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

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OTHER OFFICES

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

T.R.A. DOCKET ROOM
NASHVILLE MUSIC ROW
KNOXVILLE
MEMPHIS

www.bassberry.com

August 31, 2007

VIA HAND DELIVERY

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

***Re: Petition for Authority to Place Certain Defined Benefit Post-Retirement
Obligations in a Deferred Account; Docket No. 07- 00200***

Dear Chairman Roberson:

Enclosed please find the original and 15 copies of Nashville Gas Company's Petition for Authority to Place Certain Defined Benefit Post-Retirement Obligations in a Deferred Account for filing today.

In addition, please find a check in the amount of \$25.00 for the filing fee.

Please return two "file" stamped copies 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.

Very truly yours,



R. Dale Grimes

RDG/ms
Enclosures

cc: James H. Jeffries IV, Esq.

6537657.1

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

IN RE:

PETITION OF NASHVILLE GAS COMPANY
FOR AUTHORITY TO PLACE CERTAIN
DEFINED BENEFIT POST-RETIREMENT
OBLIGATIONS IN A DEFERRED ACCOUNT

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Docket No. 07-_____

**PETITION OF NASHVILLE GAS COMPANY FOR AUTHORITY
TO PLACE CERTAIN DEFINED BENEFIT POST-RETIREMENT
OBLIGATIONS IN A DEFERRED ACCOUNT**

Nashville Gas Company, a division of Piedmont Natural Gas Company, Inc. ("Nashville Gas" or the "Company"), through counsel, respectfully requests authorization from the Tennessee Regulatory Authority ("Authority") to place certain Defined Benefit Post-Retirement Obligations in a deferred account so that the current regulatory treatment for these costs will not be altered due to Nashville Gas' adoption of the Financial Accounting Standard Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*. 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, TN 37238-3001
Telephone: 615-742-6244

And

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

2. Nashville Gas is an operating division of Piedmont Natural Gas Company, Inc. ('Piedmont'), which 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. Piedmont is duly domesticated and is engaged in conducting the business above mentioned in the states of Tennessee, North Carolina and South Carolina. 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 September 2006, the FASB issued SFAS No. 158, effective for fiscal years ending after December 15, 2006. SFAS No. 158 requires an employer to recognize the over-funded or under-funded status of defined benefit post-retirement plans maintained by the employer as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the change occurs through other comprehensive income.

4. SFAS No. 158 requires Nashville Gas to recognize the funded status of benefit plans, determined by measuring the difference between the fair value of plan assets and the corresponding benefit obligations, in its statement of financial position.

5. SFAS No. 158 further requires Nashville Gas to recognize, as a component of other comprehensive income, the gains or losses and prior service costs or credits, net of tax, that arise during the reporting period which are not recognized as components of net periodic

benefit costs under SFAS No. 87, *Employers Accounting for Pensions* and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

6. For regulatory purposes, Nashville Gas recovers its actual ongoing level of post-retirement defined benefit plan expense through rates set by this Authority in general rate proceedings.

7. As a result of the difference in methodology between the accounting for post-retirement defined benefit plan expenses required by SFAS No. 158 and the mechanism utilized by the Authority for the recovery of these expenses, Nashville Gas is faced with the requirement to record and report significant additional liabilities on its financial statements with no offsetting assets. This will result in a material negative impact to Nashville Gas' financial statements.

8. In order to avoid this impact, which is solely the result of the difference in methodology between the accounting for and recovery of these costs, Nashville Gas requests Authority approval to place all impacts to its financial statements caused by the adoption and continued implementation of SFAS No. 158 in a regulatory deferred account.

9. The creation of the requested deferred account will not impact the total expense to be incurred by Nashville Gas with regard to its defined benefit post-retirement obligations nor will it prompt a change in the methodology for the recovery of these costs. It will, however, avoid the negative impact on Nashville Gas' financial statements of recording non-current pension related liabilities that have no associated offsetting assets.

10. 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 Authority rule, regulation or policy.

11. Nashville Gas requests that it be authorized to segregate all cost impacts of compliance with SFAS No. 158 into a regulatory asset deferred account and that any issues related to the 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.

12. The relief requested herein will avoid material negative impacts to Nashville Gas' books resulting purely from SFAS recognition requirements that are not reflective of actual current expenses incurred by Nashville Gas. Such relief will not impact ratepayers and will simply preserve the current approved regulatory treatment and cost-recovery regime for Nashville Gas' defined benefit plan expenses pending further consideration by the Authority in a subsequent proceeding.

13. Nashville Gas respectfully requests that the accounting order sought herein be made effective as of October 31, 2007 and thereafter.

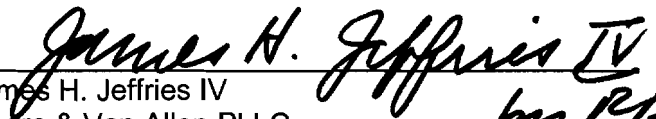
WHEREFORE, for the reasons set forth above, Nashville Gas respectfully requests that the Authority issue an order for regulatory accounting purposes allowing Nashville Gas to place certain defined benefit post-retirement obligation liabilities in regulatory deferred accounts, as described herein, effective October 31, 2007.

Respectfully submitted, this the 30th day of August, 2007.

Nashville Gas Company



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



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

by RDG
w/permission

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

VERIFICATION

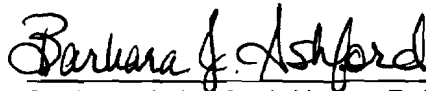
David R. Carpenter, being duly sworn, deposes and says that he is Managing Director, Regulatory Affairs of Piedmont Natural Gas Company, Inc., that as such, he has read the foregoing Petition and knows the contents thereof; that the same are true of his own knowledge except as to those matters stated 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: Aug. 30, 2007


Barbara J. Ashford, Notary Public

(Official Seal)

My commission expires: Feb. 26, 2011

