

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 28, 2015

IN RE:

**PIEDMONT NATURAL GAS COMPANY, INC.
ACTUAL COST ADJUSTMENT ACCOUNT
FILING FOR THE PERIOD JULY 1, 2012 –
JUNE 30, 2013**

**DOCKET NO.
14-00150**

**ORDER ADOPTING ACA AUDIT REPORT OF
TENNESSEE REGULATORY AUTHORITY'S UTILITIES DIVISION**

This matter came before Vice Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director Robin Morrison of the Tennessee Regulatory Authority ("Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 19, 2015. The panel considered the Authority's Utilities Division (the "Staff") Actual Cost Adjustment ("ACA") Compliance Audit Report (the "Audit Report"), attached hereto as Exhibit 1 and incorporated by this reference, resulting from the Staff's audit of Piedmont Natural Gas Company Inc.'s ("Piedmont" or the "Company") annual deferred gas cost account filing for the period July 1, 2012 through June 30, 2013.

The Company submitted its ACA filing on December 8, 2014, following the Authority's decision in TRA Docket No. 13-00119 at the regularly scheduled Authority Conference held on December 1, 2014.¹ On September 2, 2015, the Staff completed its audit of the Company's filing.² On September 3, 2015, the Staff submitted its preliminary ACA audit findings to the Company via e-mail. The Company responded to the findings on September 3, 2015 via e-mail,

¹ See *In re: Petition of Piedmont Natural Gas Company, Inc. to Adjust the June 30, 2012 ACA Ending Balance for Prior Period Adjustments*, Docket No. 13-00119, *Order Approving Settlement Agreement* (January 12, 2015) ("Order").

² The original 180-day deadline for the Staff's completion of the audit was extended on several occasions by mutual consent of the Company and the Staff as provided for in TRA Rule 1220-4-7-.03(2).

and the response has been incorporated into the final Audit Report. On October 6, 2015, the Staff filed its Audit Report in this docket.

The Audit Report contains two findings that resulted in an immaterial adjustment to the reported balance in the ACA account. The first finding was that the Company miscalculated Storage Inventory Activities leading to an over-recovery of gas costs. The second finding was a necessary adjustment to the amount of interest due customers based on the first finding. The Company agreed with the findings.

The Staff also reviewed the four adjustments submitted by Piedmont pursuant to the Authority's *Order* in TRA Docket No. 13-00119.³ Based on the documentation submitted by the Company, the Staff concluded that the adjustments totaling \$2,016,256.44 were appropriate gas costs and included those adjustments in the current audit for recovery from customers.

The Staff then determined that the correct ACA account balance was \$4,711,196.01 in under-recovered gas costs, including the four adjustments totaling \$2,016,256.44. The Staff further concluded that, except for the findings noted in the Audit Report, Piedmont was correctly implementing its Purchased Gas Adjustment Rider as calculated in the Actual Cost Adjustment, in accordance with TRA rules.

At a regularly scheduled Authority Conference held on October 19, 2015, the panel considered the Audit Report. The panel found that the correct Actual Cost Adjustment Account balance was an unrecovered amount of \$4,711,196.01, which included the four adjustments totaling \$2,016,256.44 necessary to recover prudent gas costs incurred in prior years. The panel further found that Piedmont was correctly implementing its Purchased Gas Adjustment Rider as calculated in the Actual Cost Adjustment in accordance with TRA rules. Therefore, the panel voted unanimously to approve the October 6, 2015 TRA Staff Audit Report, including findings, conclusions and recommendations contained therein.

³ See *Order*, Exhibit A, p. 12.

IT IS THEREFORE ORDERED THAT:

The Actual Cost Adjustment Compliance Audit Report of Piedmont Natural Gas Company, Inc.'s annual deferred gas cost account filing for the year ended June 30, 2013, a copy of which is attached to this Order as Exhibit 1, is approved and adopted, and is incorporated in this Order as though fully rewritten herein.

Vice Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director Robin Morrison concur.

ATTEST:



Earl R. Taylor, Executive Director

EXHIBIT 1

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 6, 2015

IN RE:)
)
PIEDMONT NATURAL GAS COMPANY) **Docket No. 14-00150**
ACTUAL COST ADJUSTMENT (ACA) AUDIT)

**NOTICE OF FILING BY THE UTILITIES DIVISION OF THE TENNESSEE
REGULATORY AUTHORITY**

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Regulatory Authority hereby gives notice of its filing of the Compliance Audit Report of the Actual Cost Adjustment (hereafter "ACA") Component of the Purchased Gas Adjustment Rule ("PGA Rule") for Piedmont Natural Gas Company (hereafter the "Company") in this docket and would respectfully state as follows:

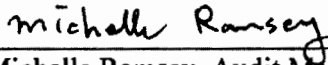
1. The present docket was opened by the Authority to hear matters arising out of the audit of the Company's ACA filing for the period July 2012 through June 2013.
2. The Company's ACA filing was received on December 8, 2014 following the Authority's decision at the regularly scheduled Authority Conference held on December 1, 2014 in Docket No. 13-00119,¹ and Audit Staff ("Staff") completed its audit of same on September 2, 2015. The original 180-day deadline for the Staff's completion of the audit was

extended on several occasions, lastly to October 31, 2015, by mutual consent of Company and the TRA Audit Staff as provided for in the Purchased Gas Adjustment Rule 1220-4-7-.03(2).

3. On September 3, 2015, the Utilities Division submitted its preliminary ACA audit findings to the Company via e-mail. The Company responded on September 3, 2015 via email and this response has been incorporated into the final report. The Report is attached hereto as Exhibit A and is fully incorporated herein by this reference.

4. The Utilities Division hereby files its Report with the Tennessee Regulatory Authority for deposit as a public record and approval of the recommendations and findings contained therein.

Respectfully Submitted:


Michelle Ramsey, Audit Manager
Utilities Division of the
Tennessee Regulatory Authority

¹ See *In Re: Petition of Piedmont Natural Gas Company, Inc. to Adjust the June 30, 2012 ACA Ending Balance for Prior Period Adjustments*, Docket No. 13-00119, *Order Approving Settlement Agreement*, (January 12, 2015).

CERTIFICATE OF SERVICE

I hereby certify that on this 6th day of October, 2015, a true and exact copy of the foregoing has been either hand-delivered or delivered via U.S. Mail, postage pre-paid, to the following persons:

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Chairman
Tennessee Regulatory Authority
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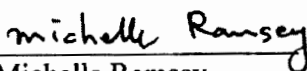

Michelle Ramsey

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

Piedmont Natural Gas Company

ACTUAL COST ADJUSTMENT

DOCKET NO. 14-00150

PREPARED BY

TENNESSEE REGULATORY AUTHORITY

UTILITIES DIVISION

October 2015

COMPLIANCE AUDIT
PIEDMONT NATURAL GAS COMPANY

ACTUAL COST ADJUSTMENT

DOCKET NO. 14-00150

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I. INTRODUCTION

The subject of this audit is Piedmont Natural Gas Company's ("Piedmont" "Company" or "PNG") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Regulatory Authority ("TRA" or the "Authority"). The objective of the audit was to determine whether the Purchased Gas Adjustments ("PGA"), which are encompassed by the Actual Cost Adjustment ("ACA")¹, for the twelve (12) months ended June 30, 2013, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

On December 8, 2014, the TRA Audit Staff (hereafter "Staff") received PNG's ACA filing supporting the activity in its deferred gas cost account ("ACA Account") for the period July 1, 2012 through June 30, 2013. Staff's audit resulted in two (2) findings.² The net amount of these findings is **\$22,632.31 in over-recovered gas costs**. The Company's reported June 30, 2013 balance of **\$4,733,828.32 in under-recovered gas costs** is decreased by the \$22,632.31 over-collected gas costs determined in this audit. The corrected balance in the ACA Account at June 30, 2013 is **\$4,711,196.01 in under-recovered gas costs**. The amount of the Company's errors represent less than one percent of its total gas invoices (approximately \$87 million), and is therefore immaterial by comparison. Staff concludes that except for the findings noted in this report, PNG is correctly implementing its Purchased Gas Adjustment Rider as calculated in the Actual Cost Adjustment, in accordance with TRA rules for Piedmont Natural Gas Company.

III. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Piedmont Natural Gas Company (local distribution company), with headquarters at 83 Century Boulevard, Nashville, Tennessee, is an operating division of Piedmont Natural Gas Company (parent company), which has its headquarters at 4720 Piedmont Row Drive, Charlotte, North Carolina. On February 12, 2008, the Company notified the Authority of its intent to change the name under which it operates in Tennessee from Nashville Gas Company to its corporate name of Piedmont Natural Gas Company, Inc. The Authority issued an order on March 31, 2008 in Docket No. 08-00028 approving the change. Piedmont is a natural gas distributor that provides service to several communities in the Middle Tennessee area. The natural gas used to serve these areas is purchased from producers and marketers and transported to Piedmont's city gate through the interstate transmission facilities of Tennessee Gas Pipeline ("TGP"), Columbia Gas Transmission Corporation ("CGTC"), Texas Eastern Gas Pipeline ("TETCO") and Midwestern Gas Transmission Company ("MGT").

¹ The ACA is more fully described in Section V.

² Refer to Section VII for a description of the findings.

IV. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY

Tennessee Code Annotated ("T.C.A.") gave jurisdiction and control over public utilities to the Tennessee Regulatory Authority. T.C.A. §65-4-104 states that:

The [A]uthority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, T.C.A. §65-4-105 grants the same power to the Authority with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The Utilities Division Staff of the TRA is responsible for auditing those energy, water and wastewater utilities under the Authority's jurisdiction to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Authority. Michelle Ramsey conducted this audit.

V. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

Actual Cost Adjustment Audits:

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Regulatory Authority. The PGA Rule permits a gas company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that a company does not over-collect or under-collect gas costs from its customers. The PGA consists of three major components:

1. **The Actual Cost Adjustment ("ACA")**
2. **The Gas Charge Adjustment ("GCA")**
3. **The Refund Adjustment ("RA")**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the TRA in another docket) as reflected in the Deferred Gas Cost account. The ACA then "true-up" the difference between the actual gas costs and the gas costs recovered from customers through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

Each year, the Company shall file with the [Authority] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Authority] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180-day notification period may be extended by mutual consent of the Company and the [Authority] Staff or by order of the [Authority].

Prudence Audit of Gas Purchases:

Section 1220-4-7-.05 of the PGA Rule requires, unless otherwise ordered by the Authority, an "Audit of Prudence of Gas Purchases" by a qualified consultant. This specialized audit evaluates and reports annually on the prudence of any gas costs included in the PGA. In Docket 96-00805, Nashville Gas was authorized to operate under a Performance-Based Ratemaking Mechanism ("PBR" or "Incentive Plan"), beginning July 1, 1998, and continuing each year unless terminated by the Company or the Authority. For each year that the mechanism is in effect, the requirements of Section 1220-4-7-.05 of the PGA Rule are waived. On December 14, 2007, the TRA issued an order in Docket 05-00165 approving a revised Incentive Plan for Nashville Gas, effective July 1, 2006. This revised Incentive Plan replaces the annual prudence review of the Company's gas purchasing activities.

VI. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of PNG's ACA Account. The audit goal is to verify that the Company's calculations of gas costs incurred and recovered are materially correct,³ and that the Company is following all Authority orders and directives with respect to its calculation of the ACA Account balance. Also included in this audit is the Company's PGA⁴ filing implementing a customer refund of the unaudited August 31, 2011 ACA Account balance

³ The audit goal is not to guarantee that the Company's results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review.

⁴ Tariff Filing No. 2011-0163.

filed September 29, 2011, effective November 1, 2011, and its PGA⁵ filing implementing a customer refund of the unaudited August 31, 2012 balance filed September 27, 2012, effective November 1, 2012.

To accomplish the audit goal, Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by the Company. Where appropriate, Staff requested additional information to clarify the filing.

VII. PRIOR PERIOD ADJUSTMENTS

On March 26, 2013, the Authority approved an over-collected ending balance of \$8,639,411.62 in the ACA Account as reported by Staff's audit report in Docket No. 12-00114 (ACA filing for the period of July 1, 2011 through June 30, 2012).⁶ On August 30, 2013, Piedmont filed a *Petition*⁷ with the Authority requesting approval of adjustments⁸ to that approved balance in its ACA Account in order to maintain consistency between the costs recorded in the ACA Account and the costs as recorded in the associated general ledger account. Specifically, PNG requested the Authority find that the amount approved in Docket No.12-00114 was overstated by \$3,664,354.59. This amount is comprised of five individual prior period adjustments totaling \$2,708,394.04, and a calculated interest component of \$955,960.55.

On November 13, 2014, Piedmont, the Consumer Advocate, and TRA Party Staff ("Parties") jointly filed a Settlement Agreement in Docket No. 13-00119 to resolve the issue. In the Settlement, the Parties agreed to eliminate Adjustment "D" in the amount of \$692,137.60, and the total interest calculations for the proposed prior period adjustments in the amount of \$955,960.55. Parties also agreed to submit the remaining four adjustments ("A", "B", "C" and "E"), totaling \$2,016,256.44, for audit and consideration for inclusion by Audit Staff in the ACA audit covering the period July 1, 2012 through June 30, 2013. This inclusion would be subject to a determination of whether the proposed adjustments were properly calculated and represent legitimate gas costs of the type appropriate for recovery from customers using the same standards applied to Piedmont's gas costs generally. The Settlement Agreement was approved by the Panel of Directors at a regularly scheduled Authority Conference on December 1, 2014. The proposed adjustments as presented on Settlement Exhibit A to the Settlement Agreement are:

⁵ Tariff Filing No. 2012-0329

⁶ See *In Re: Piedmont Natural Gas Company, Inc. ACTUAL COST ADJUSTMENT ACCOUNT FILING FOR THE PERIOD JULY 1, 2011 – JUNE 30, 2012*. Docket No. 12-00114, Order, p.2, (March 26, 2013).

⁷ See *In Re: Petition of Piedmont Natural Gas Company, Inc. TO ADJUST THE JUNE 30, 2012 ACA ENDING BALANCE FOR PRIOR PERIOD ADJUSTMENTS*. Docket No. 13-00119, Petition, pp. 1-2 (August 30, 2013)

⁸ Adjustments are related to the 2006 and 2007 ACA audit period.

	Original Proposed Adjustments			Settlement
	Principal	Interest	Total	
A. MGT	\$ 41,200.00	\$ 12,843.26	\$ 54,043.26	\$ 41,200.00
B. Est to Act Variance	\$ 309,357.47	\$ 122,280.80	\$ 431,638.27	\$ 309,357.47
C. TGP wire for credit	\$ 699,266.65	\$ 217,982.06	\$ 917,248.71	\$ 699,266.65
D. TGP Invoices	\$ 692,137.60	\$ 259,715.81	\$ 951,853.41	
E. FSMA adjustment	\$ 966,432.32	\$ 343,138.62	\$ 1,309,570.94	\$ 966,432.32
	<u>\$ 2,708,394.04</u>	<u>\$ 955,960.55</u>	<u>\$ 3,664,354.59</u>	<u>\$ 2,016,256.44</u>

Audit Staff reviewed the four adjustments with supporting documentation that was provided from Piedmont and Audit Staff's workpapers in audit Docket No. 06-00087⁹ and Docket No. 07-00174¹⁰ to determine if these adjustments represent legitimate gas costs and are properly calculated, as well as determining that they did not represent duplicate costs already submitted for recovery in a prior audit period. In this case, Audit Staff's workpapers of Docket No. 06-00087 and Docket No. 07-00174 were still available so Audit Staff was able to verify that the four adjustments are appropriate gas costs which were never recovered from Piedmont's customers. Accordingly in light of Audit Staff's independent verification of the propriety of the gas costs proposed for recovery in Docket No. 13-00119, as well as the Parties' Settlement Agreement approved by the Authority in that docket, Audit Staff agrees to include these adjustments in the current audit for recovery from customers through Piedmont's ACA Account, in accordance with TRA Rule 1220-4-7-.02 and 1220-4-7.03(1)(c).

⁹ See *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, 2005*. Docket No. 06-00087.

¹⁰ See *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.

VIII. ACA AUDIT FINDINGS

The result of Staff's audit was a **net over-recovery of \$22,632.27** which has the effect of decreasing the Company's under-recovered balance at June 30, 2013 by this amount. A summary of the account as filed by the Company and as adjusted by Staff is shown below, followed by a detailed description of each finding.

SUMMARY OF THE ACA ACCOUNT:

	Company	Staff	Difference (Findings)
Commodity Balance at 7/1/12	(\$10,266,774.33)	(\$10,266,774.33)	\$ 0.00
Plus Gas Costs ¹¹	69,772,478.91	69,751,187.00	(21,291.91)
Minus Recoveries	48,658,324.34	48,658,324.34	0.00
Ending Balance before Interest	\$ 10,847,380.24	\$ 10,826,088.33	(\$ 21,291.91)
Plus Interest	(\$ 29,747.23)	(\$ 31,087.59)	(\$ 1,340.36)
Commodity Balance at 6/30/13	<u>\$ 10,817,633.01</u>	<u>\$ 10,795,000.74</u>	<u>(\$ 22,632.27)</u>
 Demand Balance at 7/1/12	 \$ 1,627,362.71	 \$ 1,627,362.71	 \$ 0.00
Plus Gas Costs ¹²	16,848,269.41	16,848,269.41	0.00
Minus Recoveries	24,556,145.41	24,556,145.41	0.00
Ending Balance before Interest	(\$ 6,080,513.29)	(\$ 6,080,513.29)	\$ 0.00
Plus Interest	(\$ 3,291.40)	(\$ 3,291.40)	\$ 0.00
Demand Balance at 6/30/13	<u>(\$ 6,083,804.69)</u>	<u>(\$ 6,083,804.69)</u>	<u>\$ 0.00</u>
 Total ACA Ending Balance at 6/30/13	 <u>\$ 4,733,828.32</u>	 <u>\$ 4,711,196.05</u>	 <u>(\$ 22,632.27)</u>

Note: A negative number indicates an over-recovery of gas costs.

SUMMARY OF FINDINGS:

COMMODITY:

See Page

FINDING #1	Storage Costs	(21,291.91)	Over –recovery	7
FINDING #2	Interest – Commodity	<u>(1,340.36)</u>	Over-recovery	8
Net Result		<u>\$ (22,632.27)</u>	Over-recovery	

¹¹ See *In Re: Petition of Piedmont Natural Gas Company, Inc. To Adjust the June 30, 2012 ACA Ending Balance For Prior Period Adjustments*. Docket No. 13-00119, *Order Approving Settlement Agreement*, Exhibit A, (January 12, 2015). Adjustment B and E were included.

¹² *Id.* Adjustment A and C were included.

FINDING #1:

Exception

The Company miscalculated the Storage Inventory Activities.

Discussion

In calculating the balance in the ACA Account each month, total invoiced gas costs are charged (debited) to the ACA Account. If some of that gas is injected into storage the cost of the injected gas is credited back to the account, so that customers do not pay for gas until they actually use it. That occurs when gas is withdrawn from storage by the Company at a later date for delivery to its customers. The Company filed separate schedules for Storage accounts FSMA, FSPA, FSSNASH and LNG to report Storage Inventory activities.

In August 2012, the Company used incorrect injection rates in calculating the cost of gas injected into storage for FSMA and FSS. The result of this error was a \$41,767.65 increase for FSMA and a \$33,625.14 increase for FSS in the injected gas cost, which should have been credited to the ACA Account.

Since withdrawal rates used to calculate the cost of gas withdrawn from storage are based on the weighted average cost of gas injected into storage, the withdrawal rates used for August 2012 through June 2013 were also incorrect for FSMA and FSS Storage accounts. These errors increased the cost of withdrawals which are debited to the ACA Account by \$24,451.60 for FSMA and \$29,649.28 for FSS.

The result of the above adjustments was a net decrease in Commodity gas costs of **\$21,291.91**. This represents an **over-recovery of gas costs**.

Company Response

The Company is in agreement with the above Audit Staff finding in the amount of (\$21,291.91) and will adjust its records accordingly.

FINDING #2:

Exception

The Company understated the amount of interest due to customers in the Commodity component of the ACA filing.

Discussion

Staff adjusted the Company reported Commodity ACA interest due to customers, resulting from Audit Finding #1 above. The result of this finding is an **increase in interest due to customers of \$1,340.36 (Over-recovery)**.

Company Response

The Company is in agreement with the above Audit Staff finding in the amount of (\$1,340.36) and will adjust its records accordingly.

IX. CONCLUSIONS AND RECOMMENDATIONS

Staff reviewed the gas costs and recoveries of Piedmont Natural Gas Company for the 12-month period ended June 30, 2013. As reported in the body of this report, Staff concludes that the Purchased Gas Adjustment mechanism, as calculated in the Actual Cost Adjustment, appears to be working properly and in accordance with the TRA rules for PNG. Staff's audit procedures revealed two monetary findings reported in Section VII, with which the Company concurs. Based on the Company's filing and the audit adjustments by Staff, the net balance in the ACA Account as of June 30, 2013 was \$4,711,196.01. This means that as of June 30, 2013 the Company had under-collected this amount from its customers. This balance will become the beginning balance at July 1, 2013 in the Company's next ACA filing, thereby correcting all errors noted in this report. **Staff recommends approval of the Company's adjusted ACA Account balances.**

Staff reviewed the prior period adjustments contained in Settlement Agreement in Docket No. 13-00119 and was able to verify that adjustments represent legitimate gas costs and Piedmont calculated these adjustments appropriately. **Staff recommends approval of Prior Period Adjustments of \$2,016,256.44 to be included and recovered through ACA Account.**

APPENDIX A

PGA FORMULA¹³

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + \text{DACA}}{\text{SF}} - \text{DB} + \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

$$\text{Non-Firm GCA} = \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

¹³ Pursuant to Docket 03-00209, the PGA Formula has been amended to include the gas cost portion of uncollectible accounts.

ST = Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{\text{DR1} - \text{DR2}}{\text{SFR}} + \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

$$\text{Non-Firm RA} = \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

where

RA = The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

CR2 = A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR3 = The residual balance of an expired Refund Adjustment.

i =	Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.
SFR =	Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.
STR =	Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.