

# TENNESSEE REGULATORY AUTHORITY



460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

October 27, 2010

Ms. Rebecca Montgomery  
TRA Assistant General Counsel  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

RE: Docket No. 10-00201 – Piedmont Natural Gas Company, Inc. Service  
Schedule 316 Revisions

Dear Ms. Montgomery:

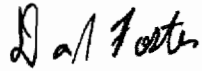
Piedmont Natural Gas Company submitted proposed changes to its Service Schedule No. 316 on October 20, 2010. Schedule 316 sets forth the methodology to determine the one percent (1%) cap on hedging cost recovery and this proposal specifically defines the methodology to determine this cap (see footnote No. 6, page 4 of 7). The proposal also requires Piedmont to record all gains and losses from hedging transactions to the ACA account in the month that each transaction closes. Any cost associated to hedging transactions and incurred prior to the close shall be recorded in a non-interest bearing temporary account.

Piedmont states in its filing that the TRA Audit Staff ("Staff") and the Consumer Advocate and Protection Division of the Tennessee Attorney General's Office ("CAPD") are in agreement with this filing. Additionally, Piedmont asserts that the CAPD and Staff agree that the 2009 ACA audit for Piedmont will cover the 18 months, from 1/1/2009 through 6/30/2010, and the hedging costs will be based on a 150% pro forma adjustment to annual gas costs in TRA Docket No. 06-00087.

Please provide confirmation of the Staff's agreement or disagreement with this filing. It is requested that this information be provided no later than Tuesday

November 9, 2010 and that you reference Docket 10-00201 on the response. In accordance with TRA rules submit either (13) thirteen written copies of your response or (2) four written copies and an electronic version. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Foster".

David Foster, Chief  
Utilities Division

C: Ms. Mary Leigh White, Associate Attorney General  
Mr. R. Dale Grimes  
Docket File