

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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IN RE:

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NASHVILLE GAS COMPANY, A DIVISION OF)
PIEDMONT NATURAL GAS COMPANY, INC.,)
ACTUAL COST ADJUSTMENT ACCOUNT)
FILING FOR THE TWELVE MONTHS ENDED)
DECEMBER 31, 2006)

Docket No. 07-00174

JOINT FINAL REPORT OF AUDIT STAFF AND PIEDMONT NATURAL GAS COMPANY

Audit Staff of the Tennessee Regulatory Authority ("Audit Staff") and Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel, respectfully submit this Joint Final Report on Piedmont's Actual Cost Adjustment ("ACA") account for the twelve months ended December 31, 2006 ("Review Period"). This Joint Report resolves all pending issues between Audit Staff and Piedmont in this proceeding and sets forth, in Attachments 1 and 2 hereto, the final agreed ACA Account Summary for the twelve-month period ended December 31, 2006 and a Summary of Adjustments to the ACA account balance reflected in Audit Staff's April 3, 2008 Compliance Audit Report filing ("Compliance Report") in this proceeding. Piedmont and Audit Staff respectfully request that the Tennessee Regulatory Authority ("Authority") accept and approve this Joint Final Report as the final accounting of Piedmont's ACA account for the Review Period. In support of this request, Audit Staff and Piedmont respectfully show unto the Authority as follows:

1. On April 3, 2008, Audit Staff issued its initial Compliance Report in this proceeding in which it recommended Review Period adjustments to Piedmont's ACA account of (\$4,730,021.97). In its Compliance Report, Audit Staff also reflected substantial dissatisfaction with the methodology Piedmont used to record its gas costs during the Review Period, which Audit Staff characterized as a continuing problem with the Company's reporting of its gas costs.

2. In its Compliance Report, Audit Staff also reflected Piedmont's response to Audit Staff's findings and proposed ACA account adjustments. Those responses included agreement by Piedmont with the majority of Audit Staff's proposed adjustments but disagreement with a smaller number of proposed adjustments. In its response, Piedmont also disputed that it had recorded estimated rather than actual costs in its ACA account for the Review Period.

3. The Compliance Report contained Audit Staff's rebuttal of Piedmont's response. This rebuttal demonstrated substantial ongoing disagreement between the Company and Audit Staff with respect to Piedmont's Review Period reporting of gas costs and the proper ending balance in Piedmont's ACA account.

4. On April 8, 2008, the Authority Advisory Staff issued a data request to Piedmont asking the Company to respond to the matters set forth in Audit Staff's rebuttal.

5. On April 18, 2008, at the request of Piedmont and with the consent of Audit Staff, the Authority extended the time in which Piedmont was required to respond to Audit Staff's rebuttal and also extended the time by which the audit process must be completed. Piedmont's request for extension of time indicated that it believed that further discussions between Audit Staff and the Company could help narrow or eliminate disputed reporting issues and that Audit Staff had agreed to participate in such discussions. Piedmont's request also indicated the Company's belief that Audit Staff and Piedmont accounting personnel had been "talking past each other" with regard to the Company's regulatory reporting.

6. Following the Authority's approval of the requested extension, Piedmont and Audit Staff met to discuss Audit Staff's findings and proposed adjustments to Piedmont's ACA account and the issue of Audit Staff's dissatisfaction with Piedmont's regulatory reporting. Piedmont also provided additional information and documentation to Audit Staff (at this meeting and afterwards) regarding several of Audit Staff's adjustments.

7. This process was fruitful and resulted in the Company understanding the manner in which Audit Staff requires ACA account gas costs to be reported. This process also resulted in several agreed modifications to Audit Staff's Compliance Report ACA account adjustments

based on the provision of additional information by Piedmont and further review of that information by Audit Staff.

8. The modifications to Audit Staff's Compliance Report adjustments agreed to by Piedmont and Audit Staff as a result of this process are detailed on the schedule attached hereto as Attachment 1. The cumulative adjustments to Piedmont's Review Period ACA account agreed to by Piedmont and Audit Staff are shown on the schedule attached hereto as Attachment 2.

9. The agreements between Piedmont and Audit Staff reflected herein resolve all monetary matters in dispute between the parties with respect to Piedmont's ACA account for the twelve months ended December 31, 2006.

10. Based on the foregoing, Audit Staff and Piedmont respectfully request that the Authority accept the final agreed balance of Piedmont's Review Period ACA account as reflected herein and on Attachments 1 and 2 appended hereto as an amendment to the findings of the April 3, 2008 Compliance Report.

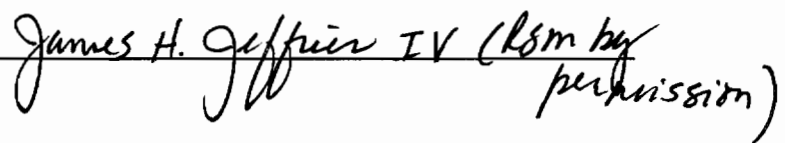
WHEREFORE, for the reasons set forth above, Audit Staff and Piedmont respectfully request that the Authority issue an order approving the Compliance Report, as amended herein, with the agreed upon balance of Piedmont's ACA account at December 31, 2006 reflected herein and in Attachments 1 and 2 hereto.

Respectfully submitted, this the 10th day of June, 2008.

Tennessee Regulatory Authority Audit Staff



Piedmont Natural Gas Company, Inc.



Piedmont Natural Gas
ACA Audit Results
January 2006 - December 2006
Docket No. 07-00174

Summary of Adjustments Resulting from Additional Documentation Supplied by Company

	<u>Amount</u>	<u>Reference</u>
Total Findings Issued by Audit Staff	(4,730,021.97)	Audit Report (April 3, 2008), page 7.
Adjustments Agreed to by Audit Staff:		
December 2006 Columbia invoice - Commodity	1,725.01	Finding #1, page 14. Company documentation number 32.
December 2006 Columbia invoice - Demand	31,449.50	Finding #12, page 28. Company documentation number 32.
October 2006 AP Adjustments for Nov./ Dec. 2005		
Merril Lynch Invoice	45,837.45	Finding #1, page 14. Company documentation number 15.
Coral Invoice	1,302,695.02	Finding #1, page 14. Company documentation number 15.
El Paso Invoice	(540,241.96)	Finding #1, page 14. Company documentation number 15.
El Paso Invoice	160,436.76	Finding #12, page 27.
El Paso Invoice	412,542.00	Finding #12, page 27.
Interest Effect of Above Adjustments	<u>103,347.56</u>	Finding #16, page 32. Staff recalculation of interest.
Subtotal of Adjustments made by Audit Staff	<u>1,517,791.34</u>	
Restated Audit Findings	<u>(3,212,230.63)</u>	
Audit Adjustments Requested by Company:		
Company Documentation No. 32	33,174.51	
Company Documentation No. 15	1,775,539.40	
Company Documentation No. 21, 24, 25	39,769.96	
Company Documentation No. 20	<u>-</u>	
	1,848,483.87	
Adjustments Accepted by Audit Staff	<u>1,517,791.34</u>	
Difference	<u>(330,692.53)</u>	

ATTACHMENT I

Piedmont Natural Gas
ACA Audit
Docket No. 07-00174

Summary of the ACA Account:

	Company Filing	Staff	Difference (Findings)
Commodity Balance at 1/1/06	-18,934,743.47	-18,934,743.47	\$0.00
Plus Gas Costs	184,410,960.47	182,432,346.61	-1,978,613.86
Minus Recoveries	162,472,648.03	162,440,217.86	-32,430.17
Ending Balance before Interest	\$3,003,568.97	\$1,057,385.28	-1,946,183.69
Plus Interest	-283,922.05	-320,578.05	-36,656.00
Commodity Balance at 12/31/06	<u>\$2,719,646.92</u>	<u>\$736,807.23</u>	<u>-\$1,982,839.69</u>
Demand Balance at 1/1/06	\$3,981,917.83	\$3,981,917.83	\$0.00
Plus Gas Costs	8,755,212.87	7,556,711.57	-1,198,501.30
Minus Recoveries	8,129,471.48	8,129,471.48	0
Ending Balance before Interest	\$4,607,659.22	\$3,409,157.92	-1,198,501.30
Plus Interest	355,658.11	324,768.47	-30,889.64
Demand Balance at 12/31/06	<u>\$4,963,317.33</u>	<u>\$3,733,926.39</u>	<u>-\$1,229,390.94</u>
Total ACA Ending Balance at 12/31/06	<u>\$7,682,964.25</u>	<u>\$4,470,733.63</u>	<u>-\$3,212,230.62</u>

ATTACHMENT 2