

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 15, 2010

IN RE:)	
)	
PIEDMONT NATURAL GAS COMPANY, INC.)	
SERVICE SCHEDULE 316 REVISIONS TO)	DOCKET NO.
CLARIFY THE OPERATION OF PIEDMONT'S)	10-00201
PERFORMANCE INCENTIVE PLAN WITH)	
RESPECT TO HEDGING TRANSACTIONS)	

ORDER APPROVING SERVICE SCHEDULE 316 REVISIONS

This matter came before Chairman Mary Freeman, Director Kenneth C. Hill and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on November 22, 2010 for consideration of proposed revisions to Service Schedule 316 filed by Piedmont Natural Gas Company, Inc. ("Piedmont" or "Company") on October 20, 2010.

BACKGROUND

In Docket No. 09-00093, Piedmont's most recent Actual Cost Adjustment ("ACA") case, issues arose regarding the period to which hedging costs should be allocated and the period to be used to calculate total annual gas costs. As a result, the Company filed a *Request for Declaratory Interpretation* ("Request") regarding Service Schedule 316 on April 6, 2010 in that docket. Subsequently, the Consumer Protection and Advocate Division of the Office of the Consumer Advocate ("Consumer Advocate") requested and was granted intervention in Docket No. 09-00093 on May 7, 2010. Based upon negotiations of the parties, Piedmont revised its

accounting, agreed with TRA Audit Staff's ("Audit Staff") revised audit report of August 4, 2010 and withdrew its *Request* in the docket. As part of the agreement, Piedmont was to file a proposed revised Service Schedule No. 316 reflecting the agreed upon modifications.

Piedmont submitted its revised Service Schedule No. 316 on October 20, 2010. Audit Staff and the Consumer Advocate filed statements confirming their agreement with Piedmont's proposed revisions to Service Schedule 316 on October 29, 2010 and November 1, 2010, respectively.

THE FILING

The Company states that this filing was made to clarify the operations of the Company's Performance Incentive Plan ("PIP") with respect to hedging transactions and to resolve interpretative differences between Audit Staff and the Company. The Company also states that it understands that both the Audit Staff and the Consumer Advocate are in agreement with the proposed revisions to Schedule No. 316 and all clarifications proposed by this filing.

Specifically, the filing provides the method to determine the total annual gas costs used to calculate the 1% cap on hedging cost recovery. The filing states:

[O]ne percent (1%) of total annual gas costs, for the purpose of establishing a recovery cap, shall be computed from the most current audited and approved gas costs for the Company in a TRA docket as of the first day of the month, 12 months prior to the first day of the period under review.¹

Based upon this clarification, the annual gas costs to be used in calculating the 1% cap on hedging cost recovery for the 2010 ACA audit will be those audited and approved in Docket No. 08-00227. Additionally, the Service Schedule requires Piedmont to record all costs, gains and losses from hedging transactions to the ACA account in the month that each transaction

¹ Piedmont Service Schedule No. 316, footnote 6.

closes. Any cost associated to hedging transactions and incurred prior to the close shall be recorded in a non-interest bearing temporary account.

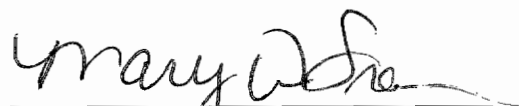
Finally, the filing stated that the Company, Audit Staff and the Consumer Advocate concur that the 2009 ACA audit will cover the eighteen month period from January 1, 2009 through June 30, 2010. This one-time adjustment aligns the ACA audit period with the PIP year. Because of this one-time eighteen month audit period, the Company's hedging costs will be based on a 150% *pro forma* adjustment to annual gas costs in Docket No. 06-00087 to reflect the one-time eighteen month ACA audit period.

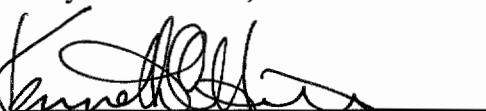
FINDINGS AND CONCLUSIONS

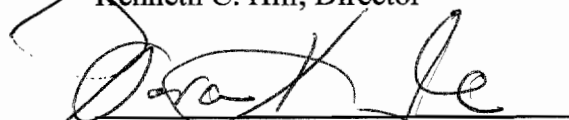
The panel voted unanimously to approve the proposed revisions to Service Schedule No. 316. The panel found that the Company's filing properly clarifies the methodology to calculate the annual 1% cap on recovery of hedging costs, recording of costs, gains and losses related to hedging transactions.

IT IS THEREFORE ORDERED THAT:

Piedmont Natural Gas Company Inc.'s revisions to Service Schedule 316 filed on October 20, 2010 are approved.


Mary W. Freeman, Chairman


Kenneth C. Hill, Director


Sara Kyle, Director