

BASS BERRY + SIMS_{PLC}

R. DALE GRIMES

TEL: (615) 742-6244
FAX: (615) 742-2744
dgrimes@bassberry.com

A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

150 THIRD AVENUE SOUTH, SUITE 2800
NASHVILLE, TN 37201
(615) 742-6200

www.bassberry.com

OTHER OFFICES:

KNOXVILLE
MEMPHIS
WASHINGTON, D.C.

May 12, 2014

Via Hand-Delivery

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

**Re: *Petition of Piedmont Natural Gas Company, Inc. for Authorization to Amortize
and Refund to Customers Excess Accumulated 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 Responses to the Consumer Advocate and Protection Division's Informal Requests of March 28, 2014. It consists of Responses of April 8, 2014 and a disk containing two Excel spreadsheets. Please note that this disk is being filed as Confidential pursuant to the Protective Order entered in this docket on April 25, 2014.

This material, except the disk marked "Confidential," is also being filed by way of email to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon. Please file the original and four copies of this filing 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

Enclosures

Moore&VanAllen

April 8, 2014

James H. Jeffries IV
Attorney at Law

T 704 331 1079
F 704 339 5879
jimjeffries@mvalaw.com

VIA E-MAIL

Wayne M. Irvin
Assistant Attorney General
Consumer Advocate and Protection Division
Office of the Tennessee Attorney General
P.O. Box 20207
Nashville, Tennessee 37202-0207

Moore & Van Allen PLLC

Suite 4700
100 North Tryon Street
Charlotte, NC 28202-4003

**Re: Piedmont Natural Gas Company, Inc.
TRA Docket 14-00017 Informal Data Request**

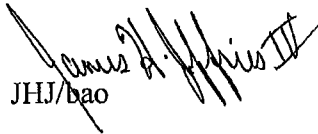
Dear Wayne:

Attached are Piedmont's responses to your informal data request of March 28, 2014. An Excel spreadsheet is attached as part of the response to Item 3.

We look forward to meeting with you on April 15th to discuss this matter further.

Sincerely,

James H. Jeffries IV


JHJ/bao

Attachments

c: David Carpenter
Pia Powers
Lynn Boyette

Charlotte, NC
Research Triangle Park, NC
Charleston, SC

**STATE OF TENNESSEE
OFFICE OF THE ATTORNEY GENERAL
CONSUMER ADVOCATE & PROTECTION DIVISION**

**INFORMAL DATA REQUEST / MEETING AGENDA
FOR PIEDMONT NATURAL GAS COMPANY, INC. ("COMPANY")
TRA DOCKET 14-00017 (2014 ADIT CASE)**

March 28, 2014

1. Describe how the excess Accumulated Deferred Income Taxes ("ADIT") balances are recorded in the accounts, including identifying the specific legal entities and the specific accounts in which relevant amounts are recorded.

Response: Tax amounts are recorded on Piedmont Natural Gas Company, Inc.'s books in accounts 28210 APB 11 Def FIT Non Cur, 28220 APB 11 Def SIT Non Cur, 28230 APB 11 Def FIT Current, and 28240 APB 11 Def SIT 28240.

Response provided by Piedmont Natural Gas on April 8, 2014.

**STATE OF TENNESSEE
OFFICE OF THE ATTORNEY GENERAL
CONSUMER ADVOCATE & PROTECTION DIVISION**

**INFORMAL DATA REQUEST / MEETING AGENDA
FOR PIEDMONT NATURAL GAS COMPANY, INC. ("COMPANY")
TRA DOCKET 14-00017 (2014 ADIT CASE)
March 28, 2014**

2. Exhibit A to the Company's Petition states that the deferred taxes listed "...will not reverse in the future from timing differences between book and taxable income." Please explain in detail (i) the process for determining which deferred taxes would or would not reverse, (ii) how the Company determined that the deferred taxes identified on Exhibit A will not reverse, and (iii) how the amounts identified as deferred taxes that would not reverse identified on Exhibit A were calculated.

Response: Piedmont records deferred taxes using two methods. The APB 11 method is used to record deferred income tax for rate making purposes. The FAS 109 method is used to record deferred income tax for financial accounting purposes. The APB 11 method is an income statement approach to deferred taxes. Under this method, timing differences arising during the year are multiplied by the current effective tax rate and added to the Accumulated Deferred Income Tax balances (ADIT) at the beginning of the year. The ADIT balance under APB 11 is an accumulation of deferred taxes over time. The FAS 109 method is a balance sheet approach. Under this method the cumulative timing difference is multiplied by the effective tax rate in effect when timing difference is expected to reverse. Piedmont uses a series of accounts and contra-accounts to accomplish recording taxes under these two different methods. The deferred taxes on Exhibit A that will not reverse were calculated by comparing the amount in the FAS 109 worksheets with the amount in the APB 11 worksheets.

Response provided by Piedmont Natural Gas on April 8, 2014.

**STATE OF TENNESSEE
OFFICE OF THE ATTORNEY GENERAL
CONSUMER ADVOCATE & PROTECTION DIVISION**

**INFORMAL DATA REQUEST / MEETING AGENDA
FOR PIEDMONT NATURAL GAS COMPANY, INC. ("COMPANY")
TRA DOCKET 14-00017 (2014 ADIT CASE)
March 28, 2014**

3. Provide the source documentation and support (including all work papers in Microsoft Excel format) for the \$4,667,413 of ADIT shown on Exhibits A and B of the Company's Petition.

Response: See attachments. To clarify, the excess deferred accumulated income taxes identified by the Company in this instance total \$2,836,621, not \$4,667,413 as referenced in this question. Converting this excess ADIT amount of \$2,836,621 to a revenue requirement amount (i.e. an amount due customers), which is how ADIT would be otherwise considered in the context of a general rate case proceeding, yields the proposed total refund amount of \$4,667,413.

Response provided by Piedmont Natural Gas on April 8, 2014.

**STATE OF TENNESSEE
OFFICE OF THE ATTORNEY GENERAL
CONSUMER ADVOCATE & PROTECTION DIVISION**

**INFORMAL DATA REQUEST / MEETING AGENDA
FOR PIEDMONT NATURAL GAS COMPANY, INC. ("COMPANY")
TRA DOCKET 14-00017 (2014 ADIT CASE)
March 28, 2014**

4. With reference to paragraph 11 of the Company's Petition, provide the basis for the Company's proposal to amortize the excess ADIT over three years.

Response: It is Piedmont's belief that three years is a reasonable period over which to amortize the balance.

Response provided by Piedmont Natural Gas on April 8, 2014.

**STATE OF TENNESSEE
OFFICE OF THE ATTORNEY GENERAL
CONSUMER ADVOCATE & PROTECTION DIVISION**

**INFORMAL DATA REQUEST / MEETING AGENDA
FOR PIEDMONT NATURAL GAS COMPANY, INC. ("COMPANY")
TRA DOCKET 14-00017 (2014 ADIT CASE)**

March 28, 2014

5. With reference to paragraph 13 of the Company's Petition, explain in detail any relationship or connection between the above-referenced Company Petition relating to the Company's ADIT and the Company's Petition relating to certain proposed ACA account adjustments now pending before the TRA in Docket No. 13-00119.

Response: There is no underlying accounting relationship or causal connection between the excess ADIT balance discussed in TRA Docket No. 14-00017 and the proposed ACA accounting adjustments discussed in TRA Docket No. 13-00119. As explained in paragraph 11 of the Company's August 30, 2013 petition in Docket No. 13-00119, the Company began the process of preparing the initial filing on the ACA account adjustments at around the same time that the Company's internal tax accountants determined that an offsetting accounting adjustment due to excess deferred income taxes would result in a refund due customers.

Response provided by Piedmont Natural Gas on April 8, 2014.

**STATE OF TENNESSEE
OFFICE OF THE ATTORNEY GENERAL
CONSUMER ADVOCATE & PROTECTION DIVISION**

**INFORMAL DATA REQUEST / MEETING AGENDA
FOR PIEDMONT NATURAL GAS COMPANY, INC. ("COMPANY")
TRA DOCKET 14-00017 (2014 ADIT CASE)
March 28, 2014**

6. Provide copies of all filings with any other regulatory or other entity in any other jurisdiction relating to excess ADIT for the Company or any affiliated entities.

Response: The Company has not made a filing with any other regulatory or other entity in any other jurisdiction relating to this excess ADIT balance.

Response provided by Piedmont Natural Gas on April 8, 2014.

**STATE OF TENNESSEE
OFFICE OF THE ATTORNEY GENERAL
CONSUMER ADVOCATE & PROTECTION DIVISION**

**INFORMAL DATA REQUEST / MEETING AGENDA
FOR PIEDMONT NATURAL GAS COMPANY, INC. ("COMPANY")
TRA DOCKET 14-00017 (2014 ADIT CASE)
March 28, 2014**

7. Provide any analysis relating to any potential impact on the Company's future rates as a result of the proposed amortization and refund to the Company's customers of the excess ADIT described in the Company's Petition.

Response: Other than the analysis provided in Exhibit B of the filed petition which shows the proposed residential rate reduction of \$.00834/therm over the amortization period, the Company has not undertaken any other analysis relating to any potential impact on the Company's future rates as a result of the proposed amortization and refund to the Company's customers of the excess ADIT. General accounting standards require that once excess ADIT is identified, it must be removed from the Company's balance sheet. Absent approval of the Company's petition to create a regulatory liability in order to recognize that the excess ADIT amounts are due customers, Piedmont would have to record the excess ADIT as income.

Response provided by Piedmont Natural Gas on April 8, 2014.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached documents were served upon the parties in this action by electronic mail and by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, addressed as follows:

Wayne M. Irvin
Assistant Attorney General
Consumer Advocate and Protection Division
Post Office Box 20207
Nashville, Tennessee 37202

This the 12th day of May, 2014.

R. D. Irvin