Piedmont Natural Gas

August 28, 2012

Mr. Kenneth C. Hill, Chairman
c/o Sharla Dillion – Docket Room
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Piedmont Natural Gas Company, Inc., Performance Incentive Plan Report for the period July 1, 2011 – June 30, 2012.

Dear Chairman Hill:

In accordance with the reporting provisions of Service Schedule No. 316, Performance Incentive Plan, ("Plan"), Piedmont Natural Gas Company ("Company"), submits the accompanying annual report of shared gas cost savings for the period July 1, 2011, through June 30, 2012.

As the enclosed Gain/Loss Summary page indicates, the annual accumulated total gains and savings under the plan total $2,995,625. Under the Plan's sharing formula, $2,246,719 of these gains and savings is allocated to the Company's Tennessee ratepayers. The remaining $748,906 of the gains and savings is reflected as the Company's share. Detailed calculations supporting the amounts shown on the Gain/Loss Summary page are provided in this filing. Please note that all enclosures provided in this filing, with the exception of the Gain/Loss Summary page itself, contain CONFIDENTIAL INFORMATION.

A copy of the Gain/Loss Summary page is enclosed. The Company requests that the Authority stamp this copy as "filed", and return it to me in the enclosed envelope.

Sincerely,

Jenny Furr
Manager - Regulatory Reporting

Enclosures

c: Cynthia Kinser

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Piedmont Natural Gas Company, Inc.

GAIN/LOSS SUMMARY

Report on Performance Incentive Plan

July 2011 - June 2012

Month	Year	Gas Procurement Incentive Mechanism Gain/(Loss) 1/	25% Company GPI Sharing Gain/(Loss) 2/	75% TN Ratepayer GPI Sharing Gain/(Loss)	Capacity Management Incentive Mechanism Gain/(Loss)	25% Company CMI Sharing Gain/(Loss)	75% TN Ratepayer CMI Sharing Gain/(Loss)	Total Gain/(Loss)	25% Total Company Gain/(Loss) 3/	75% Total TN Ratepayer Gain/(Loss) 3/
July	2011	$ 13,561	$ 3,390	$ 10,171	$ 168,052	$ 42,013	$ 126,039	$ 181,613	$ 45,403.21	$ 136,210
August	2011	$ 29,380	$ 7,345	$ 22,035	$ 166,667	$ 41,667	$ 125,000	$ 196,047	$ 49,012	$ 147,035
September	2011	$ 14,385	$ 3,596	$ 10,789	$ 166,667	$ 41,667	$ 125,000	$ 181,052	$ 45,263	$ 135,789
October	2011	$ 40,515	$ 10,129	$ 30,386	$ 166,667	$ 41,667	$ 125,000	$ 207,182	$ 51,795	$ 155,386
November	2011	$ 183,441	$ 45,860	$ 137,580	$ 127,083	$ 31,771	$ 95,312	$ 310,524	$ 77,631	$ 232,893
December	2011	$ 365,329	$ 91,332	$ 273,997	$ 127,083	$ 31,771	$ 95,312	$ 492,412	$ 123,103	$ 369,309
January	2012	$ 274,693	$ 68,673	$ 206,020	$ 127,083	$ 31,771	$ 95,312	$ 401,776	$ 100,444	$ 301,332
February	2012	$ 173,543	$ 43,386	$ 130,158	$ 127,083	$ 31,771	$ 95,312	$ 300,627	$ 75,157	$ 225,470
March	2012	$ 148,263	$ 37,066	$ 111,197	$ 127,083	$ 31,771	$ 95,312	$ 275,346	$ 68,837	$ 206,510
April	2012	$ 36,826	$ 9,207	$ 27,620	$ 127,083	$ 31,771	$ 95,312	$ 163,910	$ 40,977	$ 122,932
May	2012	$ 2,448	$ 612	$ 1,836	$ 127,083	$ 31,771	$ 95,312	$ 129,531	$ 32,383	$ 97,148
June	2012	$ 28,522	$ 7,131	$ 21,392	$ 127,083	$ 31,771	$ 95,312	$ 155,606	$ 38,901	$ 116,704
		$ 1,310,907	$ 327,727	$ 983,180	$ 1,684,719	$ 421,180	$ 1,263,539	$ 2,995,625	$ 748,906	$ 2,246,719

1/ The monthly gain or loss set forth in this column reflects total gains or losses calculated under the gas procurement mechanism.

2/ Company GPI sharing reflects 25% of gains or losses calculated under the gas procurement mechanism.

3/ The Company is subject to a cap on overall gains or losses of $1.6 million annually. Any gains above this cap will be reflected in the Total TN Ratepayer Gain/(Loss) column.