation Deferred Income Taxes***
Docket No. 14- 00017

Dear Mr. Taylor:

I am enclosing an original and five (5) copies of Piedmont Natural Gas Company, Inc.'s Petition for Authorization to Amortize and Refund to Customers Excess Accumulation Deferred Income Taxes, and accompanying Exhibits A and B. Also enclosed is a check in the amount of \$25.00 for the filing fee. This Petition and exhibits also are 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 copies 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.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG:smb

Enclosures

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF PIEDMONT NATURAL GAS)	
COMPANY, INC. FOR AUTHORIZATION TO)	Docket No. 14-_____
AMORTIZE AND REFUND TO CUSTOMERS)	
EXCESS ACCUMULATED DEFERRED)	
INCOME TAXES)	

**PETITION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR
AUTHORIZATION TO AMORTIZE AND REFUND TO CUSTOMERS
EXCESS ACCUMULATED DEFERRED INCOME TAXES**

Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel, and pursuant to Rule 1220-1-1-.08 of the Rules of the Tennessee Regulatory Authority ("Authority"), respectfully requests that the Authority authorize Piedmont to amortize and refund to customers \$4,667,413 in excess deferred income taxes currently reflected on the Company's books. Piedmont requests that this amount be amortized over a period of three (3) years and be refunded to customers through a decrement to Piedmont's rates during that period. 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
Senior 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. As part of Piedmont's normal ratemaking process, it collects funds from its customers necessary to compensate Piedmont for federal and state income tax liabilities associated with the revenue requirement approved in such rate cases.

4. In Piedmont's normal ratemaking processes, tax expense is allocated to and collected from customers based on book income.

5. For purposes of paying state and federal income taxes, however, Piedmont must compute taxable income in accordance with prevailing tax laws. In computing taxable income a number of items of income and expense are treated differently – primarily in terms of timing -- than in the calculation of book income.

6. The difference in timing between the recognition of these items of income and expense for book and tax purposes creates a discrepancy between when Piedmont collects income taxes from its customers and when these taxes are actually paid to state and federal tax authorities. The difference between the amount of tax expense collected in rates and the amount of tax paid to taxing authorities is referred to as Accumulated Deferred Income Taxes or ADIT.

7. In order to protect ratepayers from the timing discrepancy created by the use of two different methods for recognizing items of income and expense for book and tax purposes, ADIT is treated as cost free capital in general rate case proceedings and generally operates as a credit to the return requirement associated with Piedmont's rate base. By using this mechanism, customers are not overcharged for current tax liabilities and end up – over time – paying the correct amount of income tax thereby negating the impact of utilizing differing income and expense recognition methods for ratemaking and tax purposes.

8. The balance of ADIT on Piedmont's books changes over time as a result of several variables including the amount of income tax expense collected from customers, the amount of income taxes actually paid to state and federal tax authorities, and changes in prevailing tax rates.

9. Piedmont has recently completed an analysis of its ADIT book balance and has determined that due to the operation of the variables mentioned above over time it is currently in an over-collected status with respect to funds retained for payment of its future tax liabilities. This means that it has ADIT on its books which Piedmont calculates will never be paid to taxing authorities under current tax structures. This situation, if left un-remedied, would mean that Piedmont would retain from its customers amounts intended to compensate Piedmont for its future tax liabilities which were, in fact, greater than those liabilities. As a result of this conclusion, Piedmont has determined that a portion of its current booked amount of ADIT is "excess" in nature.

10. If Piedmont were to retain these excess ADIT amounts, it would constitute a windfall to the Company and, to the extent of such over-collection, would represent the retention of tax expenses paid by Piedmont's customers for tax liabilities it no longer reasonably expects to incur. The amount of excess ADIT over-collection attributable to the State of Tennessee calculated by Piedmont is \$2,836,621, which when computed as a revenue requirement adjustment to customers totals \$4,667,413. The derivation and calculation of these amounts is reflected on the schedule attached hereto as Exhibit A.

11. Piedmont proposes to recognize a regulatory liability of \$4,667,413 to return this excess ADIT to its customers. Piedmont proposes to amortize this balance over a three (3) year period, and to

implement corresponding decrements in its rates during that period to the extent reasonably practicable. The calculation of the proposed rate decrements is shown on Exhibit B attached hereto.

12. Because the rate decrements reflected on Exhibit B are based on projected usage, it is a virtual certainty that the amounts of excess ADIT returned to customers during the amortization period will vary from the straight-line calculation of \$129,650 per month. In recognition of this fact, Piedmont proposes to utilize the proposed decrements in the calculation of its monthly bills until it becomes apparent that the excess ADIT refund balance is about to be exhausted and then to deposit any remaining balance of that refund amount into the Company's ACA account as a credit to customers.¹ This will insure both that customers receive the full benefit of the excess ADIT refund proposed herein and that Piedmont will not overpay or underpay the amounts due to customers.

13. Piedmont initially intended to file for the amortization/refund of these excess ADIT amounts in the same filing as its proposed ACA account adjustments now pending before the TRA in Docket No. 13-00119. Piedmont was ultimately unable to complete its analysis of excess ADIT in time to effectuate that joint request. Piedmont explained this fact in its Petition in Docket No. 13-00119 and now submits its request to refund these excess ADIT amounts as forecast in that docket.

14. Piedmont submits that the amortization of excess ADIT and refund mechanism proposed in this docket are reasonable, wholly to the benefit of Piedmont's customers, will reduce the costs of receiving service from Piedmont for the next three years and, therefore, are in the Public Interest.

WHEREFORE, for the reasons set forth above, Piedmont respectfully requests that the Authority issue an order authorizing and approving the creation of a regulatory liability to return excess ADIT to its customers by amortizing \$4,667,413 over a three year period and approving the rate decrements set forth

¹ Similarly, if the actual amount refunded to customers through Piedmont's proposed rate decrements exceeds the total excess ADIT refund described herein, Piedmont would debit the ACA account in the amount of any such excessive refund. Piedmont anticipates that any adjustment to the ACA account as proposed herein would be a one-time event near the end of the 3 year proposed amortization period and would represent only a relatively small true-up adjustment.

on Exhibit B and refund methodology proposed herein in order to effectuate the return of these funds to Piedmont's customers.

Respectfully submitted, this the 20th day of February, 2014.

Piedmont Natural Gas Company, Inc.



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by PDS
w/ permaTS-254

STATE OF NORTH CAROLINA

VERIFICATION

COUNTY OF MECKLENBURG

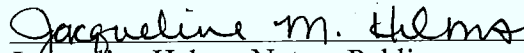
David R. Carpenter, being duly sworn, deposes and says that he is Vice President of Planning and Regulatory Affairs for Piedmont Natural Gas Company, Inc., that as such, he has read the foregoing documents and knows the contents thereof; that the same are true of his own knowledge except as to those matters stated on information and belief and as to those he believes them to be true.


David R. Carpenter

Mecklenburg County, North Carolina

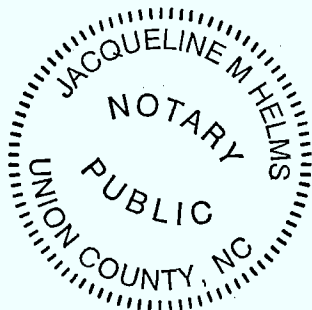
Signed and sworn to before me this day by David R. Carpenter

Date: 2/20/2014


Jacqueline Helms, Notary Public

(Official Seal)

My commission expires: November 29, 2016



Piedmont Natural Gas Company, Inc.
Summary of Excess Deferred Taxes
Docket No. 14 - _____

Exhibit A

The table below shows Accumulated Deferred Income Taxes recorded in the Company's General Ledger Account Nos. 28210, 28220, 28230 and 28240 that will not reverse in the future from timing differences between book and taxable income. These amounts represent excess deferred taxes. Federal excess deferred taxes associated with Plant will be reversed using the weighted average rate method. We propose to amortize other excess deferred tax balances over a three year period.

Category	Federal	State	Total Excess Deferred Taxes
1 Bad Debts	149,033	38,394	187,426
2 Bond Redemptions	(6,960)	8,864	1,905
3 Deferred Expenses	(8,512)	18,231	9,719
4 Deferred Gain	3,346	(243)	3,103
5 Director Retirement Benefits	(858)	523	(336)
6 Employee Benefits	(213,749)	(43,787)	(257,536)
7 Environmental	(8)	31	23
8 FAS 158	24,982	4,970	29,951
9 Gas Deferrals	(3,836,461)	(739,098)	(4,575,559)
10 Inventory	182,742	29,569	212,311
11 Litigation	732	(2,090)	(1,358)
12 Money Purchase Pension Plan	8	(22)	(14)
13 MVP	239	(0)	239
14 Plant	(329,745)	1,349,824	1,020,079
15 Property Tax	61,256	(11,556)	49,699
16 Restricted Stock	(6)	16	10
17 Self Insurance	(646)	1,800	1,154
18 Severance	(175)	518	343
19 Tn Gross Receipts	125,898	26,550	152,449
20 Vacation	26	0	26
21 Grand Total	(3,848,859)	682,494	(3,166,366)
22 Reverse via Weighted Average Rate Assumption (a)	329,745	-	329,745
23 Excess Deferred to Amortize	(3,519,114)	682,494	(2,836,621)
24 Revenue Requirement Conversion Factor (b)	1,645,413	1,645,413	1,645,413
25 Excess Deferred to Amortize, grossed up for the revenue requirement	\$ (5,790,397)	\$ 1,122,984	\$ (4,667,413)

(a) Required by the Internal Revenue code

(b) Calculation of Revenue Conversion Factor:

Per Dollar of Operating Revenues	1.000000
State Excise Tax @ 6.5 %	0.065000
Balance	0.935000
Federal Income Tax @ 35 %	0.327250
Balance	0.607750
Revenue Conversion Factor	1.645413

Piedmont Natural Gas Company, Inc.
Summary of Excess Deferred Taxes
Docket No. 14 - _____

Exhibit B

1	Total Proposed Excess Deferred Taxes to Refund	\$	(4,667,413)
2	Amortization Period in Years	\$	3
3	Amount per Year	\$	(1,555,804)

	Reference	Residential (301)	Commercial (302,352)	Large General - Firm (303,313,310)	Large General - Interruptible (304,314)	Total
4	Customer Class Apportionment Percent					
5	Annual Refund Amount	see Lines 9 thru 13 = Line 3 * Line 4				
6	Throughput (Dekatherms)					
7	Rate per Dekatherm					
8	Proposed Rate per therm					

Allocators from the Last General Rate Case, As Approved (Docket No. 11-00144) :

	Annual Margin	Total	Allocation %
9	Residential (301)	\$ 62,049,925	59.64%
10	Commercial (302, 352)	32,459,219	31.20%
11	Large General Service - Firm (303, 313, 310)	5,145,869	4.95%
12	Large General Service - Interruptible (304, 314)	4,378,934	4.21%
13	Total	\$ 104,033,947	100.00%
14	Annual Throughput (DTs)		
15	Residential (301)	11,130,214	
16	Commercial (302, 352)	6,664,958	
17	Large General Service - Firm (303, 313, 310)	2,378,880	
18	Large General Service - Interruptible (304, 314)	8,098,027	
	Total	28,272,079	