

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

October 23, 2025

IN RE:

**PIEDMONT NATURAL GAS COMPANY
ACTUAL COST ADJUSTMENT (ACA) AUDIT**

Docket No. 25-00067

**NOTICE OF FILING BY THE UTILITIES DIVISION OF
THE TENNESSEE PUBLIC UTILITY COMMISSION**

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Public Utility Commission 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 Commission to hear matters arising out of the audit of the Company’s ACA filing for the period July 2024 through June 2025.
2. The Company’s ACA filing was received on August 29, 2025. Audit Staff (“Staff”) completed its audit of the same on October 22, 2025.
3. On October 17, 2025, the Utilities Division submitted its preliminary ACA audit findings to the Company via email. The Company responded on October 20, 2025, via email, and the 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 attached as Exhibit A with the Tennessee Public Utility Commission for deposit as a public record and requests approval of the recommendations and findings contained therein.

Respectfully Submitted:

A handwritten signature in cursive script that reads "Grace Marek".

Grace Marek, MBA
Utilities Division of the
Tennessee Public Utility Commission

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of October 2025, a true and exact copy of the foregoing has been either hand-delivered or delivered via E-mail to the following persons:

David F. Jones
Chair
Tennessee Public Utility Commission
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Grace Marek

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

Piedmont Natural Gas Company

ACTUAL COST ADJUSTMENT

DOCKET NO. 25-00067

PREPARED BY

TENNESSEE PUBLIC UTILITY COMMISSION

UTILITIES DIVISION

October 2025

COMPLIANCE AUDIT
PIEDMONT NATURAL GAS COMPANY

ACTUAL COST ADJUSTMENT

DOCKET NO. 25-00067

TABLE OF CONTENTS

	<u>PAGE NO.</u>
I. INTRODUCTION	1
II. AUDIT OPINION	1
III. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS	1
IV. JURISDICTION OF THE TENNESSEE PUBLIC UTILITY COMMISSION	2
V. DESCRIPTION OF THE PURCHASED GAS ADJUSTMENT RULE	2
VI. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT	3
VII. ACA AUDIT FINDINGS	4
VIII. CONCLUSIONS AND RECOMMENDATIONS	6
APPENDIX A – PGA FORMULA	7

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 Public Utility Commission (hereafter the "TPUC" or the "Commission")¹. The objective of the audit was to determine whether the Purchased Gas Adjustments ("PGA"), which are encompassed by the Actual Cost Adjustment ("ACA")², for the twelve (12) months ended June 30, 2025, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

On August 29, 2025, the TPUC 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, 2024 through June 30, 2025. Staff's audit resulted in two (2) findings³. The net amount of these findings is **\$6,889.80 in over-recovered gas costs**. The Company's reported June 30, 2025, under-recovered ACA balance of 4,474,586.36 is decreased by \$6,889.80 due to over-collected gas costs determined in this audit. The corrected balance in the ACA Account as of June 30, 2025 is **4,467,696.56 in under-recovered gas costs**. The amount of the Company's errors represents less than one percent of its total gas invoices 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 TPUC 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 525 South Tryon Street, 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 As of April 5, 2017, the name of Tennessee Regulatory Authority has changed to the Tennessee Public Utility Commission and board member of the agency will be known as Commissioners rather than Directors.

² The ACA is more fully described in Section V.

³ Refer to Section VII for a description of the findings.

IV. JURISDICTION OF THE TENNESSEE PUBLIC UTILITY COMMISSION

Tennessee Code Annotated (“T.C.A.”) gave jurisdiction and control over public utilities to the Tennessee Regulatory Authority, now the Tennessee Public Utility Commission. 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 TPUC is responsible for auditing those energy, water and wastewater utilities under the Commission’s jurisdiction to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Commission. This audit was performed by Grace Marek and Aisha Salem of the Utilities Division.

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, now the Tennessee Public Utility Commission. 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 TPUC 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,⁴ and that the Company is following all Commission orders and directives with respect to its calculation of the ACA Account balance. On September 30, 2025, Piedmont filed a PGA to change the ACA factor to begin collecting the net unaudited balance in the ACA Account as of August 31, 2025, effective November 1, 2025.⁵

⁴ 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.

⁵ Tariff No. 2025-0038. As of August 31, 2025, the net balance in the ACA Account was \$5,205,796.79 in under-recovered gas costs.

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. ACA AUDIT FINDINGS

Staff's audit findings totaled a net over-recovery of \$6,889.80. This amount results from the net total of two (2) findings and represents a decrease to the Company's reported under-recovered ending balance in the ACA Account on June 30, 2025, of \$4,474,586.36. When added to the Company's calculated balance, the findings result in a net ending balance in the ACA account of \$4,467,696.56 in under-recovered gas costs. A summary of the ACA account as filed by the Company and as adjusted by the Staff is shown below, followed by a description of the findings.

SUMMARY OF THE ACA ACCOUNT:

	Company	Staff	Difference (Findings)
Commodity Balance at 7/1/24	(\$ 5,028,663.68)	(\$ 5,028,663.68)	\$ 0.00
Plus ACA Audit Adjustment ¹	118,782.99	118,782.99	0.00
Plus WNA Audit Adjustment ²	(201,570.00)	(201,570.00)	0.00
Plus Gas Costs	77,620,232.48	77,613,493.67	6,738.81
Minus Recoveries	<u>(64,081,974.36)</u>	<u>(64,081,974.36)</u>	<u>0.00</u>
Ending Balance before Interest	\$ 8,426,807.43	\$ 8,420,068.62	\$ 6,738.81
Plus Interest	<u>195,250.06</u>	<u>195,099.07</u>	<u>150.99</u>
Commodity Balance at 6/30/25	<u>\$ 8,622,057.49</u>	<u>\$ 8,615,167.69</u>	<u>\$ 6,889.80</u>
 Demand Balance at 7/1/24	 (\$1,885,241.48)	 (\$1,885,241.48)	 \$ 0.00
Plus Gas Costs	13,362,919.92	13,362,919.92	0.00
Minus Recoveries	<u>(15,443,325.18)</u>	<u>(15,443,325.18)</u>	<u>0.00</u>
Ending Balance before Interest	(\$ 3,965,646.74)	(\$ 3,965,646.74)	\$ 0.00
Plus Interest	<u>(181,824.39)</u>	<u>(181,824.39)</u>	<u>\$ 0.00</u>
Demand Balance at 6/30/25	<u>(\$ 4,147,471.13)</u>	<u>(\$ 4,147,471.13)</u>	<u>\$ 0.00</u>
 Total ACA Ending Balance at 6/30/25	 <u>\$ 4,474,586.36</u>	 <u>\$ 4,467,696.56</u>	 <u>\$ 6,889.80</u>

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

¹ ACA Audit Finding from Docket 24-00062.

² WNA Audit Finding from Docket No. 25-00045.

SUMMARY OF FINDINGS:

COMMODITY:

				<u>See page</u>
FINDING #1	Gas Costs – Rate Case Expense	\$ 6,738.81	Over-recovery	5
FINDING #2	Interest - Commodity	\$ 150.99	Over-recovery	5
	Net Result	<u>\$ 6,889.80</u>	Over-recovery	

FINDING #1:

Exception

The Company overstated the amount of rate case expense associated with Docket No. 20-00086.

Discussion

On March 21, 2022, the Tennessee Public Utility Commission approved the Company's Motion for Approval of Rate Case Expense Rider Rates in Docket No. 20-00086. The Rider Rates were in effect, as approved, for a 36-month period beginning April 1, 2022. Although the Rider Rates were designed to collect \$660,575, the actual collection pursuant to the Rider Rates was ultimately trued-up to the actual rate case expense totaling \$655,386. Over the 36-month period, the actual Rider Rates collected \$612,951, leaving a remaining under-collected amount of \$42,434.28. The Company reported this under-collected amount as 49,173.09 in its filing, rather than the actual under-collected amount of \$42,434.28. This finding **decreases the Company's reported under-recovered ACA Account Balance as of June 30, 2025, by \$6,738.81 in the Commodity section.**

Company Response

Piedmont has no objection to the audit finding.

FINDING #2:

Exception

The Company overstated the amount of interest due from customers in the Commodity component of the ACA filing.

Discussion

Based on the corrections discussed in Finding #1, the Staff was required to recalculate the total interest based on the corrected monthly balances in the Piedmont ACA Account. This finding **decreases the Company's reported under-recovered ACA Account Balance as of June 30, 2025, by \$150.99 in the Commodity section.**

Company Response

Piedmont has no objection to the audit finding.

VIII. CONCLUSIONS AND RECOMMENDATIONS

Staff reviewed the gas costs and recoveries of Piedmont Natural Gas Company for the 12-month period ended June 30, 2025. 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 TPUC rules for PNG. Staff's audit procedures revealed two (2) 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, 2025, was \$4,467,696.56.** This means that as of June 30, 2025, the Company had under-collected this amount from its customers. This balance will become the beginning balance on July 1, 2025, in the Company's next ACA filing. **Staff recommends approval of the Company's adjusted ACA Account balances.**

APPENDIX A

PGA FORMULA⁶

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.

⁶ 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.