BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

June 29, 2007

IN RE:	)	
	)	
APPLICATION OF NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR AUTHORITY TO PLACE ASSET RETIREMENT OBLIGATIONS COSTS IN A DEFERRED ACCOUNT	)	**Docket No. 06-00249**

ORDER APPROVING APPLICATION FOR AUTHORITY TO PLACE ASSET RETIREMENT OBLIGATIONS COSTS IN A DEFERRED ACCOUNT

This matter came before Chairman Sara Kyle, Director Eddie Roberson, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 16, 2006 for consideration of the Application of Nashville Gas Company ("Nashville Gas" or "Company"), an operating division of Piedmont Natural Gas Company, Inc. ("Piedmont") for approval of authority to place asset retirement obligations costs in a deferred account.

<u>The Petition</u>

On September 29, 2006, Nashville Gas filed an Application for Authority to Place Asset Retirement Obligations Costs in a Deferred Account ("Petition"). In that filing, Nashville Gas sought approval of the authority to (1) segregate all cost impacts of compliance with the Financial Accounting Standard Board's ("FASB") Interpretation No. 47 ("FIN 47") into a special deferred account; (2) authorize regulatory treatment for such costs by approving the recovery thereof subject to a future determination that they have been properly accounted for; and (3) postpone any issues related to proper amortization or actual recovery of such costs until a subsequent proceeding before the Authority in which such amoritization of recovery is sought. According to the Petition, Nashville Gas requests approval to place all impacts in its income statement caused by the adoption of FIN 47 in a regulatory deferred account including a cumulative adjustment as of October 31, 2006 and ongoing expense recognition impacts. The Company states that the deferred accounts will not impact the total expenses to be incurred with regard to its asset retirement obligations or prompt a change in the current methodology for the recovery of those costs through Nashville Gas' approved depreciation rates. The Company states that the relief sought does not make any change to Nashville Gas' rates, terms or conditions of service. Lastly, the Company requests that the accounting order be made effective as of October 31, 2006.

October 16, 2006 Authority Conference

At a regularly scheduled Authority Conference held on October 16, 2006, the voting panel assigned to this docket voted unanimously to grant approval for Nashville Gas to segregate all cost impacts of compliance with the financial accounting standard board statement number 143 and interpretation number 47. Furthermore, the voting panel denied the recovery of deferred costs until such time as Nashville Gas requests recovery and the deferred amounts are audited.[1]

[1] Director Jones disagreed with the decision to deny recovery of deferred costs, finding that it is not appropriate to approve regulatory treatment and to not approve regulatory recovery. Director Jones agreed, however, that the recovery amount should not be determined until the deferred costs amounts are audited.

IT IS THEREFORE ORDERED THAT:

1. The request of Nashville Gas Company to segregate all cost impacts of compliance with the financial accounting standard board statement number 143 and interpretation number 47 is hereby approved; and

2. Any recovery of deferred costs by Nashville Gas Company will be delayed until such time as Nashville Gas requests recovery and the deferred amounts are audited.

Sara Kyle, Chairman

Eddie Roberson, Director

Ron Jones, Director