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December 13, 2005

VIA UPS OVERNIGHT

The Honorable Ron Jones
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. – Docket No. 05-00165

Dear Chairman Jones:

Pursuant to the procedural schedule established in this proceeding and Tenn. Comp. R. and Reg. 1220-1-1-2-.11, Nashville Gas Company respectfully submits a copy of the Responses of Nashville Gas Company to the Audit Staff's First Discovery Requests. All Confidential responses and documents have been submitted under seal and marked Confidential.

Please accept these Responses for filing and return one filed-stamped copy of this letter to me in the enclosed self-addressed and stamped envelope.

Thank you for your assistance with this matter. If you have any questions regarding this filing, you may reach me at the number shown above.

Sincerely,

James H. Jeffries IV

JHJ/bao

Enclosure

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 13, 2005

IN RE:

REVIEW OF NASHVILLE GAS COMPANY'S IPA RELATING TO ASSET MANAGEMENT FEES	))	**DOCKET NO. 05-00165**

**RESPONSES OF NASHVILLE GAS COMPANY,
A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC.,
TO THE AUDIT STAFF'S FIRST DISCOVERY REQUESTS**

Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. ("Nashville Gas", or "Company"), pursuant to the Tennessee Regulatory Authority's November 28, 2005, *Order Establishing Procedural Schedule* and Tenn. Comp. R. and Reg. 1220-1-1-2-.11, respectfully submits the following responses to the Audit Staff's First Discovery Requests.

<u>General Objections</u>

Nashville Gas objects to Audit Staff's First Discovery Requests to Nashville Gas Company to the extent that they seek the disclosure of information or documents:

1. Beyond the scope of legitimate discovery in this proceeding;
2. Subject to the attorney-client privilege;
3. Constituting attorney work product; or
4. Prepared in anticipation of litigation.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
November 14, 2005

INTERROGATORIES

Interrogatory No. 1:

Provide the percentage of reserve margin in excess of the maximum peak day firm demand capacity contracted for by Piedmont on behalf of Nashville Gas Company for each of the plan years beginning July 1, 1996 through June 30, 2005. Include both transportation capacity and storage capacity.

Response: See attached schedules for winter 1998-1999 through winter 2004-2005. Schedules for years prior are no longer available.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
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Interrogatory No. 2:

Provide the dollar amount of proceeds received by Nashville Gas for the release of off-peak unutilized transportation and storage capacity in the secondary market for each of the plan years beginning July 1, 1996 through June 30, 2005. Provide the percentage of released capacity to total subscribed capacity purchased from the pipeline for each plan year during the same time period.

Response: Please see the attached schedules.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
November 14, 2005

Interrogatory No. 3:

Provide the methodology and formula Piedmont uses, in planning for future capacity requirements, to calculate the level of peak day capacity plus reserve margin sufficient to serve its firm customer needs and to maximize savings available under Nashville's Incentive Plan.

Response: The level of Piedmont's peak day capacity is designed to match its forecasted firm design day demand plus reserve margin. Piedmont's reserve margin is computed as five percent of the forecasted firm design day demand.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
November 14, 2005

Interrogatory No. 4:

What percentage of reserve margin above the projected maximum peak day capacity requirement does the Company believe is necessary to protect the needs of its firm customers?

Response: Piedmont uses a reserve margin, calculated as 5% of its firm design day demand.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
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Interrogatory No. 5:

What were the financial results of Piedmont's participation in the futures market on behalf of Nashville Gas for each plan year, beginning July 1, 1996 through June 30, 2005? Include in your answer the net savings and losses resulting from such participation in each plan year.

Response: Please see the attached schedules.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
November 14, 2005

Interrogatory No. 6:

Under Nashville Gas' Gas Supply Incentive Compensation Program, for each incentive plan year beginning July 1, 1996 through June 30, 2005, provide the number of Nashville Gas employees and Piedmont employees (whose compensation is allocated or otherwise charged to Tennessee operations) who received incentive pay and the total dollar amount of incentive pay charged to Tennessee operations.

Response: Please see the attached schedule.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
November 14, 2005

Interrogatory No. 7:

Does Piedmont utilize an asset manager for any or all of its regulated companies in North Carolina and South Carolina? If so, answer the following questions:

(1) Is (are) the asset manager(s) selected using an RFP process?

(2) Does the RFP process(es) differ from the process followed in Tennessee? If so, please provide a detailed explanation of the difference(s).

(3) Are asset management fees included in any of the incentive plans in North Carolina or South Carolina? If so, identify the plan(s), the effective date of each relative to the inclusion of asset management fees, and the relevant provision in each plan that addresses the treatment of these asset management fees.

(4) For each plan identified in sub-paragraph (3) above, explain the sharing mechanism that addresses asset management fees and the percentage of such fees that are retained by Piedmont.

Response:

1) In most instances asset managers for the Carolinas have been selected using an RFP process.

2) The RFP process utilized for the Carolinas is identical to the process used for Nashville Gas with the exception that the Company is not required to annually publish that the Company is soliciting bids for RFP's in the Carolinas.

3) The Company does not operate under incentive plans in North Carolina and South Carolina. Instead, sharing mechanisms are in place in both states providing for a 75% / 25% sharing ratio of dollars recovered by the Company through the release of its excess capacity, including under asset management arrangements. The orders approving the sharing mechanisms are attached to this response. The orders do not specifically mention gas asset management fees; however, in all prudence reviews before the North Carolina Utilities Commission (NCUC) and the Public Service Commission of South Carolina (PSCSC), these fees have been approved for inclusion in the sharing mechanism.

The effective date of the North Carolina sharing mechanism was November 1, 1995. The South Carolina sharing mechanism was approved effective November 1, 2002.

4) Both North Carolina and South Carolina sharing mechanisms provide for a 75% ratepayer / 25% Company sharing ratio.

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2002-63-G - ORDER NO. 2002-761

NOVEMBER 1, 2002

IN RE: Application of Piedmont Natural Gas Company for an Adjustment of its Rates and Charges and for Approval of Revised Depreciation Rates	)	ORDER APPROVING NEW RATES AND CHARGES AND DEPRECIATION RATES

I. INTRODUCTION

This matter comes before the South Carolina Public Service Commission (hereinafter the "Commission") by way of the Application of Piedmont Natural Gas Company, Inc. (hereinafter "the Company"), filed on May 3, 2002, for an increase in certain rates and charges for natural gas services provided by the Company in South Carolina and for approval of revised depreciation rates. The Application was filed pursuant to S.C. Code Ann.§58-5-240 (Supp. 2001), as amended, and R.103-830, et seq of the Commission's Rules and Regulations.

On May 17, 2002, the Commission's Executive Director instructed the Company to cause to be published a prepared Notice of Filing and Hearing once a week for two consecutive weeks in newspapers of general circulation in the Company's service area. The Notice of Filing and Hearing indicated the nature of the Company's Application and advised all interested parties desiring to participate in the proceeding of the manner and time in which to file the appropriate pleadings. It also indicated that a hearing would be held in the instant proceeding. The Company was required to notify directly all customers affected by the proposed rates and charges. On July 22, 2002, the Company furnished affidavits and certification demonstrating that the Notice of

(2) The Company's current facilities charges are out-of-line with facilities charges imposed by gas distribution companies in other jurisdictions in the Southeast and with the fixed charges for other products and services.

(3) Although the shifting of cost from the volumetric rate to the facilities charge may cause some shifting among individual residential customers, it does not increase the total revenue obtained from the residential customers. It does, however, better match costs with cost causation.

(4) Higher facilities charges will enable the Company to recover more of its costs from new customers in fixed charges as they are added to the system, making it more economical for the Company to continue to add residential customers in South Carolina.

K. Approved Rates.

Based on the foregoing analysis of the evidence and a careful consideration of the entire record, the Commission finds and concludes that the rates attached hereto as Appendix A are fair and reasonable to the Company's customers and shareholders.

XII. OFF-SYSTEM SALES AND CAPACITY RELEASE.

The Staff recommended that the Company's PGA be amended to reflect a sharing of margin from off-system sales and capacity release transactions. More specifically, the Staff recommended that margin from off-system sales and capacity release transactions be subject to a sharing mechanism pursuant to which 75% of such margin or cost credits would be credited to the deferred cost of gas account 25304 and the Company would retain 25% of the margin. No party objected to this proposal, and the Commission finds it to be fair and reasonable. The Commission also finds that capacity release credits and off-system sales shall be allocated to South Carolina using the same design day methodology as approved herein for fixed demand costs.

XIII. DEPRECIATION RATES.

The Company's present depreciation rates were approved by the Commission on November 7, 1995, in Order No. 95-1649 in Docket No. 95-715-G. In 1999, the Company completed a new depreciation study based on depreciable property in service as of October 31, 1998. A copy of that study was filed with the application in this docket. The Company requested approval of the new depreciation rates contained in the filed depreciation study. Staff witness Sires testified that the new depreciation rates would decrease annualized depreciation expense based on total South Carolina plant at January 31, 2002, by $159,464. No party opposed the new depreciation rates, and the Commission finds them to be appropriate.

XIV. FINDINGS AND CONCLUSIONS.

Based upon the foregoing considerations and after a full review of the testimony, exhibits and complete record in this proceeding, the Commission has made the following findings and reached the following conclusions concerning the operations, the rate of return and the reasonable earnings requirements to be allowed the Company:

1. That Piedmont Natural Gas Company, Inc., is a gas utility and is subject to the jurisdiction of this Commission, pursuant to S.C. Code Ann.§§58-5-10, et seq. (Law Co-op. 1977);

2. That the appropriate test period for the purposes of this proceeding is the twelve-month period ended January 31, 2002;

3. That the Company in its Application is seeking an increase in rates and charges to certain customers in this proceeding that will produce additional annual revenues of $15,336,891;

4. That an end of test year, original cost rate base, as adjusted, of $184,083,962 consisting of the components set forth in this Order should be adopted for ratemaking purposes;

5. That the capital structure set forth in this Order should be adopted for this proceeding;

6. That the rate of return on the Company's rate base, during the test year, after accounting and pro forma adjustments, and prior to any rate adjustments, was 7.60%;

7. That a fair and proper return on common equity for the Company is 12.6%, which produces the additional revenues of $8,381,220 which are fair and reasonable;

8. That the Company's embedded cost of long-term debt of 7.71% and a cost of common equity of 12.6% should be used in the determination of a fair overall rate of return;

9. That the accounting and pro forma adjustments set forth in Section IV of this order are reasonable and proper;

10. That the total income for return for the test period, after accounting and pro forma adjustments and prior to rate adjustments, was $13,991,526, and that such amount of income is insufficient based on the reasonable rate of return found in this proceeding;

11. That approval should be given for rates and charges which will provide additional annual gross revenues to the Company of $8,381,220 on its gas operations;

12. That the additional revenues allowed would produce a rate of return on approved rate base of 10.39% which is found to be fair and reasonable in this proceeding;

13. That such additional revenues and the return which these revenues produce are well within the range of reasonableness and fairness and must be provided if the Company is to meet all of its customer requirements;

14. That the additional revenues would provide a rate of return on common equity of 12.6%;

15. That the schedule of rates and charges attached hereto as Appendix A are fair and reasonable and should be approved for service rendered on and after November 1, 2002;

16. That the schedule of WNA factors attached hereto as Appendix B, and allocation of costs of gas attached hereto as Appendix C are fair and reasonable and should be approved for service rendered on and after November 1, 2002;

17. That the Company should file with the Commission within 7 days from the date of this Order, rate schedules which reflect the rates contained in Appendix A and tariffs reflecting the findings contained herein;

18. That the changes to the Company's tariffs set forth in Exhibit 3 to the Application be, and they hereby are, approved;

19. That the depreciation rates set forth in Exhibit 2 to the Application be, and they hereby are, approved;

20. That beginning with the effective date of the rates approved herein, 75% of the margin or cost savings realized from off-system sales and capacity release transactions shall be credited to the deferred cost of gas account 25304 and the Company shall be entitled to retain the remaining 25%;

21. That the Company should continue to file with this Commission, as previously ordered, quarterly reports showing:

(1) Rate of return on rate base;

(2) Return on common equity;

(3) Earnings per share of common stock; and

(4) Debt coverage ratio of earnings to fixed charges.

IT IS THEREFORE ORDERED:

1. That the proposed rate schedules filed by the Company on May 3, 2002, are not just and reasonable.

2. That the rates set forth in Appendix A hereto are reasonable and proper and are hereby approved.

3. That the WNA factors and allocation of costs of gas attached hereto in Appendices B and C are fair and reasonable and are hereby approved.

4. That beginning with the effective date of the rates approved herein, 75% of the margin or cost savings realized from off-system sales and capacity release transactions shall be credited to the deferred cost of gas account 25304 and the Company shall be entitled to retain the remaining 25%.

5. That the Company file all reports herein identified in accordance with the findings contained herein.

6. That this Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Mignon L. Clyburn, Chairman

ATTEST:

Gary E. Walsh, Executive Director
(SEAL)

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PCG
Officers
Directors
NC Dist Mgrs
SCF
JWA

MH 12/29/95

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

7

TRA Int #7 Order

BEFORE THE NORTH CARC ON

In the Matter of
Accounting for Secondary Mark
By Natural Gas Local Distributio

R APPROVING
STIPULATION

BY THE COMMISSION: On July 22, 1994, the Commission issued an Order in Docket No. G-100, Sub 63, adopting accounting procedures to be followed by the local distribution companies (LDCs), with respect to the net compensation they receive on certain transactions involving the sale of unutilized capacity rights. The Commission found that these transactions, known as buy/sell arrangements and capacity release transactions, are "clearly an integral part of managing gas system capacity rights." The Commission concluded that because Rule R1-17(k) guarantees full rate recovery of demand and storage charges, ratepayers should receive most of the net compensation from capacity sales that mitigate those costs. Accordingly, the Commission required the LDCs to record 90% of the net compensation from these transactions in their deferred accounts as a reduction of demand and storage charges for the purpose of the true-up under Rule R1-17(k)(4)(a).

On March 16, 1995, the Public Staff filed a Petition for Investigation in which it requested the Commission to institute an investigation into certain secondary market transactions which also involve the sale of unutilized capacity. In its Petition, the Public Staff stated that it was not prepared to recommend an accounting treatment for these transactions until it obtained a better understanding of the transactions.

On November 2, 1995, a Motion to Approve Stipulation and Stipulation was filed by the Public Staff, North Carolina Natural Gas Corporation (NCNG), Pennsylvania & Southern Gas Company (Penn and Southern), Piedmont Natural Gas Company, Inc., (Piedmont), Public Service Company of North Carolina, Inc. (Public Service), and Carolina Utility Customers Association, Inc. (CUCA).

In support of the Motion, the parties indicated that the Public Staff and the LDCs had met on several occasions to discuss an appropriate accounting for all interstate sales and transportation transactions entered into by an LDC involving use of its firm transportation or storage capacity rights on pipelines, the costs of which capacity are recovered from North Carolina utility customers under Rule R1-17(k) including, but not limited to, the transactions addressed in the Commission's Order of July 22, 1994, and transactions of the type referred to in the Public Staff's Petition for Investigation. As a result of these meetings, the parties stipulated and agreed as follows:

a. Effective November 1, 1995, each LDC shall record 75% of the net compensation received from secondary market transactions in its PGA deferred account as a reduction of demand and storage charges for the purpose of computing the demand and storage charges

The Public Staff, in its comments, states that it is net compensation from secondary market transactions not expressly covered in Docket No. G-100, Sub 63, that can be expected to grow. Net compensation from grandfathered buy/sell transactions can only be expected to stagnate or decline and net compensation from capacity release transactions can be expected to decline significantly as the market becomes increasingly competitive. According to the Public Staff, unlike the procedures adopted in Docket No. G-100, Sub 63, which served their purpose well, the Stipulation in this docket anticipates the possibility of many new types of transactions. It accepts the principle that ratepayers are entitled to a substantial portion of the revenues from such transactions, while providing an incentive to the LDCs to be creative and aggressive in developing new markets for their products and services. It also provides for LDC cooperation with the Public Staff in fulfilling its responsibilities to monitor and investigate the activities of the LDCs and their affiliates.

Piedmont, Penn and Southern, NCNG, and Public Service filed joint comments in this matter. These parties argue that the Commission should approve the Stipulation as filed because it represents a reasonable and just compromise of the LDCs' and the public's interests for the following reasons:

1. Off-system sales and sales for resale transactions are fundamentally different than buy/sell and capacity release transactions and do not fall within the scope of the Commission's July 22, 1994 Order in Docket No. G-100, Sub 63.

2. The Stipulation reasonably accommodates the desires of both the LDCs and the public and is a judicious compromise of their respective interests.

3. The proposed sharing ratio of 75/25 is reasonable and within the range of approved ratios for similar transactions.

CUCA states that the ability of the LDCs to enter into secondary market transactions promise significant benefits to end-users and provides the LDCs with a way to mitigate the impact of higher interstate pipeline capacity costs; that any increase in the extent to which the LDCs engage in secondary market transactions will, under the terms of the Stipulation, reduce the interstate pipeline capacity costs which must be recovered from the LDCs' existing ratepayers; that the best way to encourage the LDCs to engage in an optimal level of secondary market transactions is to provide them with a monetary reward for doing so; and that the amount of the incentive provided in the Stipulation does not strike CUCA as sufficiently great to create a real risk that the LDCs will "overbuy" capacity.

The Attorney General, in his reply, asserts that all transactions under the proposed Stipulation -- the buy/sell and capacity release transactions explicitly covered by the Commission's Order in Sub 63 as well as the new transactions that have evolved since then--use capacity which has been fully paid for by ratepayers; that the Commission has already ruled that recovery of 10% of net compensation by the LDCs is fully adequate for virtually identical transactions; and that no party has presented a need or justification for increasing the already generous incentives established by the Commission.

which to base their judgment at this time. The Commission will monitor the effect of the sharing ratio approved herein in the context of our annual review proceedings for the LDCs' gas costs. If experience demonstrates that a different sharing ratio might serve the ends of justice, the Commission reserves the right to revisit this issue and to reconsider our decision on this point prospectively.

IT IS, THEREFORE, ORDERED that the Stipulation filed with the Commission on November 2, 1995, providing for the accounting for secondary market transactions by natural gas local distribution companies, as set forth hereinabove, is hereby approved effective November 1, 1995, subject to the Commission's right to revisit the issue of the appropriate sharing ratio prospectively.

ISSUED BY ORDER OF THE COMMISSION.

This the 22nd day of December 1995.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

(SEAL)

Geneva S. Thigpen, Chief Clerk

Dave
Farmer

North Carolina Utilities Commission

Docket No. G-100, Sub 67

In the Matter of	)	
	)	Motion
Accounting for Secondary Market	)	to
Transactions by Natural Gas Local	)	Approve Stipulation
Distribution Companies	)	

The Public Staff--North Carolina Utilities Commission (Public Staff), North Carolina Natural Gas Corporation (NCNG), Pennsylvania & Southern Gas Company (P&S), Piedmont Natural Gas Company, Inc. (Piedmont), Public Service Company of North Carolina, Inc. (Public Service) and Carolina Utility Customers Association, Inc. (CUCA) hereby respecfully request the Commission to approve the Stipulation attached to this Motion for the reasons set forth in the Stipulation.

This the 2nd day of ~~October~~ November, 1995.

Public Staff - North Carolina Utilities Commission

By: Antoinette R. Wike

North Carolina Natural Gas Corporation

By: Jeffrey N. Surles / JWF

Pennsylvania & Southern Gas Company

By: James B. [illegible] IV

Piedmont Natural Gas Company, Inc.

By: Jerry W. [illegible]

Public Service Company of North Carolina, Inc.

By: J. Paul Douglas / JWT

Carolina Utility Customers Association, Inc.

By: Sam J. Ervin IV / JWT

North Carolina Utilities Commission

Docket No. G-100, Sub 67

In the Matter of	)	
	)	
Accounting for Secondary Market	)	Stipulation
Transactions by Natural Gas Local	)	
Distribution Companies	)	

The Public Staff--North Carolina Utilities Commission (Public Staff), the Attorney General of North Carolina (Attorney General), North Carolina Natural Gas Corporation (NCNG), Pennsylvania & Southern Gas Company (P&S), Piedmont Natural Gas Company, Inc. (Piedmont), Public Service Company of North Carolina, Inc. (Public Service) and Carolina Utility Customers Association, Inc. (CUCA) submit the following stipulation for the Commission's consideration.

1. On July 22, 1994, the Commission issued an order in Docket No. G-100, Sub 63 adopting accounting procedures to be followed by the LDCs with respect to the net compensation they receive on certain transactions involving the sale of unutilized capacity.

2. On March 16, 1995, the Public Staff filed a petition for investigation in which it requested the Commission to institute an investigation into certain secondary market transactions which also involve the sale of unutilized capacity. In its petition, the Public Staff stated that it was not prepared to recommend an accounting treatment for these transactions until it obtained a better understanding of the transactions.

3. The Public Staff and the LDCs have met on several occasions to discuss an appropriate accounting for all interstate sales and transportation transactions entered into by an LDC involving use of its firm transportation or storage capacity rights on pipelines the costs of which capacity are recovered from North Carolina utility customers under Rule R1-17(k), including, but not limited to, the transactions addressed in the Commission's order of

July 22, 1994 and transactions of the type referred to in the Public Staff's petition for investigation. As a result of these meetings, the parties stipulate and agree as follows:

a. Effective November 1, 1995, each LDC shall record 75% of the net compensation received from secondary market transactions in its PGA deferred account as a reduction of demand and storage charges for the purpose of computing the demand and storage charges true-up required by Rule R1-17(k)(4)(a). For purposes of this rule, "secondary market transactions" means all interstate sales or transportation transactions entered into by an LDC involving use of its firm transportation or storage capacity rights on pipelines the costs of which capacity are recovered from North Carolina utility customers under Rule R1-17(k), including, but not limited to, buy/sell, capacity release, off system sales or other sale for resale transactions. For purposes of this rule, "net compensation" means the gross compensation received by an LDC from a secondary market transaction less all transportation charges, taxes and other costs, including all costs incurred by the LDC in connection with the purchase of the gas directly related to the transaction. In the case of a secondary market transaction between an LDC and its affiliate, "gross compensation" shall not be less than the gross compensation received in connection with the same or similar transactions between the LDC and non-affiliated parties. If a secondary market transaction involves firm capacity a portion of which is allocated to a jurisdiction other than North Carolina, the amount recorded in the LDC's North Carolina PGA deferred account shall be determined in the same manner as would be used to allocate such capacity to North Carolina if the capacity were not subject to a secondary market transaction.

b. The LDCs acknowledge that G.S. §62-51authorizes the Public Staff to inspect the books and records of corporations affiliated with public utilities regulated by the Commission where such books and records relate either directly or indirectly to the provision of intrastate service by the utility, and this authorization extends both to books and records in the State of North Carolina and to books and records outside the State of North Carolina. The LDCs agree to cooperate with the Public Staff in complying with this statute, and the Public Staff agrees to cooperate with the LDCs to protect confidential and proprietary information inspected by the Public Staff pursuant to this statute.

4. To the extent that the order issued in respect of this stipulation shall be inconsistent with any other Commission order or any Commission-approved tariff or rider, the terms of the order approving this stipulation shall control.

5. The parties to this stipulation submit that this stipulation is in the public interest and respectfully request the Commission to approve this stipulation as soon as possible in order to permit it to become effective beginning November 1, 1995.

This the 2nd day of ~~October~~ November, 1995.

Public Staff - North Carolina Utilities Commission

By: Antoinette R. Wike

North Carolina Natural Gas Corporation

By: Jeffrey N. Surles / KM

Pennsylvania & Southern Gas Company

By: ______________________

Piedmont Natural Gas Company, Inc.

By: ______________________

Public Service Company of North Carolina, Inc.

By: J. Paul Douglas /KM

Carolina Utility Customers Association, Inc.

By: Sam J. Ervin IV /KM

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
November 14, 2005

Interrogatory No. 8:

Regarding the asset management function:

(1) Identify the reasons, including any underlying studies or other sources, that led Piedmont to seek the expertise of an outside asset manager to manage and maximize profits produced by Nashville Gas assets.

(2) Identify factors, such as the level of complexity, that make transactions made by asset managers different from transactions made by the staff of Piedmont's Gas Supply Department, considering Piedmont is a multi-state natural gas distributor.

(3) Does asset management require skills which differ from skills necessary to manage and conduct the day-to-day activity of the gas company? Explain.

(4) Provide Piedmont's best estimate of the annual proceeds Nashville Gas would receive by using its best efforts to market the unutilized assets of Nashville Gas (those assets currently being managed by an asset manager). Explain the basis of the estimate.

Response:

1) During the first few years of the incentive plan, the Company managed all of its assets and recorded its capacity release and secondary marketing transactions. During that time period, the Company was approached by several parties interested in managing the Company's Nashville Gas assets. It was decided by Company management to develop an asset management RFP, defining a plan detailing the asset manager's

responsibilities, and soliciting bids for the right to utilize the Company's assets when not required by the Company. Billing to the Company for nominated city-gate deliveries continued as if the Company had kept the assets. The Company then compared the asset management payment bids received by the Company and compared them to the dollar values achieved by the Company when it managed the assets themselves. The highest bid received by the Company for asset management was in excess of the savings the Company realized during its previous experience of managing the assets themselves. It was determined by the Company that the best way to lower cost was through the utilization of an asset manager. Although an asset manager manages the assets, the Company continues to direct deliveries made to the Company's city-gate as if it had retained the assets and managed the assets themselves. The Company also maintained the ability to make pool sales at daily index prices, the same as it would if no asset manager was employed. Following is a schedule of plan years since the inception of the incentive plan and related Company and Ratepayer gains during those time periods. The amounts above the black line represent the period the Company managed its assets themselves and amounts below the line represent results where an asset manager was employed. It is clear that superior results were achieved when an asset manager was employed. During the last three years the Company reached its maximum allowable gain, while the Ratepayer's gain has continued to grow significantly.

NASHVILLE GAS COMPANY
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DOCKET NO. 05-00165
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November 14, 2005

Plan Year Gains/Losses

Plan Year	Company Gain	Ratepayer Gain
July 1996 - June 1997	$454,829	$924,554
July 1997 - June 1998	$485,657	$855,300
July 1998 - June 1999	$175,263	$454,226
July 1999 - June 2000	$951,523	$1,272,029
July 2000 - June 2001	$1,410,200	$1,375,465
July 2001 - June 2002	$1,385,084	$1,207,494
July 2002 - June 2003	$1,600,000	$1,889,673
July 2003 - June 2004	$1,600,000	$1,903,655
July 2004 - June 2005	$1,600,000	$2,896,047

2) Asset managers purchase supply, arrange for transportation, make capacity releases and hedge, just as a utility might do. The most significant difference between an asset manager and a regulated utility is the level of assumed risk and risk management. An asset manager makes assumptions about the level of utilization of assets and weather. The asset manager may then sell on a forward basis the expected under utilization of the assets. The utility, because of its obligation to serve its firm customers, can not plan under these assumptions. The utility has to plan that peak weather conditions will occur on both a daily and seasonal basis. Because of this obligation to serve customers, the regulated utility is precluded from marketing assets that may need to be utilized while the

asset manager accepts such risk and may be forced to repurchase marketed assets when unanticipated weather occurs, often at a loss. Because of the possibility of such loss, it is imperative that the utility implement asset management with a counterparty that is credit worthy and able to sustain heavy unforeseen losses. Because the asset manager is willing to accept such risk and manage it, the asset manager must possess superior risk management skills. The asset manager is also able to pool assets from other asset management arrangements as well as their own proprietary assets and achieve additional margin by such pooling.

3) Please see response to item 2.

4) Piedmont does not have the ability to know what its unutilized assets will be, particularly in the winter period. Such remarketing of unutilized assets would need to be done on a daily basis as the weather and associated customer demand allows. Margin created from remarketed assets would depend on unknown forward daily market prices and their liquidity.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
November 14, 2005

Interrogatory No. 9:

Provide a list of the functions of an asset manager and how these benefit Nashville Gas and its consumers.

Response: Please see the attached copies of the asset manager contracts in place during the July 2002 to June 2005 period. The contracts detail all the functions and requirements of an asset manager. The benefit to the consumers is the fee paid by the asset manager.

NASHVILLE GAS COMPANY
REVIEW OF NASHVILLE GAS COMPANY'S IPA
RELATING TO ASSET MANAGEMENT FEES
DOCKET NO. 05-00165
AUDIT STAFF FIRST DISCOVERY REQUESTS
November 14, 2005

Interrogatory No. 10:

Provide a list of Piedmont Gas Supply Department employees, by title and duties performed, whose salary is allocated or otherwise charged to Tennessee operations, at July 1st of each year, beginning July 1996 through and including July 2005.

Response: Please see the attached materials.

Year	Employee Name	Title	Into Gas Supply	From Gas Supply
1996				
	Maust, Keith	Director- Gas Supply & Market Sales	< 1996	
	Koch, Chris	Gas Supply Representative	< 1996	
	Otterstedt, Mark	Gas Supply Representative	< 1996	11/96
	Vacant	Gas Supply Representative		
	Isenhour, Leigh Anne	Gas Supply Representative	12/96	
	Rose, Steve	Gas Supply Representative	12/96	
1997				
	Maust, Keith	Director- Gas Supply & Market Sales		
	Koch, Chris	Gas Supply Representative		
	Isenhour, Leigh Anne	Gas Supply Representative		
	Rose, Steve	Gas Supply Representative		
1998				
	Maust, Keith	Director- Gas Supply & Market Sales		
	Koch, Chris	Gas Supply Representative		10/98
	Isenhour, Leigh Anne	Gas Supply Representative		
	Rose, Steve	Gas Supply Representative		
	Jessee, Jim	Gas Supply Representative	10/98	
1999				
	Maust, Keith	Director- Gas Supply & Market Sales		
	Isenhour, Leigh Anne	Gas Supply Representative		04/99
	Rose, Steve	Gas Supply Representative		11/99
	Jessee, Jim	Gas Supply Representative		
2000				
	Maust, Keith	Director- Gas Supply & Wholesale Marketing		
	Jessee, Jim	Sr. Gas Supply Representative		
	Searcy, Scott	Gas Supply Representative	01/00	
2001				
	Maust, Keith	Director- Gas Supply & Wholesale Marketing		
	Jessee, Jim	Sr. Gas Supply Representative		
	Searcy, Scott	Gas Supply Representative		
2002				
	Maust, Keith	Director- Gas Supply & Wholesale Marketing		
	Jessee, Jim	Supervisor- Gas Supply & Wholesale Marketing		
	Searcy, Scott	Gas Supply Representative		
2003				
	Maust, Keith	Director- Gas Supply & Wholesale Marketing		
	Jessee, Jim	Supervisor- Gas Supply & Wholesale Marketing		
	Searcy, Scott	Gas Supply Representative		
2004				
	Maust, Keith	Director- Gas Supply & Wholesale Marketing		
	Jessee, Jim	Manager- Gas Supply & Wholesale Marketing		
	Searcy, Scott	Gas Supply Representative		
	Stabley, Sarah	Gas Supply Representative	11/04	
2005	Maust, Keith	Director- Gas Supply & Wholesale Marketing		
	Jessee, Jim	Manager- Gas Supply & Wholesale Marketing		
	Searcy, Scott	Sr. Gas Supply Representative		
	Stabley, Sarah	Gas Supply Representative		

Piedmont Natural Gas

POSITION DESCRIPTION

Position: Director – Gas Supply & Wholesale Marketing Date: April 2003

Incumbent: Keith Maust Approvals:

Reports To: SVP – Commercial Operations

Department: Gas Supply

Position Purpose:

The Director – Gas Supply and Wholesale Marketing is responsible for the development and implementation of the Company's plans for the long and short-term purchase and scheduling of gas supplies for the Carolinas and Tennessee. This includes secondary marketing, capacity release and wholesale sale for resale activities, and implementation and supervision of any gas cost incentive plans instituted by PNG. This incumbent's responsibilities include: utilization of capacity and purchase of gas supply in order to achieve a best cost supply portfolio satisfying our customer's requirements; negotiation and sale of on-system sales to marketers and power generation facilities; supporting the department's activities by providing data inputs and action reports needed to monitor the effective implementation of a gas supply plan; the implementation of any risk management and hedging activities utilized by PNG in conjunction with any gas cost management or incentive plans; and prudence compliance, including written and oral testimony and state regulatory review of its purchasing practices for NC, SC & TN where PNG provides service.

Dimensions:

Operating Budget	$215,000
Personnel Supervised:	3
Annual Gas Purchase Cost:	$770,000,000
Number of suppliers:	32
Number of Wholesale Customers:	40
Secondary Marketing Margin:	$26,800,000

Nature and Scope:

This position is involved in the design and implementation of the strategic plans of the Gas Supply department and coordinates the daily dispatching of operations activities between the Gas Supply and the Gas Control departments. Through the prudent planning of gas purchases and storage operations, the incumbent optimizes PNG's supply flexibility and security while minimizing cost.

Piedmont Natural Gas

POSITION DESCRIPTION

In addition to directing the daily, monthly and seasonal management of PNG's supply portfolio capabilities for system supply needs, the incumbent must manage the remarketing of excess supply and capacity into the secondary market, while coordinating end-user owned transportation quantities with system supply volumes to remain within acceptable pipeline balancing requirements. Because certain supply contracts rely upon indices to determine price, the incumbent must supervise the generation of various reports utilizing industry postings including the monthly estimated WACOG of PNG's purchases which provide the basis for negotiated sales with customers having alternate fuel capability.

This position is responsible for the implementation of gas supply's risk management activities of PNG, including the North and South Carolinas' hedging plans, where 30% to 60% of our normalized sales requirements are hedged (in accordance with the Company's hedging plans). Responsibilities also include any hedging activity on behalf of customers with alternate fuel capability. This position must supervise the solicitation and documentation of RFPs of both long and short-term supplies and provide the analysis for purchase decisions. The incumbent will from time-to-time become involved with the demand side of the business to the extent that demand data is required to develop forecasts to be utilized either for budgets, rate cases, or supply planning. He must therefore be familiar with statistical base and heat coefficients and weather data to accurately forecast customer consumption.

This position must also supervise the communication of information to gas accountants for supplier, end-user and off-system sales billing reconciliation. The incumbent is responsible for initializing and coordinating off-system sales, as well as negotiations for on-system sales to marketers and gas sales used by Duke Power for electric generation.

Employees reporting to this position are responsible for daily sales of unused capacity and supply. This position frequently assists special marketing studies and supply arrangements through the use of natural gas futures quotations on the NYMEX.

Due to the nature and detail of the tasks involved, the incumbent must be fluent in electronic data processing. The incumbent should possess excellent written and oral communications skills to supplement the heavy negotiation requirements of the position, incorporating superior management skills that integrate within the group dynamics of Gas Services and Federal Regulatory and Supply Planning.

Position reports to SVP – Commercial Operations and has three direct reports: Supervisor – Gas Supply & Wholesale Marketing, a Gas Supply Representative and an administrative assistant.

Principal Accountabilities:

1. Responsible for short and long-term supply procurement
2. Responsible for prudence compliance and state regulatory review of gas supply and purchasing practices, including written and oral testimony.

3. Receipt and analysis of bids for gas purchases while maintaining documentation required by management and state regulatory bodies.
4. Request, document and negotiate long-term purchase proposals as well as finalizing contract language and terms.
5. Supervise the sales for resale, capacity release, off-system and on-system sales, gas cost incentive plans and risk management and hedging activities pertaining to such plans of PNG.
6. Estimation of monthly gas requirements by comparison of estimated monthly demands and available supply options.
7. Supervise the communication of monthly and daily nominations to Gas Control.
8. Review and sign for approval of supplier bills to confirm volumes and pricing.
9. Supervise the preparation of reports for internal management and outside parties concerning the monthly bid and purchase activities.
10. Accumulation and analysis of industry data such as spot and gas futures prices.
11. Assist in the preparation of departmental documents and presentations.

Education & Experience Requirements:

Four-year degree in related field (or equivalent experience) plus 8 – 10 years utility experience, specifically related to gas supply, pipeline operations and rates.

Piedmont Natural Gas

POSITION DESCRIPTION

Position Title: Gas Supply Representative	**Date:** January 2005
Job Code: 100602	**Approvals:**
Reports To Title: Manager - Gas Supply and Wholesale Marketing	____________
	____________
Department: Gas Supply and Wholesale Marketing	____________
	____________

Position Purpose:
The Gas Supply Representative assists the Manager Gas Supply and Wholesale Marketing in managing Piedmont's gas supply assets on a daily basis to provide the most reliable and cost effective service possible to our customers. The position is responsible for gaining knowledge and experience in the gas supply and wholesale marketing areas in order to function effectively in the position. The position is also responsible for assisting in the initiation of secondary market activities that will maximize revenues and lower costs for the company and ratepayers. The incumbent provides data and analysis to various groups within the company to ensure the proper collection of revenues, payment of invoices, and utilization of gas supply assets. The position also provides input into long-term strategic decisions made by Gas Supply Management and assists in the administration of the Company's hedging plan.

Dimensions:

Annual Gas Purchase Cost:	$1,000,000,000
Annual Total Company Supply Purchases:	188,000,000 Dt
Annual Total Company Throughput	149,502,000Dt
Annual Total Company Tariff Sales	155,000,000 Dt
Annual Capacity Release, Offsystem Sales And Incentive Plan Revenue/Margin:	$273,369,000/$29,100,000
Shareholder Incentive Margin:	$8,000,000
Number of Suppliers:	25
Number of Wholesale Customers:	56

Nature and Scope:
The Gas Supply Representative assists in estimating the daily demand requirement and then meeting that requirement by scheduling term/spot supplies, storage supplies and peaking supply contracts. Managing the daily supply position on a reliable and cost effective basis may require the purchase or sale of spot supplies, coordinating the nomination of pipeline transportation, evaluating storage injections or withdrawals, and determining the use of swing supply and peaking contracts/facilities. These activities require interaction with suppliers, marketers and brokers, pipeline representatives, and the Gas Control Department. In addition, to perform these functions effectively the incumbent must stay current with market conditions, pipeline tariffs and rates, supplier contracts, NAESB requirements, FERC regulations, and Piedmont tariffs.

The Representative is responsible for initiating and administering secondary market transactions, including off system sales, sales for resale and capacity release. This responsibility requires the calculation and communication of monthly sales rates for resale customers, off system sales and other delivered sales agreements. The incumbent must also stay abreast of current market rates for released capacity in order to evaluate storage and transportation capacity release opportunities on a short or long-term basis.

This position assists in accounting for all activities and costs under the Nashville Incentive Plan. This requires tracking all of Nashville's purchases, sales, and capacity releases on a monthly, quarterly and annual basis. As part of the Incentive Plan, the incumbent provides input and analysis into the purchase of any risk management products.

This position is responsible for the administration of short-term (NAESB) and long-term supply contracts. This requires the incumbent to ensure that acceptable contracts and credit arrangements are created and verified with new suppliers or for new supply arrangements. Existing supply contracts must also be tracked and summarized so that the Gas Supply Department is aware of the specific terms and conditions of each contract.

The Representative also provides input and analysis into strategic long-term decisions and planning activities. Such activities include preparing annual supply and capacity plans, preparing and evaluating the responses to RFPs for term supply and asset management arrangements, long-term capacity release agreements, and peaking services, and maintaining adequate records for state regulatory reviews.

In addition, on a monthly or periodic basis, the position is responsible for collecting data and providing reports on supplier volumes, index prices, NYMEX prices, off system sales volumes and prices, pipeline usage and rates, storage activity, sale for resale delivered volumes and prices, the company's weighted average cost of gas, capacity release transactions, and any risk management activities. The reports are prepared for various individuals including senior management, state regulatory commissions, Gas Accounting and Gas Services.

This position is also responsible for assisting in the administration of the Company's Hedging Program, including the purchase and sale of options and futures contracts, consistent within the guidelines of the plan.

The Representative must possess a variety of skills to effectively perform the responsibilities of this position. Excellent communication, negotiation and interpersonal skills are necessary on a daily basis to work with marketers and suppliers in completing sales and purchases. The position also requires superior analytical abilities to evaluate proposals or opportunities, often in a time sensitive environment. Finally, the Representative must possess excellent computer skills to perform analyses, prepare reports, and operate pipeline bulletin boards.

Principal Accountabilities:

1. Utilize gas supplies using transportation and storage assets in the most reliable and cost effective means possible.

2. Engage in secondary market activities (spot purchases/sales, capacity releases) to manage daily supply and capacity, to reduce ratepayer expenses, and increase company revenues.

3. Assist with the administration of the Nashville Gas Incentive Program to track activities and costs to maximize ratepayer and shareholder benefits.

4. Accurately enter data into GCS (Gas Costing System) detailing customer prices, supplier activity, transportation and storage activity, rates, and secondary market activities to ensure the

appropriate collection of revenues and payment of invoices.

5. Analyze and document responses to RFPs for term supply, peaking services and asset management arrangements to ensure the selection of bids that will provide reliable service at the lowest attainable cost for our customers.

6. Provide input and analysis to management in developing supply and capacity plans to ensure the availability of reliable and flexible supply on a best-cost basis.

7. Administer short-term (NAESB) and long-term supply contracts with new secondary market sales customers, new suppliers and new supply agreements to ensure they contain acceptable and necessary terms and conditions.

8. Maintain summaries of existing supply contracts to provide an analysis of notification deadlines, term, price, delivery options, conditions for renegotiation of reservation fees, and other special terms and conditions.

9. Assist in the administration of the Company's Hedging Program.

Knowledge, Skills & Abilities:
Four year college degree required; previous experience working in the natural gas industry and specifically the supply and wholesale marketing function preferred; excellent verbal and written communication skills; excellent personal computer skills preferably Microsoft Office products to include excel, word and powerpoint.

Physical Requirements:
Ability to sit for long periods of time; good visual acuity.

PIEDMONT NATURAL GAS COMPANY

POSITION DESCRIPTION

Position:	Gas Services Support Analyst	Date:
Incumbent:	None	Approvals:
Reports To:	Vice president Gas Services	___________
Department:	Gas Services	___________

Position Purpose: This position reports to the Vice President - Gas Services and performs corporate support for the three-state service territory of Piedmont. The incumbent is responsible for the collection activities for Piedmont's large volume customers, brokers and assist with the collection activities of Piedmont's secondary market activities. This position will also assist the VP Gas Services in the development of policies, procedures, rates and tariffs that will enable Piedmont to effectively serve the needs of its customers and its shareholders. Because Piedmont must constantly respond to the requests for information from the regulatory agencies having jurisdiction within Piedmont's three-state service territory, the incumbent will respond to the various state and federal agencies to data requests of the Gas Services area.

While management has a desperate need for timely information, such corporate data often resides in data bases that are accessible only by the most proficient in data base query languages. The incumbent will serve as a doorway to information needed by Gas Services and the Senior Vice President - Marketing and Supply Services.

Dimensions: Number of customers incumbent would be responsible for collections: 1,000
Revenues of the above large volume customers: $250,000,000
Gross Margin from the above customers: $70,000,000

Nature and Scope:

<u>Large Volume Collections</u>

The incumbent would work closely with the Manager of Industrial Services to monitor the delinquent accounts of Piedmont's large volume customers. Due to the impact of NAFTA on the textile and supportive industries, Piedmont's service territory is subject to increased risk of slow cash flows and payment delinquencies. Unfortunately, Piedmont has had an increase in Chapter 11 and bankruptcy proceeding in recent years. It will be the responsibility of the incumbent to 1) keep large volume arrears at a minimum by timely contact with the customers to expedite payments, 2) advise management of material tardiness by any of the large volume accounts and 3) work with the office of the Corporate Secretary to take any and all legal action authorized by the Vice President - Gas Services to reduce the risk of margin lost to Piedmont. In order to perform this function properly, the incumbent must be active in credit associations and alliances, and remain current on any issues that would affect the economic well being of the industries served by Piedmont.

Operations Research
The incumbent must posses qualities and talents that would allow him to assist the Vice President - Gas Services to discover, analyze and recommend more efficient and effective ways of performing services for Piedmont's customers. These new methods and service could range from new and improved methods of forecasting gas load requirements for Piedmont's existing or forecasted customers additions, minimizing carrying costs of Piedmont's gas inventories or developing new rates and tariffs that effectively fit the market requirements and minimize Piedmont's risk of collections or economic downturn. These studies require knowledge of the energy industry and advanced business concepts. The incumbent would work with various members of executive management, the Rates Department, the Planning Department as well as the other members of the Gas Services area in order to perform this function.

Regulatory
Piedmont provides information and responses to external entities, state and federal, on various occasions every year. The Gas Services area must respond to various data requests and studies associated with various dockets and legal proceedings. Examples of these requests from state commissions range from the "Alternate Fuel Use" report required annually by the North Carolina Public Staff to the cost of service studies required in rate cases in each of Piedmont's jurisdictions. The incumbent must posses an advanced knowledge of accounting principles, and good written and verbal communication skills. The incumbent will work with various departments within the corporation in order to satisfy the demands for data from the regulatory authorities.

Managerial Queries
Management needs additional information. Additionally there are ongoing needs for information that we cannot seem to get. Much of the information that is needed resides on an internal database that, if queried, could be retrieved.

The Gas Services Support Analyst must assume the responsibility of maintaining the required level of expertise necessary to query either the db2 database of S2K, the Oracle database of GMS or the PeopleSoft database so that greater levels of information are accessible to Gas Services on a timely basis.

The person filling the position of Gas Services Support Analyst would need to be mathematically sound, strong in computer skills and possess good business and communication talents.

Principal Accountabilities:

1. Perform collection activities for large volume customers, marketer accounts and secondary market transactions in order to minimize Piedmont's risk of uncollectables and profit reducing charge-offs.
2. Maintain knowledge base of economic issues effecting customers served by Piedmont.
3. Work with Corporate Secretary to attach assets, negotiate with bankruptcy authorities or any other activity that would reduce Piedmont's uncollectable of large volume accounts.
4. Assist VP Gas Services in the development and implementation of models and studies that would increase the effectiveness and efficiency of Piedmont's policies, procedures, tariffs and rates in the service of its customers and its shareholders.
5. Respond accurately to all data requests directed to the Gas Services department within the time limits set by the requesting agency and accepted by the VP Gas Services.
6. Attain and maintain a high level of proficiency in data base query languages for db2, Oracle, and PeopleSoft or any other informational languages utilized by Piedmont.

7. Respond accurately and on a timely basis to the requests for information or informational studies initiated by the VP gas Services or the SR. VP Marketing and Supply Services.

Piedmont
Natural Gas

POSITION DESCRIPTION

Position Title: Manager Gas Supply & Wholesale Marketing	**Date:** January 2005
Job Code: 040580	**Approvals:**
Reports To Title: Director Gas Supply & Wholesale Marketing	
Department: Gas Supply & Wholesale Marketing	

Position Purpose:
The Manager - Gas Supply and Wholesale Marketing is responsible for managing Piedmont's gas supply assets on a daily basis to provide the most reliable and cost effective service possible to our customers. The position is also responsible for managing secondary market activities that will maximize revenues and lower costs for the company and ratepayers. The incumbent oversees the collection of data and provides analysis to various groups within the company to ensure the proper collection of revenues, payment of invoices, the utilization of gas supply assets and providing documentation for regulatory review of purchasing decisions. The Manager is also heavily involved with the daily activities and compliance of Company approved hedging process and strategies. In addition, the Manager provides input into long-term strategic decisions made by Gas Supply Management.

Dimensions:

Annual Gas Purchase Cost:	$1,000,000,000
Annual Total Company Supply Purchases:	188,000,000 Dt
Annual Total Company Throughput	149,502,000Dt
Annual Total Company Tariff Sales	155,000,000 Dt
Annual Capacity Release, Offsystem Sales And Incentive Plan Revenue/Margin:	$273,369,000/$29,100,000
Shareholder Incentive Margin:	$8,000,000
Number of Suppliers:	25
Number of Wholesale Customers:	56
Staff	2

Nature and Scope:
The Manager - Gas Supply and Wholesale Marketing is responsible for supervising the Gas Supply Representative(s) in the timely and effective completion of the Department's accountabilities. The Manager is also responsible for training new Representative(s) to a satisfactory performance level in completing the tasks and procedures described below.

The Manager is responsible for the overall management of the estimation of daily system demand and ensuring the economic dispatch of term/spot supplies, storage supplies and peaking supply contracts. Managing the daily supply position on a reliable and cost effective basis may require the purchase or sale of spot supplies, selecting pipeline transportation, storage injections or withdrawals and evaluating the use of swing supply and peaking contracts/facilities. These activities require interaction with suppliers, marketers and brokers, pipeline representatives, and the Gas Control Department. In addition to performing these functions effectively, the incumbent must stay current with market conditions, pipeline tariffs and rates, supplier contracts, NAESB requirements, FERC regulations, and Piedmont tariffs.

The Manger is responsible for negotiating and administering secondary market transactions, including offsystem sales, sales for resale and capacity release. This responsibility requires the calculation and communication of monthly sales rates for delivered sales, resale customers behind Piedmont's city gate, and Monthly Optional Sales Service customers. The incumbent must also stay abreast of current market conditions, storage and transportation arbitrage opportunities, and rates for released storage and transportation capacity in order to evaluate short or long-term capacity release opportunities.

This position also oversees the accounting for all activities and costs under the Nashville Incentive Plan and coordination of Asset Management activities with Asset Managers. This requires tracking all of Nashville's purchases, sales, and capacity releases on a monthly, quarterly and annual basis. As part of the Incentive Plan, the Manager provides input and analysis into the purchase of any risk management products. The Manager will also be responsible for the implementation of any Commission-approved gas cost hedging and risk management programs in our three state service territory.

This position is responsible for the negotiation and management of short-term (NAESB) and long-term supply contracts. This requires the incumbent to ensure executed underlying contracts with acceptable credit arrangements exist before purchase or sale deals are consummated. Existing supply contracts must also be tracked and summarized so that the Gas Supply Department is aware of the specific terms and conditions of each contract.

The Manger also provides input and analysis into strategic long-term decisions and planning activities. Such activities include preparing annual supply and capacity plans, preparing and evaluating the responses to RFPs for term supply and asset management arrangements, long-term capacity release agreements, and peaking services.

In addition, on a monthly or periodic basis, the position is responsible for collecting data and providing reports on supplier volumes, index prices, NYMEX prices, offsystem sales volumes and prices, pipeline usage and rates, storage activity, sale for resale delivered volumes and prices, the company's weighted average cost of gas, capacity release transactions, and any risk management activities. The reports are prepared for various individuals including senior management, state regulatory commissions, Gas Accounting and Gas Services.

The Manager must possess a variety of skills to effectively perform the responsibilities of this position. Excellent communication, negotiation and interpersonal skills are necessary on a daily basis to work with marketers and suppliers in completing sales and purchases. The position also requires superior analytical abilities to evaluate proposals or opportunities, often in a time sensitive environment. Finally, the Manager must possess excellent computer skills to perform analyses, prepare reports, and operate pipeline bulletin boards.

Principal Accountabilities:

1. Responsible for supervising and training Gas Supply Representative(s) in order to achieve accountabilities 2 through 10.

2. Provide input into the estimation of daily customer demand and the nomination of gas supplies using transportation and storage assets in the most reliable and cost effective means possible.

3. Engage in secondary market activities (spot purchases/sales, capacity releases) to manage daily

supply and capacity, to reduce ratepayer expenses, and increase company revenues.

4. Manage the Nashville Gas Incentive Program which tracks activities and costs to maximize ratepayer and shareholder benefits. Implement Commission approved gas cost hedging and risk management programs in three state service territory.

5. Provide reports of supply purchases and secondary market sales activity to Gas Accounting and Gas Services detailing customer prices, supplier activity, transportation and storage activity, rates, and secondary market activities to ensure the appropriate collection of revenues and payment of invoices.

6. Analyze and document responses to RFPs for term supply, peaking services and asset management arrangements to ensure the selection of bids that will provide reliable service at the lowest attainable cost for our customers. This documentation is also required for prudence review responses to state regulatory commission data requests.

7. Provide input and analysis to management in developing supply and capacity plans to ensure the availability of reliable and flexible supply on a best-cost basis.

8. Administer short-term (NAESB) and long-term supply contracts with new secondary market sales customers and new suppliers to ensure they contain acceptable and necessary terms and conditions.

9. Coordinate with Credit Department to establish the appropriate levels of credit with new and existing secondary market customers.

10. Track existing supply contracts to provide an analysis of notification deadlines, term, price, delivery options, conditions for renegotiation of reservation fees, and other special terms and conditions.

Knowledge, Skills & Abilities:
Four year college degree required; minimum 10 years experience in a natural gas supply and wholesale marketing function with proven knowledge and competencies in all areas; excellent verbal and written communication skills; leadership skills; analytical skills; excellent personal computer skills.

Physical Requirements:
Ability to sit for long periods of time; good visual acuity.

Piedmont Natural Gas

POSITION DESCRIPTION

Position Title: SR Gas Supply Representative	**Date:** January 2005
Job Code: 100603	**Approvals:**
Reports To Title: Manager - Gas Supply and Wholesale Marketing	___________
	___________
Department: Gas Supply and Wholesale Marketing	___________
	___________

Position Purpose:
The SR Gas Supply Representative assists the Manager Gas Supply and Wholesale Marketing in managing Piedmont's gas supply assets on a daily basis to provide the most reliable and cost effective service possible to our customers. The position is responsible for providing direction and training to less experienced Gas Supply Representatives. The position is also responsible for initiating secondary market activities that will maximize revenues and lower costs for the company and ratepayers. The incumbent provides data and analysis to various groups within the company to ensure the proper collection of revenues, payment of invoices, and utilization of gas supply assets. The position also provides input into long-term strategic decisions made by Gas Supply Management and assists in the administration of the Company's hedging plan.

Dimensions:

Annual Gas Purchase Cost:	$1,000,000,000
Annual Total Company Supply Purchases:	188,000,000 Dt
Annual Total Company Throughput	149,502,000Dt
Annual Total Company Tariff Sales	155,000,000 Dt
Annual Capacity Release, Offsystem Sales And Incentive Plan Revenue/Margin:	$273,369,000/$29,100,000
Shareholder Incentive Margin:	$8,000,000
Number of Suppliers:	25
Number of Wholesale Customers:	56

Nature and Scope:
The SR Gas Supply Representative assists in estimating the daily demand requirement and then meeting that requirement by scheduling term/spot supplies, storage supplies and peaking supply contracts. Managing the daily supply position on a reliable and cost effective basis may require the purchase or sale of spot supplies, coordinating the nomination of pipeline transportation, evaluating storage injections or withdrawals, and determining the use of swing supply and peaking contracts/facilities. These activities require interaction with suppliers, marketers and brokers, pipeline representatives, and the Gas Control Department. In addition, to perform these functions effectively the incumbent must stay current with market conditions, pipeline tariffs and rates, supplier contracts, NAESB requirements, FERC regulations, and Piedmont tariffs.

The SR Representative is responsible for initiating and administering secondary market transactions, including off system sales, sales for resale and capacity release. This responsibility requires the calculation and communication of monthly sales rates for resale customers, off system sales and other delivered sales agreements. The incumbent must also stay abreast of current market rates for released capacity in order to evaluate storage and transportation capacity release opportunities on a short or long-term basis.

This position also accounts for all activities and costs under the Nashville Incentive Plan. This requires tracking all of Nashville's purchases, sales, and capacity releases on a monthly, quarterly and annual basis. As part of the Incentive Plan, the incumbent provides input and analysis into the purchase of any risk management products.

This position is responsible for the administration of short-term (NAESB) and long-term supply contracts. This requires the incumbent to ensure that acceptable contracts and credit arrangements are created and verified with new suppliers or for new supply arrangements. Existing supply contracts must also be tracked and summarized so that the Gas Supply Department is aware of the specific terms and conditions of each contract.

The SR Representative also provides input and analysis into strategic long-term decisions and planning activities. Such activities include preparing annual supply and capacity plans, preparing and evaluating the responses to RFPs for term supply and asset management arrangements, long-term capacity release agreements, and peaking services, and maintaining adequate records for state regulatory reviews.

In addition, on a monthly or periodic basis, the position is responsible for collecting data and providing reports on supplier volumes, index prices, NYMEX prices, off system sales volumes and prices, pipeline usage and rates, storage activity, sale for resale delivered volumes and prices, the company's weighted average cost of gas, capacity release transactions, and any risk management activities. The reports are prepared for various individuals including senior management, state regulatory commissions, Gas Accounting and Gas Services.

This position is also responsible for assisting in the administration of the Company's Hedging Program, including the purchase and sale of options and futures contracts, consistent within the guidelines of the plan.

The SR Representative must possess a variety of skills to effectively perform the responsibilities of this position. Excellent communication, negotiation and interpersonal skills are necessary on a daily basis to work with marketers and suppliers in completing sales and purchases. The position also requires superior analytical abilities to evaluate proposals or opportunities, often in a time sensitive environment. Finally, the Representative must possess excellent computer skills to perform analyses, prepare reports, and operate pipeline bulletin boards.

Principal Accountabilities:

1. Utilize gas supplies using transportation and storage assets in the most reliable and cost effective means possible.

2. Engage in secondary market activities (spot purchases/sales, capacity releases) to manage daily supply and capacity, to reduce ratepayer expenses, and increase company revenues.

3. Administer Nashville Incentive Program to track activities and costs to maximize ratepayer and shareholder benefits.

4. Accurately enter data into GCS (Gas Costing System) detailing customer prices, supplier activity, transportation and storage activity, rates, and secondary market activities to ensure the

appropriate collection of revenues and payment of invoices.

5. Analyze and document responses to RFPs for term supply, peaking services and asset management arrangements to ensure the selection of bids that will provide reliable service at the lowest attainable cost for our customers.

6. Provide input and analysis to management in developing supply and capacity plans to ensure the availability of reliable and flexible supply on a best-cost basis.

7. Administer short-term (NAESB) and long-term supply contracts with new secondary market sales customers, new suppliers and new supply agreements to ensure they contain acceptable and necessary terms and conditions.

8. Maintain summaries of existing supply contracts to provide an analysis of notification deadlines, term, price, delivery options, conditions for renegotiation of reservation fees, and other special terms and conditions.

9. Assist in the administration of the Company's Hedging Program.

10. Providing direction and training less experienced Gas Supply Representatives when necessary.

Knowledge, Skills & Abilities:
Four year college degree required; a minimum 5 years experience working in the natural gas industry with a proven knowledge and competencies in supply acquisition, wholesale marketing, hedging and contract negotiation is preferred; excellent verbal and written communication skills; excellent personal computer skills preferably Microsoft Office products to include excel, word and powerpoint.

Physical Requirements:
Ability to sit for long periods of time; good visual acuity.

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Interrogatory No. 11:

State all facts, bases, grounds, and reasons that the Company contends support the sharing percentages established in the Capacity Release mechanism of Nashville Gas's incentive tariff. For each fact, basis, ground, and reason stated, explain why the fact, basis, ground, or reason supports these sharing percentages.

Response: The principal fact, basis and grounds supporting the sharing percentages established in the capacity release mechanism of Nashville Gas' incentive tariff is that they have been the subject of prolonged scrutiny and approval by the Tennessee Public Service Commission on an experimental basis and then by the Tennessee Regulatory Authority based on the recommendation of outside consultants. The purpose of an incentive program is to align the interests of the Company and its customers in order to encourage behavior that benefits both. In order to create the appropriate incentive, it is necessary that the benefits be material enough to reward the Company for its efforts to realize savings. The evidence strongly indicates that Nashville Gas' approved capacity release mechanism provides such an incentive and has resulted in substantial savings to customers. Other reasons justifying the existing sharing mechanisms are set forth in the proceedings in which this mechanism was approved.

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Interrogatory No. 12:

At the time the Performance Incentive Plan was established, did Nashville Gas incur additional employee and/or other expenses in order to maximize savings under the plan? If so, list those areas of expense and the approximate cost to Nashville Gas.

Response: Based on the memories of the remaining employees of the Company, the Company does not believe that additional employees were added solely to manage the performance incentive plan. Since that date a number of Piedmont employees have been engaged in managing the Nashville Gas incentive plan and as the Company, the numbers of Nashville Gas customers, and the complexity of capacity release / management transactions have grown, so have the number of employees and effort needed to manage the plan. Improved computer and telecommunications equipment and software have also been implemented during this period, but the costs of that equipment and software are not readily segregable from the other functional areas served by such equipment and software. The Company is continuing to examine this issue.

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Interrogatory No. 13:

Explain in detail the extent to which regulated natural gas utilities use outside asset managers. In your answer, describe such usage as of April, 1996 and describe the evolution of such usage through the present.

Response: Nashville Gas Company is unable to answer this question inasmuch as it is not familiar with the practices of other regulated natural gas utilities in this regard. Notwithstanding this fact, it is Nashville Gas' belief, based on anecdotal evidence, that asset management arrangements have become more common since April of 1996.

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Interrogatory No. 14:

Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness:

(1) Identify the subject area in which the witness is to be offered as an expert;

(2) Provide complete background information, including any and all experts' Curriculum Vitae.

(3) Identify any matter in which the expert has testified by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;

(4) Identify all documents or things shown to be delivered to, received from, relied upon, or prepared by any expert witness, which are related to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things provided to that expert for review in connection with testimony and opinions; and

(5) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert.

Response: Nashville Gas has not yet determined whether to call any independent expert witnesses to testify at the hearing of this matter. In the event it makes such determination, it will supplement this response.

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REQUESTS FOR PRODUCTION

Request for Production No. 1:

Provide a complete copy of all incentive performance plans that are in effect in North Carolina and South Carolina for Piedmont Natural Gas and its regulated affiliate companies.

Response: There are no such documents.

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Request for Production No. 2:

Provide a copy of each commission order that approved the incentive plans referenced in Request for Production No. 1 above.

Response: Please see the Response to Request for Production No. 1.

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Request for Production No. 3:

Provide any and all written correspondence, minutes, notes, emails etc. that demonstrate that Piedmont and/or Nashville Gas was considering the use of an outside asset manager at the time Nashville Gas filed its Application to Establish a Performance Incentive Plan on April 22, 1996 in Docket No. 96-00805.

Response: Nashville Gas is not in possession of any documents responsive to this request.

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Request for Production No. 4:

Provide any and all documentation or testimony provided in TRA Docket No. 96-00805 demonstrating that asset managers were commonly used in the regulated natural gas industry at the time Nashville Gas filed its Application to Establish a Performance Incentive Plan on April 22, 1996.

Response: Nashville Gas objects to this request on the grounds that all materials filed in Tennessee Regulatory Authority Docket No. 96-00805 are publicly available to the Staff through the Tennessee Regulatory Authority. Notwithstanding the foregoing objection, Nashville Gas will make materials in its possession and responsive to this request available for inspection by the Audit Staff to the extent Audit Staff is unable to obtain them from the Tennessee Regulatory Authority archives or its own files.

Request for Production No. 5:

Provide a copy of all asset management contracts, agreements or arrangements entered into between Piedmont on behalf of its regulated affiliate companies and the selected asset managers in North Carolina, South Carolina and Tennessee.

Response: Piedmont has not entered into any asset management contracts with regulated affiliate companies. Also, please see Response to Interrogatory No. 9.

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Request for Production No. 6:

Produce any and all documents referred to or relied upon in responding to Audit Staffs first discovery requests.

Response: Nashville Gas objects to this request to the extent it seeks disclosure of documents subject to the attorney-client, attorney work product, or prepared in anticipation of litigation privileges. Without waiving this objection, please see documents attached hereto.

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Request for Production No. 7:

Produce any and all documents upon which you or any of your witnesses intend to rely at the hearing in this matter.

Response: Nashville Gas has not, as yet, determined which documents it may rely upon at the hearing of this matter. Upon reaching such determination, Nashville Gas will supplement this response.

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REQUESTS FOR ADMISSIONS

Request for Admission No. 1:

The use of an outside asset manager by a regulated natural gas utility was unheard of at the time Nashville Gas filed a petition to establish a Performance Incentive Plan in April 1996.

Response: Denied.

STATE OF NORTH CAROLINA

VERIFICATION

COUNTY OF MECKLENBURG

Bill R. Morris, being duly sworn, deposes and says that he is Director of Financial Planning and Rates of Piedmont Natural Gas Company, Inc., that as such, he has read the foregoing Responses 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.

Bill R. Morris

Bill R. Morris

Sworn to and subscribed before me
this the 13 day of
December, 2005.

Lee A. Howard

Notary Public

My Commission Expires:

MY COMMISSION EXPIRES 10-29-10

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the *Responses of Nashville Gas Company, A Division of Piedmont Natural Gas Company, Inc., to the Audit Staff's First Discovery Requests* is being served upon the parties in this action either by hand delivery or by UPS overnight delivery addressed as follows:

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This the 13th day of December, 2005.

James H. Jeffries IV