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April 11, 2008

VIA UPS OVERNIGHT

Chairman Eddie Roberson
c/o Ms. Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Docket No. 07-00174; Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc., Actual Cost Adjustment Account Filing for the Twelve Months Ended December 31, 2006.

Dear Chairman Roberson:

On July 16, 2007, Nashville Gas Company, a division of Piedmont Natural Gas Company (now "Piedmont Natural Gas Company") (the "Company" or "Piedmont") made its Actual Cost Adjustment Account ("ACA") Filing for the twelve months ended December 31, 2006. On April 3, 2008, the Tennessee Regulatory Authority Audit Staff ("Audit Staff") filed its Compliance Audit Report in the above-captioned docket. This report was made after extensive interaction and discussions between the Company and Audit Staff over the preceding eight months and in the wake of issues raised in the Company's previous ACA filing regarding, among other things, the use of "accruals" by the Company in recording its commodity and demand gas costs in its ACA account. The filed version of the report indicates a substantial number of unresolved and disputed issues between Audit Staff and the Company.

Following the filing of this report, Ms. Darlene Standley, Chief of the Authority's Utilities Division, by letter dated April 8, 2008, requested that the Company respond to Audit Staff's report by 2:00 pm on April 21, 2008.

The process used to develop the Audit Staff's report in this proceeding involved the development and provision of draft findings by the Audit Staff to the Company, the Company's provision of responses to those draft findings, and then the filing of the report with the Authority. The filed version of the report also contained Audit Staff's rebuttal to the Company's responses and the ultimate recommendations of Audit Staff, neither of which were seen by the Company until the report was filed with the Authority.

The process described above resulted in the resolution of many issues identified by Audit Staff both before and after Audit Staff presented its draft findings to the Company. For example, in its response to Audit Staff's findings, the Company indicated outright agreement with 11 out of 18 findings by the Audit Staff, and partial agreement with several others. In its rebuttal to the Company's responses, the Audit Staff indicated agreement with the Company's position on several additional issues.

Notwithstanding the substantial progress that has been made between Audit Staff and the Company, it is clear that a number of significant issues remain unresolved based on the content of the Audit Staff's rebuttal of the Company's position and its ultimate recommendations. These issues include both discrete accounting issues relating to the proper level of costs reflected in the ACA account as well as issues of accounting/reporting methodology. While the Company was aware that some issues remained unresolved after its response to the draft report, it was frankly surprised by both the forcefulness and content of the Audit Staff's rebuttal and the ultimate recommendations of the report. It is Piedmont's strong desire to be compliant with all requirements of the Tennessee Regulatory Authority, including those relating to the accounting of its gas costs, and the obvious disputes evident from Audit Staff's report are troubling to the Company.

Since the Audit Staff's report was filed, Piedmont has carefully studied the comments and recommendations contained in the report and has reached two conclusions. First, the Company believes that with some additional work by the Company and the provision of additional information to Audit Staff, a number of the discrete accounting issues that remain outstanding can be resolved. Second, the Company believes that Audit Staff and the Company's gas cost accounting personnel may have been "talking past each other" for some time with respect to matters involving whether certain gas costs recorded by the Company represent "accruals" or "actual gas costs" and how those costs should be reported to Audit Staff. Based on these conclusions, Piedmont believes that additional discussions between Audit Staff and the Company may be helpful in resolving some or all of the outstanding matters reflected in Audit Staff's report.

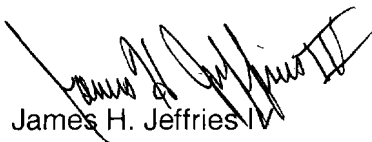
In the current procedural context of this docket, however, the time needed to undertake these discussions is not available inasmuch as the current audit period expires on April 21, 2008. In order to afford time for these discussions, Piedmont respectfully requests that the Authority and/or hearing officer assigned to this case enter an order extending the audit period for a period of not less than 60 days during which the Company and Audit Staff can meet in an effort to eliminate (or at least narrow) the contested matters at issue between them. Piedmont also requests that its obligation to formally respond to the Audit Staff's report, as reflected in the April 8, 2008 correspondence of Ms. Standley, be similarly extended until near the end of the audit extension period. Piedmont understands that Audit Staff will need to be provided sufficient time within the extended audit period to file any reply it may deem appropriate after receiving the Company's formal response. Piedmont acknowledges that allowing Audit Staff the opportunity to reply to the Company's response is essential to maintaining the integrity of the audit process.

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Piedmont has discussed the foregoing request with counsel for Audit Staff, Ms. Rebecca Montgomery, and it is undersigned counsel's understanding that Audit Staff has no objections to the requested extensions of time and is willing to engage in the discussions proposed by the Company.

Thank you for your consideration of this request. If you have any questions about this matter, you may reach me at the number shown above.

Sincerely,



James H. Jeffries IV

JHJ/bao

Enclosures

c: Ms. Rebecca Montgomery
Mr. R. Dale Grimes
Mr. David Carpenter