

# BASS

**BERRY • SIMS**<sub>PLC</sub>

**Chad Jarboe**  
PHONE: (615) 742-7850  
E-MAIL: cjarboe@bassberry.com

150 Third Avenue South, Suite 2800  
Nashville, TN 37201  
(615) 742-6200

OTHER OFFICES  
KNOXVILLE  
MEMPHIS

April 27, 2010

**VIA EMAIL AND HAND DELIVERY**

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

filed electronically in docket office on 04/27/10

**Re: *Piedmont Natural Gas Company, Inc.'s Actual Cost Adjustment  
Account Filing for the Twelve Months Ended December 31, 2005***  
**Docket No. 09-00093**

Dear Chairman Kyle:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company, Inc.'s Responses to the TRA's Data Requests of April 20, 2010 in the above referenced docket. Please stamp one copy of this document as filed and return it to me by way of our courier.

This document has also been filed today by way of email to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Should you have any questions concerning the enclosed, please don't hesitate to contact me.

Sincerely,



Chad Jarboe

Enclosures

CGJ:smb

8577916.1

**PIEDMONT NATURAL GAS COMPANY, INC.  
ACTUAL COST ADJUSTMENT ACCOUNT FILING  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008  
DOCKET NO. 09-00093  
TRA ADVISORY STAFF DATA REQUEST NO. 2  
April 20, 2010**

1. Restate findings #2 and #5 of the 2008 ACA Audit assuming the TRA adopts and applies Piedmont's interpretation of Service Schedule No. 316.

**Response:** See the attachment. This attachment reflects: (1) the disallowance or removal from the ACA account of \$4,170,214 in margin related hedging costs in excess of 1% of Piedmont's annual gas costs calculated using Piedmont's methodology described in its response to Audit Staff's Draft Audit Report (and subject to Piedmont's right to record any gains and losses from the underlying hedging transactions in its ACA account without caps during subsequent periods), and (2) the continued inclusion of non-margin related hedging costs of \$3,170,424.78 which do not exceed 1% of Piedmont's annual gas costs under Piedmont's base/target year approach for calculating the 1% cap on such costs. The restated commodity cost of gas under finding # 2 is \$205,065,656.15. The restated interest due on the ACA account under finding # 5 is an over-recovery of \$5,527.27.

Response provided by Piedmont Natural Gas on April 27, 2010.

Piedmont Natural Gas Company, Inc.  
Docket No. 09-00093  
Staff Data Request No. 2  
Question #1

	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total
<b>Gain or Loss on Hedging:</b>													
Gains on Closed Positions	-	35,300.00	-	-	-	-	-	-	-	-	-	-	35,300.00
(Losses) on Closed Positions	-	-	-	-	-	-	-	-	-	(1,056,600.00)	(456,250.00)	(699,040.00)	(2,211,890.00)
<b>Total Gains (Losses) Current Year</b>	-	35,300.00	-	-	-	-	-	-	-	(1,056,600.00)	(456,250.00)	(699,040.00)	(2,176,590.00)
<b>Costs:</b>													
Option Premium (Paid)	-	-	-	-	-	(358,800.00)	(308,100.00)	(1,327,200.00)	(1,956,260.00)	(2,052,150.00)	(192,000.00)	-	(6,194,510.00)
Option Premium Received	-	-	-	-	-	166,800.00	120,400.00	610,550.00	1,008,200.00	1,082,000.00	66,000.00	-	3,055,950.00
Fees & Commissions on Option Premium	-	-	-	-	-	(945.50)	(589.00)	(5,704.00)	(10,137.00)	(9,331.00)	(1,240.00)	-	(27,946.50)
Fees & Commissions to close the position	-	(155.00)	-	-	-	-	-	-	-	(2,790.00)	(2,325.00)	(1,798.00)	(7,068.00)
Interest on Account Balance	-	-	-	-	-	-	-	-	252.37	1,017.88	1,413.84	465.63	3,149.72
<b>Total Hedging Costs Current Year</b>	-	(155.00)	-	-	-	(192,945.50)	(188,289.00)	(722,354.00)	(957,944.63)	(981,253.12)	(126,151.16)	(1,332.37)	(3,170,424.78)
<b>Revised Hedging Costs for Current Year</b>	-	35,145.00	-	-	-	(192,945.50)	(188,289.00)	(722,354.00)	(957,944.63)	(2,037,853.12)	(582,401.16)	(700,372.37)	(5,347,014.78)
<b>Margin Requirement (Paid)/Received</b>	-	-	-	-	-	-	-	(756,764.50)	(3,138,550.50)	(1,404,948.00)	1,986,050.00	(855,981.00)	(4,170,214.00)

**PIEDMONT NATURAL GAS COMPANY, INC.**  
**ACTUAL COST ADJUSTMENT ACCOUNT FILING**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008**  
**DOCKET NO. 09-00093**  
**TRA ADVISORY STAFF DATA REQUEST NO. 2**  
**April 20, 2010**

2. Discuss the feasibility of filing the 2009 ACA for the 18 month period from January 1, 2009 to June 20, 2010 (one time only) to align the IPA and ACA audit periods going forward.

**Response:** Piedmont has no objection to extending the 2009 ACA audit period in the fashion described above and believes that such an extension would have benefits for future ACA audits by synchronizing the annual periods for activities under the ACA and IPA. Piedmont would note, however, that such an adjustment will not eliminate the need to "allocate" hedging transaction costs to different periods for purposes of calculating the 1% cap on hedging costs in Service Schedule No. 316. In order to operate a functional and effective hedging plan, it is absolutely necessary to be able to incur costs for hedges which cover more than one annual period. In order to effectively audit such expenses for compliance with a 1% annual gas cost cap, it is necessary to establish both an annual period for establishing the cap (i.e. determining 1% of annual gas costs) and an annual period to which the hedging costs incurred will be allocated. As is explained in Piedmont's response to Audit Staff's Draft Audit Report, these periods cannot be the same if the hedging plan is to function properly and as intended. Accordingly, synchronizing the ACA period to the IPA period does not eliminate the need to look at more than one annual period for purposes of auditing compliance with the 1% cap. The application of Piedmont's methodology allows for a separate audit check on compliance with the 1% cap utilizing Piedmont's base/target period approach. This permits the recording of hedging costs as they are incurred and adjustment of the ACA account, as appropriate, in the event Piedmont exceeds the 1% cap under the base/target period analysis. Such an approach would require Audit Staff to examine only a single additional schedule (similar to what was provided in the text of Piedmont's Draft Audit Report Response) in each ACA audit. No other change in procedures would be necessary.

Response provided by Piedmont Natural Gas on April 27, 2010.