

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

November 10, 2010

IN RE:)	
)	
PETITION OF PIEDMONT NATURAL GAS)	DOCKET NO.
COMPANY, INC. FOR APPROVAL OF)	10-00185
DEFERRED ACCOUNTING TREATMENT)	
FOR FLOOD RESPONSE COSTS)	

ORDER GRANTING REQUEST FOR DEFERRED ACCOUNTING

This matter came before Chairman Mary W. Freeman, Director Eddie Roberson and Director Sara Kyle of the Tennessee Regulatory Authority (“TRA” or the “Authority”), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on September 27, 2010 for consideration of the *Petition of Piedmont Natural Gas Company, Inc. for Approval of Deferred Accounting Treatment for Flood Response Costs* (“*Petition*”) filed on September 9, 2010 by Piedmont Natural Gas Company, Inc. (“PNG,” “Piedmont” or “Company”).

BACKGROUND AND PETITION

The *Petition* requests deferred accounting treatment for direct and incremental costs related to flooding in the Nashville area. On May 1st and 2nd, 2010, Piedmont’s service area was struck by severe thunderstorms and torrential rains resulting in unprecedented flooding in the Nashville area. Through PNG’s August 2010 accounting month, the Company asserts that flood related costs total \$912,055.10. The Company seeks approval to defer these expenses, as well as ongoing incremental costs, resulting from the flooding. The Company reports that the

\$912,055.10 incremental operations and maintenance costs are comprised of: contract labor and services of \$489,976.40; PNG overtime of \$98,743.81; materials of \$318,334.89; and other expense of \$5,000.

The Consumer Advocate and Protection Division of the Office of the Attorney General (“Consumer Advocate”) filed a *Petition to Intervene* on September 22, 2010. At the September 27, 2010 Authority Conference, the Consumer Advocate stated that the purpose of the intervention was to insure that the Consumer Advocate would be able to review Piedmont’s “back-up” materials that supported the costs alleged in the *Petition*. The Consumer Advocate did not oppose the Company’s request for deferral provided it was not prevented from raising issues relating to the costs themselves at the time those costs are considered by the Authority. Counsel for the Company stated that PNG would not object to sharing informally with the Consumer Advocate information related to the expenses being deferred.

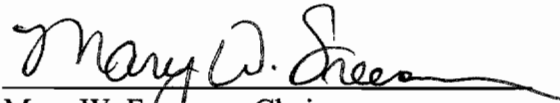
FINDINGS AND CONCLUSIONS

The panel found that the proposed treatment of the flood costs is an accepted regulatory accounting treatment and is consistent with previous Authority rulings with respect to deferral of certain costs.¹ In approving the request for deferral, the panel also specifically stated that the deferral of these costs does not equate to a determination that the Company will be allowed to recover such costs when they are considered by the Authority. Thereafter, based on the record, the panel voted unanimously to approve Piedmont’s *Petition* to defer flood-related costs for potential recovery in future periods.


¹See *In re: Petition of Lynwood Utility Corporation for Approval of a Cost Recovery Mechanism for Deferred Odor Elimination Costs*, Docket No. 08-00060, *Order Approving Settlement Agreement* (April 29, 2009). See also *In re: Petition of Kingsport Power Company d/b/a AEP Appalachian Power for Approval to Defer Certain Costs Associated with Winter Storms Occurring in December 2009*, Docket No. 10-00144, *Order Granting Request for Deferred Accounting* (October 5, 2010).

IT IS THEREFORE ORDERED THAT:

The Petition of Piedmont Natural Gas Company, Inc. for Approval of Deferred Accounting Treatment for Flood Response Costs is approved.


Mary W. Freeman, Chairman


Eddie Roberson, Director


Sara Kyle, Director