

**BASS, BERRY & SIMS PLC**  
A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

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

AMSOUTH CENTER  
315 DEADERICK STREET, SUITE 2700  
NASHVILLE, TN 37238-3001  
(615) 742-6200

www.bassberry.com

OTHER OFFICES

NASHVILLE MUSIC ROW  
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September 29, 2006

**VIA HAND DELIVERY**

Chairman Sara Kyle  
c/o Sharla Dillon – Docket Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

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06-00249

***Re: Nashville Gas Company a Division of Piedmont Natural Gas Company,  
Inc., Application for Authority to Place Asset Retirement Obligations  
Costs in a Deferred Account***

Dear Chairman Kyle:

Enclosed please find the original and 15 copies of Nashville Gas Company's Petition in the above-referenced matter. Also enclosed are two additional copies of the Petition, which I would appreciate your stamping as "filed," and returning to me by way of our courier.

Should you have any questions with respect to this filing, please do not hesitate to contact me at the telephone number listed above.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG/ms  
Enclosures

cc: James H. Jeffries IV, Esq.

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

IN RE:

APPLICATION OF NASHVILLE GAS  
COMPANY FOR AUTHORITY TO PLACE  
ASSET RETIREMENT OBLIGATIONS  
COSTS IN A DEFERRED ACCOUNT

Docket No. 06-\_\_\_\_\_

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**PETITION**

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Nashville Gas Company ("Nashville Gas" or the "Company"), through counsel and pursuant to Tennessee Code Annotated §§ 65-4-110 and 65, 4-111, and Rule 1220-1-1-.08 of the Rules of the Tennessee Regulatory Authority ("Authority"), respectfully requests authorization from the Authority to place certain Asset Retirement Obligation ("ARO") costs in deferred accounts so that the current regulatory treatment for these costs will not be altered due to the Company's adoption of the Financial Accounting Standard Board's ("FASB") Statement No. 143. In support of this request, Nashville Gas respectfully shows unto the Authority as follows:

1. It is respectfully requested that any notices or other communications with respect to this Petition be sent to:

Jane Lewis-Raymond  
Vice President & General Counsel  
Piedmont Natural Gas Company, Inc.  
Post Office Box 33068  
Charlotte, NC 28233  
Telephone: 704-731-4261

And

R. Dale Grimes  
Bass, Berry & Sims PLC  
315 Deaderick Street, Suite 2700  
Nashville, Tennessee 37238-3001  
Telephone: 615-742-6244

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And  
James H. Jeffries IV  
Moore & Van Allen PLLC  
100 North Tryon Street, Suite 4700  
Charlotte, NC 28202-4003  
Telephone: 704-331-1079

2. Piedmont Natural Gas Company, Inc. is incorporated under the laws of the state of North Carolina and is duly authorized by its Articles of Incorporation to engage in the business of transporting, distributing and selling natural gas. It is duly domesticated and is engaged in conducting such business in the state of Tennessee as Nashville Gas Company. Nashville Gas is a public utility under the laws of this State, and its public utility operations in Tennessee are subject to the jurisdiction of this Authority.

3. In June 2001, the FASB issued Statement 143, *Accounting for Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2002. Statement 143 sets forth the way companies recognize and measure legally enforceable retirement obligations that result from the acquisition, construction and normal operation of tangible long-lived assets.

4. Due to uncertainty regarding the timing and method of settlement for certain retirement obligations, many companies, including Nashville Gas, concluded that no asset retirement obligation need be recorded for their assets at the time Statement 143 was issued. Subsequently, the FASB issued FASB Interpretation No. 47 ("FIN 47"), to clarify the term "conditional asset retirement obligation." The FASB recognized that "diverse accounting practices have developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and (or) method of settlement are conditional on a future event."

5. FIN 47 states that upon initial application, an entity shall recognize: (a) a liability for any existing asset retirement obligation adjusted for cumulative accretion to the date of adoption, (b) an asset retirement cost capitalized as an increase to the carrying amount of the associated long-lived asset, and (c) accumulated depreciation on that capitalized cost. In

subsequent years, the asset retirement cost shall be allocated to expense using a systematic and rational method over its useful life.

6. Nashville Gas requests Authority approval to place all impacts to its income statement caused by the adoption of FIN 47 in a regulatory deferred account. Those impacts would include a cumulative adjustment as of October 31, 2006 and ongoing expense recognition impacts.

7. Nashville Gas submits that its return should not be impacted, either positively or negatively, by the adoption of an accounting standard applicable to all industries in place of the revenue requirement and associated expense methodology that was adopted in Nashville Gas' last general rate case. The creation of the requested deferred accounts will not impact the total expense to be incurred by the Company with regard to its AROs or prompt a change in the current approved methodology for the recovery of those costs through Nashville Gas' approved depreciation rates.

8. The relief requested herein does not involve a change to Nashville Gas' rates, terms or conditions of service and is not in conflict with any Commission rule, regulation or policy.

9. Nashville Gas requests (1) that it be authorized to segregate all cost impacts of compliance with FIN 47 into a special deferred account; (2) that the Authority authorize regulatory asset treatment for such costs by approving the recovery thereof subject to a future determination that they have been properly accounted for; and (3) that any issues related to proper amortization or actual recovery of such costs be postponed until a subsequent proceeding before the Authority in which such amortization or recovery is sought.

10. Nashville Gas respectfully requests that the accounting order sought herein be made effective as of October 31, 2006 and thereafter.

WHEREFORE, Nashville Gas respectfully requests that the Authority issue an order for regulatory accounting purposes allowing Nashville Gas to place certain Asset Retirement Obligations costs in a regulatory deferred account, as described herein, on the basis that the current regulatory treatment for these costs should not be altered due to Nashville Gas' adoption of FIN 47.

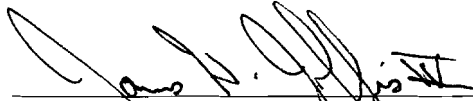
Respectfully submitted, this the 29th day of September, 2006.

Nashville Gas Company



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R. Dale Grimes  
Bass, Berry & Sims PLC  
315 Deaderick Street, Suite 2700  
Nashville, Tennessee 37238-3001  
Telephone: 615-742-6244



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100 North Tryon Street, Suite 4700  
Charlotte, NC 28202-4003  
Telephone: 704-331-1079

STATE OF NORTH CAROLINA

**VERIFICATION**

COUNTY OF MECKLENBURG

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

  
David R. Carpenter

Mecklenburg County, North Carolina

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

Date: Sept. 20, 2006 Barbara J. Ashford  
Barbara J. Ashford, Notary Public

(Official Seal)

My commission expires: Feb. 26, 2011

