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September 9, 2010

Via Hand Delivery

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

filed electronically in docket office on 09/09/10

Docket No. 10-00185

Re: *Petition of Piedmont Natural Gas Company, Inc. for Approval of Deferred Accounting Treatment for Flood Response Costs*

Dear Chairman Freeman:

Attached you will find an original and five (5) copies of the Petition of Piedmont Natural Gas Company, Inc. for Approval of Deferred Accounting Treatment for Flood Response Costs. Accompanying the petition is a check for the filing fee in the amount of \$25.00.

Please file the original and four copies of the document and stamp the additional copy as "filed," and return that file-stamped copy to me by way of our courier.

This Petition also is being filed today by way of email to the Tennessee Regulatory Authority Docket Manager, Sharla Dillon.

Should you have any questions concerning the enclosed, please do not hesitate to contact me at the email address listed above.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

RDG/smb

Enclosures

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

IN RE:

PETITION OF PIEDMONT NATURAL GAS
COMPANY, INC. FOR APPROVAL OF
DEFERRED ACCOUNTING TREATMENT
FOR FLOOD RESPONSE COSTS

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Docket No. 10-

**PETITION OF PIEDMONT NATURAL GAS COMPANY, INC. FOR APPROVAL
OF DEFERRED ACCOUNTING TREATMENT FOR FLOOD RESPONSE COSTS**

Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel, respectfully requests that the Tennessee Regulatory Authority ("Authority") approve the deferral of certain direct response costs incurred by Piedmont as a result of the severe flooding event triggered by torrential rains on May 1st and 2nd, 2010. In support of this request, Piedmont 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
150 Third Avenue South, Suite 2800
Nashville, TN 37201
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. Piedmont 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. Piedmont 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. On May 1st and 2nd, 2010, Piedmont's service area was struck by severe thunderstorms and torrential rains, which triggered unprecedented flooding in the Nashville area. In that two-day period, approximately 13.5 inches of rain fell in Nashville, far exceeding previously set records. The Cumberland River crested at approximately 52 feet, spilling into the city and surrounding neighborhoods. The rain and flooding caused damage to Piedmont's property and equipment, and affected natural gas service to approximately 3,800 customers. From the onset of the storm, Piedmont responded to and coordinated with the Office of Emergency Management to ensure public safety and restore service to affected customers.

4. The weather events beginning on May 1st prompted the activation of Piedmont's local and corporate Crisis Management Teams, as well as Piedmont's Nashville Flood Contingency Plan. As an immediate and necessary safety precaution, Piedmont physically turned off all natural gas meters for customers in the flood-affected areas. Approximately 3,800 customer meters were turned off. As storm waters receded, Piedmont proactively went into neighborhoods to conduct leak surveys as well as to assess repair needs for its system. Six of Piedmont's distribution pipelines and one transmission pipeline were

damaged. The Company's pipeline system sustained over 100 washouts. Furthermore, seven Company regulator stations, including two major ones, were damaged.¹

6. Piedmont made resources available to promptly respond to all customer calls and concerns related to the flooding event, in addition to identifying and repairing damage on Piedmont's pipeline system. On May 2nd, customer call volume surged almost 400% above normal. Piedmont promptly responded to every emergency order received. Piedmont worked all customer service orders without backlog throughout the following weeks. Of the 3,800 flood-affected meters that Piedmont turned off, approximately 1,400 have been turned back on (with approximately 750 of the 1,400 first requiring replacement of the meter and regulator prior to turn-on). Piedmont estimates that service to approximately 1,000 of the still turned-off meters will likely never be restored because of housing condemnations and redesignation of the city's flood plains; some of the remaining 1,400 may come back on per customer request later in the year as homeowners continue their repair work. Piedmont immediately repaired the two major regulator stations damaged by the flood. Repair work for the other damaged areas of the Piedmont's distribution system is still ongoing.

9. As a result of the flooding event, Piedmont was required to incur substantial extraordinary expenses in order to ensure the safety of its customers and the public at large and to effect repairs to its system while keeping its customers properly informed of its actions and services available to them from the Company. These expenses were required by the public welfare, were extraordinary in nature, and would not have been incurred except for the flood. Recovery of these costs is not provided for in Piedmont's existing approved rates.

10. Piedmont is requesting deferred accounting treatment for the direct, incremental costs incurred as a result of its response to the flooding event. These costs consist of contract

¹ No flood damage was incurred at Piedmont's Nashville Operations Center – the hub of Piedmont's field operations in Tennessee. The week prior to the storm, Piedmont completed the relocation of its Nashville Operations Center from the Metro Center area of Nashville (where flooding and mandatory evacuation did occur) to Century Boulevard (unaffected by the flooding).

labor, Piedmont labor, materials and other expenses. Attachment A summarizes the expenses incurred through the end of Piedmont's August 2010 accounting month.

11. The relief requested herein does not involve a change to Piedmont's rates, terms or conditions of service and is not in conflict with any Authority rule, regulation or policy.

12. Piedmont requests that it be authorized to segregate the incremental flood-related costs - those incurred through the end of Piedmont's August 2010 accounting month as well as ongoing incremental costs - 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 general rate proceeding before the Authority in which such amortization or recovery is sought.

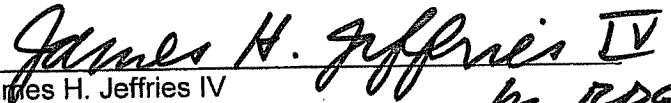
WHEREFORE, for the reasons set forth above, Piedmont respectfully requests that the Authority issue an order for regulatory accounting purposes allowing Piedmont to place certain incremental flood-related costs, as described herein, in a regulatory deferred account, effective October 31, 2010.

Respectfully submitted, this the 9th day of September, 2010.

Piedmont Natural Gas Company, Inc.



R. Dale Grimes
Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201
Telephone: 615-742-6244



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by RDG
w/permission

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

VERIFICATION

Pia Powers, being duly sworn, deposes and says that she is Manager - Regulatory Affairs of Piedmont Natural Gas Company, Inc., that as such, she has read the foregoing Petition and knows the contents thereof; that the same are true of her own knowledge except as to those matters stated on information and belief and as to those she believes them to be true.

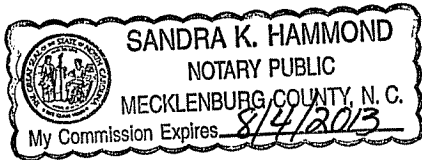
Pia Powers
Pia Powers

Mecklenburg County, North Carolina
Signed and sworn to before me this day by Pia Powers

Date September 8, 2010 Sandra K. Hammond
Sandra Hammond, Notary Public

(Official Seal)

My commission expires: August 4, 2013



ATTACHMENT A

Attachment A

Piedmont Incremental O&M Costs
Through the End of Piedmont's August 2010 Accounting Month

May 2010 TN Flooding Event

Cost Category

Contract Labor & Services	\$	489,976.40
Piedmont Overtime Labor	\$	98,743.81
Materials	\$	318,334.89
Other	\$	5,000.00
Total	\$	912,055.10