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August 10, 2009

**VIA HAND DELIVERY**

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

**Re:   *Petition of Piedmont Natural Gas Company, Inc. for Approval of Service  
Schedule No. 317 and Related Energy Efficiency Programs***  
**Docket No. 09-00104**

Dear Chairman Kyle:

Enclosed please find an original and six (6) copies of Opposition of Piedmont Natural Gas Company, Inc. to Complaint and Petition to Intervene by Tennessee Consumer Advocate and Protection Division of the Attorney General. This document also has been filed by way of email sent today to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Please stamp a copy of this document as "filed" and return it to me by way of our courier.

Should you have any questions concerning the enclosed, please do not hesitate to contact me.

Sincerely,



Ross Booher

RB/smb

Enclosures

cc:   Hon. Mary Freeman (*w/o enclosure*)  
      Hon. Eddie Roberson, Ph.D. (*w/o enclosure*)  
      Hon. Kenneth C. Hill, DRE (*w/o enclosure*)

Chairman Sara Kyle  
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Hon. Kenneth C. Hill, DRE (*w/o enclosure*)  
James H. Jeffries, Esq.  
Robert E. Cooper, Jr., Esq.  
Ryan L. McGehee, Esq.

8000123.1

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

IN RE:	)	
	)	
PETITION OF PIEDMONT NATURAL GAS	)	
COMPANY, INC. FOR APPROVAL OF	)	Docket No. 09-00104
SERVICE SCHEDULE NO. 317 AND	)	
RELATED ENERGY EFFICIENCY PROGRAMS	)	
	)	

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**PIEDMONT NATURAL GAS COMPANY, INC.'S OPPOSITION TO THE  
COMPLAINT AND PETITION TO INTERVENE BY THE TENNESSEE  
CONSUMER ADVOCATE AND PROTECTION DIVISION OF THE ATTORNEY GENERAL**

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Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel respectfully opposes the Complaint and Petition to Intervene filed by the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate") for the State of Tennessee. In support of its Opposition, Piedmont respectfully submits as follows:

1. Piedmont is incorporated under the laws of the State of North Carolina and domesticated and engaged in the business of transporting, distributing and selling natural gas in the States of Tennessee, North Carolina and South Carolina. Piedmont's principal office and place of business is located at 4720 Piedmont Row Drive, Charlotte, North Carolina.

2. Piedmont's natural gas distribution business is subject to regulation and supervision by the Tennessee Regulatory Authority ("Authority") pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

3. On July 16, 2009, Piedmont filed with the Authority a Petition for Approval of a margin decoupling tracking mechanism with an effective date of September 1, 2009 in order to conform with federal and state policies<sup>1</sup> requiring alignment of utility financial incentives and consumer energy efficiency. Specifically, Piedmont submitted for approval by the Authority: (a) Piedmont's proposed Service Schedule 317 designed to align the financial interests of

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<sup>1</sup> See Tenn. Code Ann. § 65-4-126 and the American Recovery and Reinvestment Act of 2009.

Piedmont's customers and shareholders with respect to conservation and efficient use of natural gas by Piedmont's residential customers; and (b) Piedmont's initial proposed energy efficiency programs designed to promote efficiency in natural gas usage and conservation of energy by Piedmont's customers.

4. On July 31, 2009, the Consumer Advocate filed a Complaint and Petition to Intervene in this proceeding, alleging "that the design of the margin decoupling tracking mechanism is not in the public interest." In addition, the Consumer Advocate claimed that "this proceeding is not 'appropriate' under the newly enacted Tenn. Code Ann. § 65-4-126 and constitutes single issue rate-making to the detriment of consumers."

5. The language adopted by the Tennessee legislature, however, undermines the Consumer Advocate's position. Specifically, Tenn. Code Ann. § 65-4-126 states:

the Tennessee regulatory authority will seek to implement, in appropriate proceedings for each electric and gas utility, with respect to which the authority has rate making authority, a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provides timely cost recovery and a timely earnings opportunity for utilities associated with cost-effective measurable and verifiable efficiency savings, in a way that sustains or enhances utility customers' incentives to use energy more efficiently.

The Tennessee legislature has therefore expressly enacted a policy goal that encompasses and promotes the incentive aligning mechanism for which Piedmont seeks approval in this docket. Accordingly, Piedmont's proposed Service Schedule No. 317 and proposed energy efficiency programs are entirely consistent with the proceedings and policy goals articulated in T.C.A. § 65-4-126.

6. As described in the Petition for Approval, Piedmont's proposed Service Schedule No. 317 will establish a Margin Decoupling Tracker mechanism designed to allow Piedmont to recover from its residential customers the approved per customer margin found to be just and reasonable and established by the Authority in Piedmont's last general rate proceeding. This mechanism will also align the interests of Piedmont and its customers by ensuring that

Piedmont recovers only the level of margin on an average per customer basis approved by the Authority, without regard to the individual usage patterns of its residential customers. In doing so, the tracker mechanism will protect the interests of both Piedmont and its customers. Even more importantly, it will also eliminate the negative economic incentive under Piedmont's existing volumetric rate structure that currently inhibits Piedmont from actively promoting conservation and energy efficiency programs. Furthermore, the energy efficiency programs are designed to and will promote effective energy efficiency by Piedmont's residential customers.

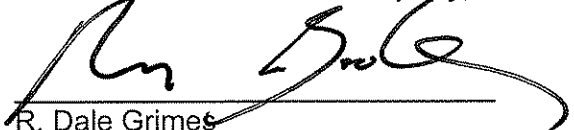
7. Piedmont's proposed Margin Decoupling Tracker mechanism and energy efficiency programs also are consistent with the American Recovery and Reinvestment Act of 2009. Governor Bredeson certified to the U.S. Department of Energy that the Authority would implement "in appropriate proceedings" the aforementioned policy of aligned utility financial incentives and consumer energy efficiency. Here, Piedmont's proposed decoupling mechanism clearly advances the public interest and Piedmont's submission to the Authority constitutes an appropriate proceeding.

8. Further, the Authority has discretion to determine the "appropriate proceeding" through which it may consider Piedmont's proposed Margin Decoupling Tracker mechanism and the energy efficiency programs.

ACCORDINGLY, Piedmont Natural Gas Company, Inc., respectfully requests that the Authority deny the Consumer Advocate's Complaint and Petition to Intervene.

Respectfully submitted this 10th day of August, 2009.

**Piedmont Natural Gas Company, Inc.**



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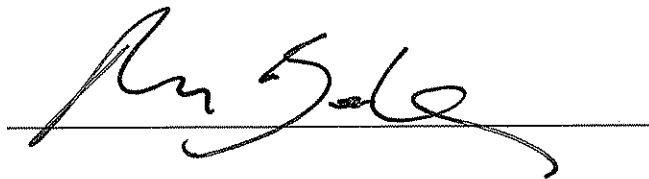
*James H. Jeffries / by R. J. Thompson*

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the foregoing document has been served via first class mail, postage prepaid, on this 10<sup>th</sup> day of August, 2009 to the following:

Robert E. Cooper, Jr., Esq.  
Ryan L. McGehee, Esq.  
Attorney General and Reporter  
OFFICE OF THE ATTORNEY GENERAL  
Consumer Advocate and Protection Division  
P. O. Box 20207  
Nashville, TN 37202-0207

A handwritten signature in black ink, appearing to read "R. L. McGehee", is written over a horizontal line.