

# BASS

BERRY • SIMS PLC

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

A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

150 THIRD AVENUE SOUTH, SUITE 2800  
NASHVILLE, TN 37201  
(615) 742-6200

www.bassberry.com

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August 18, 2010

*Via Hand Delivery*

Chairman Mary Freeman  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243

filed electronically in docket office on 08/10/10

**Re: *Piedmont Natural Gas Company, Inc.'s Actual Cost Adjustment  
Account Filing for the Twelve Months Ended December 31, 2008  
Docket No. 09-00093***

Dear Chairman Freeman:

The Authority is scheduled to consider the above-captioned matter at its agenda conference on August 23, 2010. The purpose of this correspondence is to advise the Authority of Piedmont's position with respect to the current status of this docket and to request withdrawal of a previous Request for Declaratory Interpretation filed by Piedmont in this proceeding.

As the Authority is aware, prior proceedings in this docket have reflected disagreements between Piedmont and Audit Staff with respect to the interpretation and implementation of Piedmont's Service Schedule No. 316 as it relates to the accounting for hedging costs. These disagreements are reflected in the original Staff audit report and Piedmont's responses thereto. As a consequence of the varying interpretations of Service Schedule No. 316 by Audit Staff and Piedmont, Piedmont filed a request for Declaratory Interpretation in this proceeding on April 6, 2010 asking the Authority to adopt and approve Piedmont's interpretation of its tariff. Following that filing, the Attorney General intervened in this proceeding and the Company, Audit Staff, and the Attorney General had several discussions about the interpretation and application of Service Schedule No. 316.

At a status conference in this matter conducted on June 21, 2010, Piedmont, Audit Staff, and the Attorney General announced that they had reached an agreement to resolve the disputes over the interpretation of Service Schedule No. 316. That agreement involved the refile of Piedmont's accounting for the activities in its ACA Account for the twelve-months ended December 31, 2008, the issuance of a revised audit report by Audit Staff based on that refile, the withdrawal of Piedmont's pending request for Declaratory Interpretation in this docket, and the filing (in a separate docket) of revisions to Service Schedule No. 316 designed to address the ambiguities that led to the varying interpretations of that tariff by the parties to this proceeding.

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In conformance with the agreements announced at the June 21, 2010 status conference, Piedmont filed its revised accounting on July 21, 2010 and the Audit Staff filed its revised Audit Report on August 4, 2010. Piedmont has reviewed Audit Staff's revised audit report and agrees with its conclusions and the end-of-period balances in Piedmont's ACA account reflected therein. Accordingly, Piedmont hereby requests leave to withdraw its previously filed Request for Declaratory Interpretation in this proceeding and asks that the Authority approve Staff's revised audit report as filed.

As was also agreed by the parties, Piedmont will file a proposed revised Service Schedule No. 316 reflecting the agreed modifications to that service schedule in the near future in a separate docket.

If you have any questions regarding this matter, please do not hesitate to contact me.

With kindest regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Dale Grimes". The signature is fluid and cursive, with the first name "R." and last name "Grimes" clearly distinguishable.

R. Dale Grimes

cc: Mary White, Esq.  
Rebecca Montgomery, Esq.