

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

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IN RE:)	
)	
PETITION OF PIEDMONT NATURAL GAS)	
COMPANY, INC. TO ADJUST THE JUNE 30,)	Docket No. 13-00119
2012 ACA ENDING BALANCE FOR PRIOR)	
PERIOD ADJUSTMENTS)	
)	

**PARTY STAFF'S RESPONSES TO DISCOVERY REQUEST
OF PIEDMONT NATURAL GAS COMPANY, INC.
TO PARTY STAFF**

Comes now Tennessee Regulatory Authority, Party Staff ("Party Staff") and responds to Piedmont Natural Gas Company, Inc.'s discovery requests as follows:

DEFINITIONS

1. "You" or "your" or "Party Staff" refers to the members of the TRA Staff designated as interveners in this proceeding and any other person acting on the Party Staff's behalf or subject to its control, now or in the past.

2. "Document" is intended to have the broadest permissible meaning and includes, without limitation, the original and all copies of all communications and any written, printed, electronically recorded, typed or graphic matter of any kind or nature however produced or reproduced, and whether or not claimed to be privileged or otherwise excludable from discovery; specifically, including but not limited to, notes; letters; correspondence; memoranda; books of any character; summaries or records of telephone conversations; summaries or records of personal conversations; diaries; routing slips or memoranda; reports and notebooks; periodicals; publications; invoices; bills; receipts; specifications; shipping papers; purchase orders; minutes

or records of meetings; reports and/or summaries of interviews; agreements and contracts; electronic recordings; audio and video tapes; journals; ledgers; or any other type of data compilation from which information can be obtained and translated, if necessary, by you through computers, detection devices or any other mechanical device into reasonably usable form.

3. “Person” means any natural person, corporation, partnership, business, governmental body, and all types and kinds of entities of any kind.

4. “Communication” includes without limitation, any oral, electronic, visual, or written exchange of work, thoughts, ideas or Documents between persons or entities by any means.

5. Any reference to a filing or Order means a filing or Order in this Proceeding unless otherwise indicated.

6. “Proceeding” refers to TRA Docket No. 13-00119, Petition of Piedmont Natural Gas Company, Inc. to Adjust the June 30, 2012 ACA Ending Balance for prior Period Adjustments.

7. “Identify” or “identification” when used in reference to a natural person means to provide that person’s full name, present or last known business address (or, if no business address, home address), and that person’s employer and position at the time in question with respect to the particular interrogatory involved.

8. “Identify” or “identification” when used in reference to a Document means to provide the title, date, author, signatories, recipients, a general description of such Document sufficient to permit it to be identified with particularity in a request for the production of Documents, the present or last known location of such Document, and the identity of the person or persons having custody, control, or possession thereof.

9. The singular form of a noun or pronoun shall be considered to include within its meaning the plural form of the noun or pronoun so used, and vice versa; and the use of any tense of any verb shall be considered to include also within its meaning all other tenses of the verb so used.

10. Whenever the terms “all”, “any” or “each” are used herein, each of these terms shall be construed to include each of the other terms.

11. The connectives “and” and “or” shall be construed either disjunctively or conjunctively as necessary to bring within the scope of the discovery all responses which might otherwise be construed to be outside of its scope.

12. “Proposed Adjustments” means the five (5) proposed adjustments to Piedmont’s ACA account reflected and described on Exhibits A and B to Piedmont’s Petition in this proceeding.

DATA REQUESTS

1. Please provide a detailed explanation of the factual and legal basis and reasoning underlying the assertion in Party Staff’s Motion to Intervene in this Proceeding that “Piedmont is attempting to alter the settlement terms reached in TRA Docket No. 07-00174” by its Petition in this Docket.

RESPONSE:

In TRA Docket No. 07-00174, Piedmont and audit staff negotiated a resolution to audit staff’s findings that Piedmont had over collected under the ACA. These negotiations took place over eight months. After these negotiations the parties agreed to reduce the over collection by \$1,517,791.34. This change reflected the give and take of negotiations and was of benefit to Piedmont. This agreement was ratified by the Authority after a hearing. Additional details and information concerning these negotiations are laid out below and included in attachments to these responses.

The doctrines of collateral estoppel and stare decisis would dictate that the Authority's order should not be upended. The change requested by Piedmont in this docket would result in retroactive rate making in that Piedmont's proposal would result in a change to rates long after an order dealing with the costs had been approved by the TRA. It is unfair to public utilities, customers, and authority staff negotiating with public utilities to allow settlements ratified by the TRA to be altered or amended simply because one party requests that a previous settlement be over turned. There must be finality to the judgments of the TRA. TRA Staff must be able to rely on representations made by the Company regarding their accounting records during an audit and unless circumstances later arise that are out of the Company's control, closure of an audit period, especially when a negotiated settlement is involved, should be final and not subject to change years later. It is important to distinguish the relief requested by Piedmont in this case from rate cases which are forward looking.

2. Please identify and produce all Documents supporting, evidencing, relating, or referring to Party Staff's assertion that "Piedmont is attempting to alter the settlement terms reached in TRA Docket No. 07-00174".

RESPONSE:

See attached Party Staff Exhibit 1, containing the following documents:

Docket No. 06-00087 - Piedmont ACA Filing: Analysis of Account 186.50

Docket No. 06-00087 – Compliance Audit Report (December 12, 2006)

Docket No. 07-00174 – Piedmont ACA Filing: Analysis of Account 186.50

Docket No. 07-00174 – El Paso, ML, Coral Recon. (Co. Documentation #15)(staff post audit)

Docket No. 07-00174 – El Paso Recon. – Co. final submission (5-22-08)

Docket No. 07-00174 – Staff First Data Request (November 13, 2007) and Company Responses

Docket No. 07-00174 – Staff Data Request (February 28, 2008) and Company Responses

Docket No. 07-00174 – Staff Data Request (March 5, 2008)

Docket No. 07-00174 – Summary of Findings (to Company)

Docket No. 07-00174 – Analysis of TRA Audit Staff Adjustments (Company file)

Docket No. 07-00174 – Summary of ACA Account for 2006 (Company Filed Adjustments to TRA Findings)

Docket No. 07-00174 – Steps for Audit Staff Review of Additional Information (Audit Staff Document)

Docket No. 07-00174 – Company is Requesting an Extension of the Audit Period (April 16, 2008)

Docket No. 07-00174 – Request of Piedmont for Extension of Time to Provide Additional Analysis to Audit Staff (May 20, 2008)

Docket No. 07-00174 - Joint Final Report of Audit Staff and Piedmont Natural Gas Company (June 10, 2008)

Docket No. 07-00174 – Order Adopting ACA Audit Report of Tennessee Regulatory Authority's Utilities Division (August 7, 2008)

Additional documents include the El Paso invoices for November 2005 through December 2006 and supporting schedules provided to Utilities Division Staff on February 19, 2013, as well as audit workpapers. Due to the sheer volume and confidential nature of the documents, they are not being reproduced here. They can be made available for inspection at the offices of the TRA upon request.

3. With respect to each of the five (5) discrete Proposed Adjustments reflected and discussed on Exhibits A and B to Piedmont's Petition in this proceeding, please:

a. State whether Party Staff believes that such adjustments represent legitimate gas costs eligible for inclusion in Piedmont's ACA account but for Party Staff's contention that they are barred by the 2006 ACA Joint Final Report of Audit Staff

and Piedmont Natural Gas Company? If Party Staff contends that such costs are not legitimate gas costs eligible for inclusion in Piedmont's ACA account, please explain Party Staff's conclusions in this regard.

RESPONSE:

The original invoices underlying the original ACA filing(s), negotiated adjustments and proposed adjustments represent legitimate gas costs. The El Paso invoices covering the period November 2005 through December 2006 that were submitted to the Utilities Division staff on February 19, 2013 are duplicates of the invoices provided as part of the ACA filings in Docket Nos. 06-00087 and 07-00174.

b. State Party Staff's position on each of the individual Proposed Adjustments as to whether it is barred by the Joint Final Report of Audit Staff and Piedmont Natural Gas Company?

RESPONSE:

Party Staff's position is that proposed Adjustment # 1 is a new invoice that was not filed in Docket No. 07-00174 or subsequent audit dockets and is, therefore, an appropriate prior period adjustment. Rather than adjust the ACA account ending balance at June 30, 2012, Party Staff would recommend that the new invoice be filed in the next ACA audit as a prior period adjustment. This is the standard procedure for such adjustments.

Party Staff's position on proposed Adjustment # 2 is that it does correct a misstatement of the beginning balance at January 1, 2006 which was never questioned by Audit Staff or Piedmont at the time. Party Staff researched this adjustment and agrees that Audit Staff made an accrual adjustment in Docket No. 06-00087 for December 2005

to include December 2005 actual gas costs and therefore the miscellaneous adjustment #27 in January 2006 was not necessary. This oversight, however, was incorporated into the agreed upon balance at December 31, 2006 in the *Joint Final Report of Audit Staff and Piedmont Natural Gas Company* which was approved by the Authority. Party Staff opines that this is not an appropriate prior period adjustment.

Party Staff's position on the remaining proposed Adjustments # 3 through # 5 is that the original invoices underlying these adjustments were included in Docket No. 07-00174 and were addressed during the eight-and-a-half months of Audit Staff's analysis, data requests and other communications with Company personnel, as well as in the Company's additional analysis during the post audit review and negotiations with Audit Staff. Party Staff has copies of several reconciliations of El Paso invoices that were provided by Piedmont personnel, as well as a reconciliation of Coral Energy invoices and Merrill Lynch invoices. (Copies of reconciliations provided in response to Question #1.)

Piedmont states that "the gas cost transactions underlying the current docket had not been identified at the time of the resolution of Audit Staff's 2006 ACA audit."¹ Party Staff maintains that the invoices provided as support for the proposed adjustments in this docket are the same invoices that were submitted in Docket No. 07-00174. The invoices show charges and past due amounts with a running balance due each month. Piedmont used this exact information to create its new supporting schedule in this docket comparing invoiced amounts with paid amounts and amounts included in the ACA filing.² Party Staff can find no evidence of new information that was not available during the audit or came to light after the audit period was closed. The reason for Adjustments #3 and #4 was attributed to Piedmont's failure to recognize that it had not recorded

¹ Response to TRA Staff Data Request No. 1 (November 5, 2013).

² Supporting documentation provided to Utilities Division Staff on February 19, 2013.

Tennessee Gas Pipeline/El Paso invoices properly in the ACA account. TRA Audit Staff, in good faith, relied on the responses and supporting analysis presented by Piedmont in reaching its original findings and agreed to enter into negotiations post audit to allow Piedmont to research and present further evidence to support its position. After reviewing this evidence, Audit Staff agreed to additional adjustments.

Additionally, Piedmont states that “the reason the current pending adjustments were not identified in the 2006 audit was the fact that they were masked by the use of an “estimate-actual” accounting convention in filing monthly ACA reports which had been used by Piedmont for some time in reporting its gas costs (consistent with the method by which Piedmont recorded its gas costs on its books).”³ Audit Staff found in Docket No. 06-00087 that the use of accrual accounting for ACA reporting purposes was unacceptable to Staff. In its Conclusions and Recommendations, Audit Staff recommended that “the accrual methodology the Company used in the ACA filing be rejected and the Company directed to report actual amounts in the month incurred.”⁴ The Authority approved the audit report and recommendations contained therein.⁵ Despite the Authority’s Order, the Company continued this practice in its next ACA filing, which is the basis of the adjustments proposed in this docket and Audit Staff had a repeat finding on this issue.⁶ Piedmont asserted that the accrual methodology “may make it slightly more complicated for Staff to conduct the ACA audit.”⁷ Now Piedmont

³ Response to TRA Staff Data Request No. 1 (November 5, 2013).

⁴ *In Re: Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. Actual Gas Cost Adjustment for the 12 Month Ended December 31, 2005*, Docket No. 06-00087, Staff Compliance Audit Report, page 13 (December 12, 2006).

⁵ *In Re: Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. Actual Gas Cost Adjustment for the 12 Month Ended December 31, 2005*, Docket No. 06-00087, Order Adopting ACA Audit Report, page 2 (June 14, 2007).

⁶ *In Re: Nashville Gas Company, A Division of Piedmont Natural Gas Company, Inc. Actual Cost Adjustment for the Twelve Months Ended December 31, 2006*, Docket No. 07-00174, Order Adopting ACA Audit Report, Staff Compliance Audit Report, pages 8-14 (August 7, 2008).

⁷ *Id.*, page 9.

maintains that accrual methodology in ACA reporting was the reason that Piedmont personnel did not recognize that the adjustments were needed.

For these reasons, Party Staff opines that it would be inappropriate for the Authority to consider and approve proposed prior period Adjustments #3 through #5.

c. State whether Party Staff challenges the factual nature and accounting basis for each of Piedmont's Proposed Adjustments and, if so, please describe Party Staff's position on the factual nature and accounting basis for Staff's proposed treatment of these adjustments and identify and produce all documents supporting, evidencing, relating, or referring to Party Staff's position.

RESPONSE:

Party Staff does not challenge the original invoice presented for reimbursement in proposed Adjustment #1. As stated in response to Question #3b, Party Staff recommends this invoice be included in the next ACA filing as a prior period adjustment.

Party Staff does not challenge the accounting basis for the proposed Adjustment #2, but maintains that the beginning balance at January 1, 2006 is an integral part of the negotiated ending balance in the ACA account at December 31, 2006 and as such is an inappropriate prior period adjustment.

Party Staff does not challenge that an analysis of the El Paso invoices that form the basis of proposed Adjustment #3 shows that Piedmont overpaid by approximately \$699,283.81 and was due a credit from the supplier. An analysis of the amount of cost that was included in the original ACA filing and subsequent adjustments made during the

audit and during negotiations post audit, however, blur the conclusion put forth by Piedmont that the same amount should be charged back to the ACA account.

Party Staff does challenge the validity of proposed Adjustment #4. The explanation is vague and the documentation provided is identical to that provided as support for proposed Adjustment #3.

Party Staff does challenge the validity of proposed Adjustment #5. "Documentation" provided consists of schedules spanning eight (8) years of FSMA inventory activity. It is unreasonable to expect that TRA advisory Staff can review and interpret all this data and arrive at a conclusion that supports the Company's contention without an audit. It appears incredulous to Party Staff that the FSMA storage balance could remain out of balance with the pipeline for eight (8) years without it coming to the attention of the accounting staff. If Piedmont must true up the balance at this time, Party Staff would recommend that the adjustment be presented within the context of the next ACA audit so that Audit Staff can properly audit the true up.

At this point Staff has been presented with multiple reconciliations between supplier invoices and the ACA account. Party Staff asserts that Piedmont personnel had all the necessary facts and invoices available for its analysis at the time of the audit in Docket No. 07-00174 and during the post audit negotiations. The Company, therefore, had the opportunity and should have been able to correctly state and support the gas costs to be recovered from ratepayers at that time. Variances between the ACA account and the Company's General Ledger could also have been investigated at that time. TRA Staff must be able to rely on representations made by the Company regarding their accounting records during an audit and unless circumstances later arise that are out of the Company's

control,⁸ closure of an audit period, especially when a negotiated settlement is involved, should be final and not subject to change years later. Blaming the failure of the Company to recognize these adjustments at the time of the audit on its accrual methodology of accounting is ironic, since accrual accounting was a major source of contention between the Company and the TRA Audit Staff for two consecutive audits.

While not asked specifically about the interest component of the proposed adjustments, Party Staff would be remiss in not addressing its position here, since the interest adjustment represents approximately 26% of the total dollar amount requested in the *Petition*.⁹ Piedmont has interpreted the Purchased Gas Adjustment (PGA) Rule related to prior period adjustments¹⁰ to include a calculation of interest on the restatement of gas cost from the time the error occurred current to the time the error was discovered and booked to the ACA account. Party Staff does not agree. When a prior period adjustment is filed with the TRA and booked to the ACA account, it becomes part of the ACA account balance for that month and is subject to the interest calculation for that month. Audit Staff has never calculated a separate interest component for a prior period adjustment when it is submitted for approval in an ACA filing.¹¹ That would be treating the adjustment **as if** it had been submitted at the proper time, rather than discovered later and submitted for approval in a subsequent period. Party Staff would strongly recommend that if the Authority approves one or more of the proposed adjustments, the adjustment(s) (excluding interest) should become part of the current ACA account balance subject to the current monthly interest calculation going forward.

⁸ Examples are revised third party invoices, invoices received after the appropriate audit period has closed, and FERC mandated pipeline refunds covering prior periods.

⁹ Adjustment for errors totals \$2,708,394.04 and interest totals \$955,960.55 for a total requested adjustment of \$3,664,354.59.

¹⁰ PGA Rule 1220-4-7-.03(1)(c)3.

¹¹ PGA Rule 1220-4-7-.03(1)(b)2(vii). I = Interest on the "Refund Due Customers' Account", using the average monthly balance based on the beginning and ending monthly balances.

d. State the date upon and explain the circumstances under which Party Staff became aware of Piedmont's accounting and factual contentions relative to the basis for Piedmont's Proposed Adjustments.

RESPONSE:

On or around February 13, 2013, Party Staff was informed by Michelle Ramsey, Audit Manager with the TRA's Utilities Division, that Piedmont personnel had contacted her regarding the Company's intention to petition the TRA for permission to adjust the balance in the ACA account for prior period adjustments. On February 13, 2013, a member of Party Staff was forwarded a copy of an email from Rob Thornton to Michelle Ramsey advising that he was attaching a summary of the proposed adjustments and that extensive support for those adjustments would be sent as soon as possible. On February 19, 2013, Party Staff received a copy of that supporting documentation.

e. Identify and produce all Documents supporting, evidencing, relating, or referring to Party Staff's discovery of the existence and basis for each of Piedmont's discrete Proposed Adjustments.

RESPONSE:

OBJECTION – Party Staff is aware of an advisory Memorandum between TRA Staff and the then sitting Directors of the TRA relating to TRA Docket No. 07-00174. This Memorandum is privileged pursuant to *Consumer Advocate Division v. Tennessee Regulatory Authority* 1998 WL 684536 (Tenn. Ct. of App. 1998). All other documents are produced.

See attached Party Staff Exhibit 2.

f. Explain the legal basis upon which Party Staff relies in contending that Piedmont's Proposed Adjustments are barred by the Joint Final Report of Audit Staff and Piedmont Natural Gas Company.

RESPONSE:

Party Staff asserts that Piedmont and audit staff negotiated a settlement of all issues in TRA Docket No. 07-00174. That settlement was approved by the Directors after a hearing on the settlement. The doctrines of collateral estoppel, stare decisis, as well as prohibitions against retroactive rate making. Basic principles of fairness require that neither party be entitled to re-litigate the issues in a docket that is almost seven years old.

4. Please state whether Party Staff agrees with Piedmont's treatment of the \$793,087.45 in additional adjustments in favor of customers that Piedmont has already made and that are discussed in footnote 1 to the Petition on page 4 thereof?

RESPONSE:

Party Staff cannot agree or disagree with those adjustments based on a footnote disclosure. Party Staff can only conclude that the required adjustment to Piedmont's General Ledger was the result of omission of proper journal entries or correction of errors made in prior journal entries. The Company's General Ledger is not subject to audit by this Authority. The TRA Utilities Division is tasked with auditing the ACA account balance to assure that gas companies do not over- or under-collect gas costs from their customers.

5. Please state whether Party Staff's opposition to the Proposed Adjustments in this proceeding would continue or be the same if the Proposed Adjustments reflected a net \$3.67 million ACA account adjustment in favor of Piedmont's customers.

RESPONSE:

Audits performed by the TRA's Utilities Division are conducted by and/or supervised by Certified Public Accountants (CPAs). In rendering their findings, conclusions and recommendations to the Authority, Audit Staff adhere to a professional code of ethics. Audit Staff has conducted and will always conduct audits in an impartial manner, whether results favor the regulated utility or its customers.

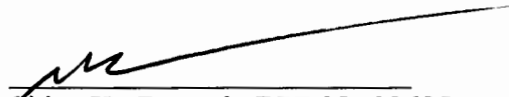
6. Please describe each instance during the last 5 years that Party Staff is aware of in which TRA audit staff has been presented with or taken a position on a proposed prior period adjustment of gas costs for any natural gas local distribution company regulated by the TRA and with respect to each such instance, please provide the docket number, nature of the adjustment, Party Staff's position on the adjustment, and whether the adjustment was allowed by the TRA.

RESPONSE:

Party Staff does not and cannot provide an exhaustive list of potential prior period adjustments. Party Staff made its best, reasonable attempt to review the relevant dockets.¹² . If not reported as a finding, said prior period adjustments are presumed accepted by Audit Staff and by extension the TRA if the audit report is approved. See attached Party Staff Exhibit 3. Party Staff takes no position on individual prior adjustments except in those instances where a member of Party Staff was also a member of Audit Staff at the time. In those instances that member of Party Staff's position is known and would be reflected in the audit report.

¹² Small immaterial prior period adjustments are common and are usually presented in the next filing period. It is unusual for a legitimate prior period adjustment to surface years later.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Shiva K. Bozarth', is written over a horizontal line.

Shiva K. Bozarth, BPR No.22685
Legal Counsel
Tennessee Regulatory Authority
Andrew Jackson State Office Building
500 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

CERTIFICATE OF SERVICE

The undersigned hereby certifies that I have served a copy of the foregoing document on the following persons by U.S. Mail:

Jane Lewis-Raymond
Vice-President & General Counsel
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

Joe R. Shirley
Assistant Attorney General
Office of Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202

R. Dale Grimes
Bass, Berry, & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, Tennessee 37201

James H. Jeffries IV
Moore & Van Allen PLLC
100 North Tyron Street, Suite 4700
Charlotte, North Carolina 28202

This the 5th day of February, 2014.



Shiva K. Bozarth

**RESPONSE TO PIEDMONT NATURAL GAS
DATA REQUEST NO. 2**

EXHIBIT 1

Docket No. 06-00087 - Piedmont ACA Filing: Analysis of Account 186.50

COMMODITY	DRUGS	JANUARY 2005	FEBRUARY 2005	MARCH 2005	APRIL 2005	MAY 2005	JUNE 2005	JULY 2005	AUGUST 2005	SEPTEMBER 2005	OCTOBER 2005	NOVEMBER 2005	DECEMBER 2005	12-MONTH TOTAL	JANUARY 2006
PREDMONT NATURAL GAS COMPANY, INC.															
NASHVILLE GAS COMPANY DIVISION															
ANALYSIS - ACCOUNT 186.50															
ACA - NASHVILLE															
BEGINNING BALANCE		5,325,709.39	2,754,881.26	1,222,636.78	(761,159.36)	(949,610.43)	(1,261,992.83)	(1,897,011.61)	(3,397,125.92)	(3,405,792.05)	(2,557,981.89)	(5,618,807.26)	(8,462,894.42)	5,325,709.39	(19,147,287.85)
		(25,035,330.57)			(17,879,332.87)	(6,139,065.46)	(7,283,868.13)	(3,341,763.98)	(3,610,906.99)	(3,842,794.93)	(6,038,763.80)	(25,312,443.31)	(25,751,851.04)	(188,823,878.82)	(31,669,624.37)
AP ACCRUAL - Est for Current Mth Posted		25,028,959.65			17,879,332.87	20,797,218.21	7,283,868.13	3,341,763.98	3,610,906.99	3,842,794.93	6,038,763.80	25,312,443.31	25,751,851.04	188,823,878.82	31,669,624.37
		20,969,993.90	18,196,020.83	17,839,597.83	8,148,438.37	7,429,888.57	3,384,964.82	3,525,577.81	3,842,794.13	6,032,793.95	25,312,443.31	28,751,851.04	31,669,624.37	174,189,358.45	29,959,836.78
							(42,228.04)					0.00	(177,247.11)	(538,902.59)	(387,121.00)
												66,879.89		716,138.38	
COST RECOVERY		(28,029,296.59)	(28,316,135.41)	(29,481,785.04)	(11,021,045.88)	(6,075,989.45)	(3,865,894.64)	(3,083,376.17)	(4,072,768.64)	(6,823,768.40)	(10,681,444.00)	(41,799,887.48)	(183,178,469.26)	(28,642,907.52)	
ACA REFUND(SURCHARGE)		(1,037,981.44)	(980,386.15)	(811,045.13)	(481,532.43)	(284,231.81)	(146,486.74)	(128,973.86)		18,286.83	22,882.30	52,844.98	134,005.35	(3,005,862.86)	143,884.07
									147,599.74					147,599.74	
CYCLE BILLING															
REVERSE PM DEFERRED GAS COST		18,794,778.69	18,114,387.46	11,553,828.70	(503,317.17)	4,837,188.79	3,264,422.73	2,794,394.27		2,448,126.64	2,477,064.98	8,822,192.85	17,941,084.18	89,008,828.89	(187,007.66)
RECORD PM DEFERRED GAS COST		(18,114,387.46)	(11,553,828.70)	(8,145,325.71)	(4,937,195.16)	(3,264,422.73)	(2,794,394.27)	(2,127,773.39)		(2,477,064.98)	(2,477,064.98)	(8,822,192.85)	(17,941,084.18)	(89,008,828.89)	(187,007.66)
BANKED GAS - CURRENT MTH		(1,045,150.26)	(1,181,205.73)	(1,296,947.51)	(1,258,643.72)	(1,258,643.72)	(1,258,643.72)	(1,257,953.51)		(1,255,000.48)	(2,090,410.36)	(2,732,746.44)	(2,732,746.44)	(17,712,811.07)	(1,807,564.73)
BANKED GAS - PRIOR MTH		1,068,716.78	1,045,150.26	1,181,205.73	1,258,643.72	1,258,643.72	1,258,643.72	1,257,953.51		1,257,953.51	1,255,000.48	2,090,410.36	2,732,746.44	16,931,297.18	1,850,230.98
INVENTORY ACTIVITY															
MA & PA INJECTIONS		(2,086,052.52)	(721,576.45)	(121,402.39)	(3,004,994.19)	(1,754,141.01)	(343,824.62)	(743,943.04)		(219,839.89)	(4,683,142.24)	(7,247,731.91)	(940,391.34)	(22,316,457.17)	(2,122,797.27)
MA & PA WITHDRAWALS		6,127,212.58	4,753,781.06	7,565,870.99	2,280,005.66	379,254.80	978,833.98	503,266.89		837,986.94	2,477,032.01	2,028,907.24	8,918,285.02	22,013,558.16	6,156,007.00
FSS INJECTIONS		0.00	0.00	0.00	0.00	(768,639.32)	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
FSS WITHDRAWALS		1,046,870.19	705,402.92	1,047,149.07	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
HP INJECTIONS		0.00	0.00	0.00	0.00	0.00	(763,263.39)	(783,760.04)		0.00	0.00	0.00	0.00	0.00	0.00
HP WITHDRAWALS		137,910.50	206,472.92	66,641.77	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
LNG INJECTIONS		0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
LNG WITHDRAWALS		456,137.53	62,860.17	64,158.97	56,067.31	(873,680.71)	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
CNG INJECTIONS		0.00	0.00	0.00	0.00	0.00	77,223.74	74,830.91		84,891.48	65,744.38	90,148.97	82,598.41	1,091,077.24	79,063.06
CNG WITHDRAWALS		0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
MARGIN ON OFF SYSTEM SALES		(137,791.18)	(131,901.89)	(621,163.73)	0.00	0.00	(27,298.46)	0.00		0.00	0.00	0.00	0.00	0.00	0.00
NEGOTIATED LOSS ACTIVITY		0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
NEGOTIATED GAIN ACTIVITY		0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
LNG POWER COSTS		19,497.24	19,884.32	18,773.66	18,707.50	18,203.27	187,746.09	18,394.38		18,312.65	18,195.13	19,919.96	20,467.78	346,896.73	20,467.78
MISCELLANEOUS ADJUSTMENTS															
EL PASO CASH-OUTS		(15,234.53)	(33,984.33)	66,619.11	51,832.65	18,416.44	(408,714.89)	7,722.89		11,971.26	8,370.89	14,346.13	0.00	(289,650.07)	(1,257.72)
		1,967.48	(45,353.28)	(45,353.28)	(437,826.55)	(122,822.83)	(1,733,360.00)	(1,733,360.00)		2,686.83	(1,401,074.02)	(43,081.55)	(538,893.54)	(4,399,288.09)	(1,257.72)
		13,775.68	0.00	0.00	(5,144.00)		(122,522.83)			0.00	(184,406.00)	(234,875.29)	(475,245.06)	(790,531.46)	475,245.06
		(1,892.86)							(54.41)			(1,054.83)	(1,054.83)	(1,703,831.36)	(883.51)
												(1,500,000.00)	(1,500,000.00)	(1,500,000.00)	
												(19,073,212.87)	(19,073,212.87)	(19,073,212.87)	(17,346,096.37)
INTEREST EXPENSE BOOKED		16,006.17	7,237.10	917.10	(3,260.22)	(22,846.49)	6,563.20	(12,217.76)		(14,302.68)	(21,169.65)	(38,048.38)	(74,074.98)	(172,902.82)	(103,093.81)
ENDING BALANCE COMMODITY		2,754,881.26	1,222,636.78	(761,159.36)	(949,610.43)	(1,261,992.83)	(1,687,011.61)	(3,397,125.92)	(3,405,792.05)	(3,405,792.05)	(2,557,981.89)	(5,618,807.26)	(8,462,894.42)	(19,147,287.85)	(17,448,190.18)

Docket No. 06-00087 – Compliance Audit Report (December 12, 2006)

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

T.R.A. DOCKET ROOM

NASHVILLE, TENNESSEE

December 12, 2006

IN RE:

NASHVILLE GAS COMPANY

ACTUAL COST ADJUSTMENT (ACA) AUDIT

)

)

) **Docket No. 06-00087**

)

**NOTICE OF FILING BY THE UTILITIES DIVISION OF THE TENNESSEE
REGULATORY AUTHORITY**

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Regulatory Authority hereby gives notice of its filing of the Compliance Audit Report of the Actual Cost Adjustment (hereafter "ACA") Component of the Purchased Gas Adjustment Rule ("PGA Rule") for Nashville Gas Company (hereafter the "Company") in this docket and would respectfully state as follows:


1. The present docket was opened by the Authority to hear matters arising out of the audit of the Company's ACA filing for the period January 2005 through December 2005.
2. The Company's ACA filing was received on May 1, 2006, and the TRA Staff completed its audit of same on November 2, 2006.
3. On November 2, 2006, the Utilities Division issued its preliminary ACA audit findings to the Company and on December 7, 2006, the Company responded thereto.
4. The preliminary ACA audit report was modified to reflect the Company's responses, Staff's responses to two Company responses and a final ACA audit report (the

"Report") resulted therefrom. The Report is attached hereto as Exhibit A and is fully incorporated herein by this reference. The Report contains the audit findings of the Utilities Division, the Company's responses thereto and the recommendations of the Utilities Division in connection therewith.

5. The original 180-days for completion of the audit of Nashville Gas Company was extended on several occasions, lastly January 8, 2007, by mutual consent of the Company and the Audit Staff as provided for in PGA Rule 1220-4-7-.03(2).

6. The Utilities Division hereby files its Report with the Tennessee Regulatory Authority for deposit as a public record and approval of the recommendations and findings contained therein.

Respectfully Submitted:



Pat Murphy, Manager
Utilities Division
Tennessee Regulatory Authority

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

Nashville Gas Company

ACTUAL COST ADJUSTMENT

DOCKET NO. 06-00087

PREPARED BY

TENNESSEE REGULATORY AUTHORITY

UTILITIES DIVISION

December 2006

COMPLIANCE AUDIT
NASHVILLE GAS COMPANY
ACTUAL COST ADJUSTMENT
DOCKET NO. 06-00087
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I. INTRODUCTION

The subject of this audit is Nashville Gas Company's ("Company" or "NGC") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Regulatory Authority ("TRA" or the "Authority"). The objective of the audit was to determine whether the Purchased Gas Adjustments, which are encompassed by the Actual Cost Adjustment ("ACA")¹, for the twelve (12) months ended December 31, 2005, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

On May 1, 2006, the TRA Audit Staff (hereafter "Staff") received NGC's ACA filing supporting the activity in its deferred gas cost account ("ACA Account") for the period January 1, 2005 through December 31, 2005. Nashville Gas filed a PGA March 29, 2006 to refund the balance in the ACA Account effective May 1, 2006.

Staff's audit resulted in six (6) findings.² The net amount of these findings is **\$274,212.37 in over-recovered gas costs**. The Company's reported December 31, 2005 balance of \$14,678,613.27 in over-collected gas costs is increased by the \$274,212.37 over-collected gas costs determined in this audit. The corrected balance in the ACA account at December 31, 2005 is **\$14,952,825.64 in over-recovered gas costs**. The amount of the Company's errors represent less than one percent of its total gas invoices, and is therefore immaterial by comparison. Staff concludes that except for the findings noted in this report, NGC is correctly implementing its Purchased Gas Adjustment Rider as calculated in the Actual Cost Adjustment, in accordance with the TRA rules for Nashville Gas Company.

III. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Nashville Gas Company, with headquarters at 665 Mainstream Drive, Nashville, Tennessee, is an operating division of Piedmont Natural Gas Company, which has its headquarters at 4720 Piedmont Row Drive, Charlotte, North Carolina. NGC is a gas distributor that provides service to several communities in the Middle Tennessee area. The natural gas used to serve these areas is purchased from producers and marketers and transported to Nashville's city gate through the interstate transmission facilities of Tennessee Gas Pipeline (TGP), Columbia Gas Transmission Corporation (CGTC), and Texas Eastern Gas Pipeline (TETCO).

¹ The ACA is more fully described in Section V.

² Refer to Section VII for a description of the findings.

IV. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY

Tennessee Code Annotated (T.C.A.) gave jurisdiction and control over public utilities to the Tennessee Regulatory Authority. T.C.A. §65-4-104 states that:

The [A]uthority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, T.C.A. §65-4-105 grants the same power to the Authority with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The Utilities Division Staff of the TRA is responsible for auditing those energy and water utilities under the Authority's jurisdiction to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Authority. Pat Murphy and Paul Greene conducted this audit.

V. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

Actual Cost Adjustment Audits:

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Regulatory Authority. The PGA Rule permits a gas company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that a company does not over-collect or under-collect gas costs from its customers. The PGA consists of three major components:

1. **The Actual Cost Adjustment (ACA)**
2. **The Gas Charge Adjustment (GCA)**
3. **The Refund Adjustment (RA)**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of

the TRA in another docket) as reflected in the Deferred Gas Cost account. The ACA then "true-up" the difference between the actual gas costs and the gas costs recovered from customers through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

Each year, the Company shall file with the [Authority] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Authority] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180-day notification period may be extended by mutual consent of the Company and the [Authority] Staff or by order of the [Authority].

Prudence Audit of Gas Purchases:

Section 1220-4-7-.05 of the PGA Rule requires, unless otherwise ordered by the Authority, an "Audit of Prudence of Gas Purchases" by a qualified consultant. This specialized audit evaluates and reports annually on the prudence of any gas costs included in the PGA. In Docket 96-00805, Nashville Gas was authorized to operate under a Performance-Based Ratemaking Mechanism ("PBR"), beginning July 1, 1998, and continuing each year unless terminated by the Company or the Authority. For each year that the mechanism is in effect, the requirements of Section 1220-4-7-.05 of the PGA Rule is waived.

VI. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of NGC's ACA Account. The audit goal is to verify that the Company's calculations of gas costs incurred and recovered are materially correct,³ and that the Company is following all Authority orders and directives with respect to its calculation of the ACA Account balance. Also included in this audit is the Company's PGA filing implementing a customer refund of the ACA Account balance filed March 29, 2006, effective May 1, 2006. Refer to the ACA Account detail provided in Section VII. SUMMARY OF THE ACA ACCOUNT.

To accomplish the audit goal, Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by the Company. Where appropriate, Staff requested additional information to clarify the filing.

³ The audit goal is not to guarantee that the Company's results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review.

VII. ACA AUDIT FINDINGS

The result of the Staff's audit was a **net over-recovery of \$274,212.37** which has the effect of increasing the Company's over-recovered balance at December 31, 2005 by this amount. A summary of the account as filed by the Company and as adjusted by the Audit Staff is shown below, followed by a detailed description of each finding. Nashville Gas filed a PGA March 29, 2006 to refund the balance in the ACA effective May 1, 2006.

SUMMARY OF THE ACA ACCOUNT:

	<u>Company</u>	<u>Staff</u>	<u>Difference (Findings)</u>
Commodity Balance at 1/1/05	\$ 5,325,709.39	\$ 5,638,544.99	\$ 312,835.60
Plus Gas Costs	162,334,028.06	162,207,096.83	-126,931.23
Minus Recoveries	<u>186,634,722.38</u>	<u>186,634,722.38</u>	<u>0.00</u>
Ending Balance before Interest	\$-18,974,984.93	\$-18,789,080.56	\$185,904.37
Plus Interest	<u>-172,302.92</u>	<u>-145,662.91</u>	<u>26,640.01</u>
Commodity Balance at 12/31/05	<u>\$-19,147,287.85</u>	<u>\$-18,934,743.47</u>	<u>\$ 212,544.38</u>
Demand Balance at 1/1/05	\$-2,286,646.51	\$ -2,729,200.79	\$ -442,554.28
Plus Gas Costs	10,841,593.91	10,841,593.91	0.00
Minus Recoveries	<u>4,210,289.63</u>	<u>4,210,299.90</u>	<u>10.27</u>
Ending Balance before Interest	\$ 4,344,657.77	\$ 3,902,093.22	\$ -442,564.55
Plus Interest	<u>124,016.81</u>	<u>79,824.61</u>	<u>-44,192.20</u>
Demand Balance at 12/31/05	<u>\$4,468,674.58</u>	<u>\$ 3,981,917.83</u>	<u>\$ -486,756.75</u>
Total ACA Ending Balance at 12/31/05	<u>\$-14,678,613.27</u>	<u>\$ -14,952,825.64</u>	<u>\$ -274,212.37</u>

Note: A negative number indicates an over-recovery of gas costs.

SUMMARY OF FINDINGSSee page

FINDING #1	Beginning Balance-Commodity	\$ 312,835.60	Under-recovery	6
	Beginning Balance-Demand	-442,554.28	Over-recovery	6
FINDING #2	Accruals versus Actuals-Commodity	-125,971.12	Over-recovery	7
FINDING #3	Duplicate Cost Booked-Commodity	-960.11	Over-recovery	9
FINDING #4	Inventory Injection-Commodity		Interest effect only	10
FINDING #5	Demand Recovery	-10.27	Over-recovery	11
FINDING #6	Interest-Commodity	26,640.01	Under-recovery	12
	Interest-Demand	<u>-44,192.20</u>	Over-recovery	12
	Net Result	<u>\$ -274,212.37</u>	Over-recovery	

FINDING #1:

Exception

The Company's ACA filing did not reflect the prior year's ACA and WNA Audit findings⁴.

Discussion

Staff adjusted the Company's beginning Commodity under-recovered balance to reflect the total \$420,842.60 Commodity audit findings cited in the prior audit. Staff also adjusted the Company's beginning Commodity under-recovered balance by the \$108,007 WNA over-recovery.⁵

The net of the two Audit findings for the prior year's ACA and WNA Audits was \$312,835.60 in under-recovered Commodity costs. Audit Staff adjusted the Company's Commodity under-recovered beginning balance from \$5,325,709.39 to \$5,638,544.99 to incorporate these findings. These adjustments effectively increased the under-recovery.

Staff adjusted the Company's beginning Demand over-recovered balance from \$2,286,646.51 to \$2,729,200.79 to reflect the total \$442,554.28 Demand adjustment cited in the prior ACA audit. This adjustment effectively increased the Company's over-recovery.

Company Response

Nashville Gas agrees that adjustments were not made by the Company to reflect the agreement on findings from the Company's ACA audit of the twelve months ending December 31, 2004 or to reflect the agreement on findings from the Company's WNA audit for the period November 1, 2004 through March 31, 2005, and accepts Audit Staff's Finding #1 on this basis.

⁴ Staff ACA Audit Report, page 5 (Docket No. 05-00102) and Staff WNA Audit Report, page 5 (Docket No. 05-00178).

⁵ Traditionally, Nashville Gas has flowed WNA audit adjustments through the ACA Account.

FINDING #2:

Exception

In each month, the Company accrued estimated gas costs, cash outs, deferred gas costs, and banked gas costs for the current month, followed by reversals and booking of actuals in the subsequent month.

Discussion

Each month, the Company reported an accrual for estimated gas costs for the current month, actual gas costs for the prior month, an accrual for cash outs, and reversed the prior month's accrual for estimated gas costs and accrual for cash outs. While in theory this methodology would, if accounted for properly, reflect actual gas costs, it causes the audit process to be unduly complicated and is therefore unacceptable to Staff. Additionally, this methodology will affect the calculation of interest on the ACA Account balance each month due to timing differences.

Staff removed the unnecessary accruals and properly reflected gas costs in the period in which they were actually incurred. The net effect (excluding interest) of Staff's adjustments is a decrease to the Company reported Commodity gas costs of \$125,971.12. While the Demand adjustments did not change the total gas costs reported, the calculated interest each month changed due to timing differences.

Company Response

Nashville Gas disagrees, in part, with Audit Staff's Finding # 2. The Company's methodology of each month accruing estimated gas costs, cash outs, deferred gas costs, and banked gas costs for the current month, followed by reversals and booking of actuals in the subsequent month, will reflect actual gas costs. Audit Staff agrees to this point in its discussion above. Audit Staff did find an error in the Company's ACA schedules regarding the treatment of estimated and actual A/P accruals between October 2005 and November 2005. The net effect of this error alone results in a \$106,139.44 over-recovery on the Commodity balance reflected on the ACA schedule. Nashville Gas accordingly agrees to correct this error and properly account for the \$106,139.44 on its ACA schedules. However, Audit Staff has not identified any other specific errors by the Company that constitute the additional \$19,831.68 of adjustments that Audit Staff desires the Company to make.

Nashville Gas recognizes the complicated nature of the methodology it currently uses to account for actual gas costs. Nashville Gas desires to continue to work with Audit Staff to explore the differences between Audit Staff's preferred accounting methodology and the Company's current methodology, and accordingly reconcile any material errors in the Company's accounting treatment of gas costs for calendar year 2005. In that process, the Company also desires to work with Audit Staff to reach consensus on an ACA reporting

structure that simplifies the audit process for future periods while also satisfying the internal reporting needs of the Company.

Staff Response to Company Response

The \$106,139.44 adjustment agreed to by the Company was the result of the Company failing to reverse an estimated accrual from the prior month in November 2005. This error on the part of the Company was easily identifiable from the filing. The difference of \$19,831.68 that the Company stated was not specifically identified by Staff was the net result for the audit period of Staff's recording actual gas costs in the month in which they occurred. Staff did not attempt to reconcile this adjustment by month, since this amount is immaterial when compared with the approximately \$573 million in gas costs for the period.

By making these adjustments monthly, Staff is not trying to alter the methodology the Company uses to book transactions to its General Ledger, which is based on accrual accounting. This is a Company decision. Staff, however, believes the intent of the PGA Rule is for gas costs to be debited to the Deferred Gas Cost Account in the month in which they are incurred. Staff does not see this as a problem for the Company, since the ACA filing occurs after the months in question are closed and the actual costs for each month are known. The booking of accruals and reversals to the ACA Account is unnecessary and overly complicates the auditing process. NGC is the only gas company that uses this methodology.

FINDING #3:

Exception

The Company included an invoiced expense twice in the calculation of the January 2005 gas costs.

Discussion

The Company included a gas cost expense of \$960.11 twice in January 2005. Audit Staff reduced January 2005 gas cost by \$960.11 to correct the January 2005 gas cost expense.

Company Response

Nashville Gas agrees with Audit Staff's Finding # 3 that the duplicate gas cost expense of \$960.11 should be corrected.

FINDING #4:**Exception**

The Company recorded a refill injection in the incorrect month.

Discussion

The Company recorded a refill injection of \$535,893.54 twice in October 2005. In November 2005, the Company reversed both entries. Subsequently, in December 2005 the Company booked the \$535,893.54. Staff made an adjustment to record the refill injection in October 2005, the month it occurred. This adjustment only affects the calculation of interest caused by the timing of recording of the transaction.

Company Response

Nashville Gas agrees with Audit Staff's Finding # 4.

FINDING #5:

Exception

The Company failed to include recoveries for Rate Schedule 328 in its calculation of the ACA Account balance.

Discussion

In December 2005, the Company added rate schedule 328 for Firm Sales yet did not include the cost recovery for this new rate schedule in its ACA calculations. Staff increased demand recoveries by \$10.81 and increased demand costs refunded by \$.54 to correct this error. While the dollar amount of this finding is immaterial, it is imperative that the Company record rate schedule 328 recoveries in future ACA filings.

The Company did not file a tariff with the Authority to reflect this new rate schedule which became effective in December 2005 as required in TRA Rule 1220-4-1-.04.

Company Response

Nashville Gas agrees with Audit Staff's finding on the dollar adjustments discussed above.

Nashville Gas' firm sales customers are provided service to and billed according to Rate Schedule 303 (Large General Sales Service), which is offered under a TRA-approved tariff. Occasionally the Company finds it necessary to employ other rate codes in its computerized billing system in order to appropriately bill a customer under certain circumstances. Rate schedule 328 is an example of a coding solution to overcome an internal computer system constraint related to billing. This rate code was only used for internal billing purposes and was not reflective of any new service or rate offered by the Company in December 2005 or at any other time.

Staff Response to Company Response

Based on Company responses to data requests, Staff was under the impression that Rate Schedule 328 was a new schedule. Staff agrees that a new tariff filing is not necessary.

FINDING #6:

Exception

The Company overstated the amount of interest due to customers in the Commodity component of the ACA filing and overstated the amount of interest due from customers in the Demand component.

Discussion

Staff recalculated interest based upon the audit findings explained above. In addition, Staff observed that the Company included "Interest Expense Booked" in its ACA calculations, rather than calculating interest on the average ending balance each month using the TRA approved interest rates.⁶ This practice by the Company contributed to the difference between the Company's reported interest expense and the Staff's calculated interest expense. The Company's unacceptable practice of booking accruals as opposed to actual amounts also contributed to the difference.

Commodity interest due to the customers was overstated by \$26,640.01 and Demand interest due from the customers was overstated by \$44,192.20. Staff made adjustments to the ACA Account to reflect these amounts.

Company Response

Nashville Gas disagrees, in part, with Audit Staff's Finding # 7 for the reasons cited in the Company's response to Finding #2. In the response to Finding #2, Nashville Gas agrees to correct an error regarding the accruals and properly account for the \$106,139.44 on its ACA schedules. Accordingly, Nashville Gas agrees to adjust the amount of interest due to customers associated with the \$106,139.44 accrual. However, this interest adjustment is less than Audit Staff's requested interest adjustment. As explained in Finding #2, Nashville Gas recognizes the complicated nature of the methodology it uses to account for actual gas costs. Nashville Gas desires to continue to work with Audit Staff to explore the differences between Audit Staff's preferred accounting methodology and the Company's current methodology, and accordingly reconcile any material errors in the Company's accounting treatment of gas costs and associated interest for calendar year 2005. In that process, the Company also desires to work with Audit Staff to reach consensus on an ACA reporting structure that simplifies the audit process for future periods while also satisfying the internal reporting needs of the Company.

Staff Response to Company Response

The PGA Rule is very specific as to the method used to calculate interest. Booking accrued interest is a practice not in keeping with this Rule. Accordingly, Staff avers that the interest amount calculated by Staff is the amount that should be adopted by the TRA in this ACA filing.

⁶ TRA Rule 1220-4-7-.03(1)(b)2.(vii).

VIII. CONCLUSIONS AND RECOMMENDATIONS

The Company failed to provide a significant number of documents necessary to support the amounts reported in the ACA filing. Staff, therefore, had to obtain this supporting documentation through phone calls, emails, and written requests. Staff acknowledges that the Company was most cooperative in providing the supporting information requested. **Staff recommends that the Company include support documents for all amounts reflected on the ACA analysis schedule with its initial filing.**

The Company's ACA beginning balance did not reflect prior audit findings.⁷ **Staff recommends that in all future ACA filings the Company's reported beginning balance should be the prior years audited ACA ending balance. Additionally, Staff recommends that in all future ACA filings the Company should report any prior WNA audit findings as a separate line item adjustment to the prior years audited ACA ending balance.**

The Company's methodology of reporting accrued estimated gas costs, cash outs, deferred gas costs, and banked gas costs for the current month, followed by reversals and booking of actuals in the subsequent month is unacceptable to Staff.⁸ The foregoing methodology may be the result of requirements in the North Carolina and South Carolina jurisdictions. Additionally, the Company indicated that if actual costs were not available prior to 8th working day of the following month that estimates were posted. **Staff recommends that the accrual methodology the Company used in the ACA filing be rejected and the Company directed to report actual amounts in the month incurred.⁹**

Staff does not require the detailed breakdown filed by the Company in the monthly "Cost of Gas" schedules as it unduly complicates the ACA audit with no added value. **Staff recommends that the TRA direct the Company and Staff to meet and discuss options for simplifying future ACA filings.**

The Company did not calculate interest associated with the ACA Account in the proper manner.¹⁰ **Staff recommends that the Company be directed to calculate interest on the average ending balance as computed on the ACA schedule each month using the TRA approved interest rates in all future filings as required by TRA Rule 1220-4-7-.03(1)(b)2.(vii).**

⁷ See Finding #1.

⁸ See Finding #2.

⁹ The Company is free to book transactions to its general ledger as it deems appropriate according to the Uniform System of Accounts (USOA). Staff is not responsible for the Company's general ledger and is therefore unconcerned with reconciliation of the general ledger to the audited ACA balance. Staff's charge relating to ACA audits is to determine if the Company's ACA filing is accurate. ACA filings are typically received by the Authority several months subsequent to the end of the current ACA period and must reflect actual monthly transactions in the period in which they occur.

¹⁰ See Finding #6.

Staff acknowledges and greatly appreciates the assistance of Company personnel during the audit.

APPENDIX A

PGA FORMULA¹¹

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + \text{DACA}}{\text{SF}} - \text{DB} + \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

$$\text{Non-Firm GCA} = \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

ST = Total Sales.

¹¹ Pursuant to Docket 03-00209, the PGA Formula has been amended to include the gas cost portion of uncollectible accounts.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{\text{DR1} - \text{DR2}}{\text{SFR}} + \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

$$\text{Non-Firm RA} = \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

where

RA = The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

CR2 = A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR3 = The residual balance of an expired Refund Adjustment.

- i = Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.
- SFR = Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.
- STR = Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

Docket No. 07-00174 – Piedmont ACA Filing: Analysis of Account 186.50

PIEDMONT NATURAL GAS COMPANY, INC.
NASHVILLE GAS COMPANY DIVISION
ANALYSIS - ACCOUNT 186.50
ACA - NASHVILLE

COMMODITY	JANUARY 2006	FEBRUARY 2006	MARCH 2006	APRIL 2006	MAY 2006	JUNE 2006
DR/(CR)						
BEGINNING BALANCE	(19,147,287.85)	(17,225,683.92)	(6,760,218.03)	(4,150,646.09)	(4,068,854.25)	(3,873,557.59)
2005 ACA Audit Adjustment	320,551.38					
2005 WNA Audit Adjustment	(108,007.00)					
A/P ACCRUAL - Actual for Current Mth Posted	29,959,296.78	22,893,375.85	7,590,293.66	11,147,491.65	9,859,399.68	6,958,003.84
Cash-out Received thru Billing	(92,918.25)	(85,305.75)	(70,435.08)	0.00	(99,446.07)	(1,359.71)
Customer Accounting S2K Interface						
COST RECOVERY	(36,582,907.92)	(27,677,968.14)	(17,526,090.92)	(12,881,373.40)	(6,726,489.29)	(5,352,007.66)
ACA REFUND/(SURCHARGE)	143,656.07	129,080.79	103,706.62	61,488.86	254,189.14	185,724.47
CYCLE BILLING						
REVERSE P/M DEFERRED GAS COST	27,182,234.02	24,020,685.77	10,716,973.04	7,376,333.56	2,564,588.09	1,713,680.94
RECORD C/M DEFERRED GAS COST	(24,020,685.77)	(10,716,973.04)	(7,376,333.56)	(2,564,588.09)	(1,713,680.94)	(2,235,609.96)
BANKED GAS - CURRENT MTH	(1,807,554.73)	(1,032,480.02)	(984,484.16)	(892,703.94)	(984,484.16)	0.00
BANKED GAS - PRIOR MTH	1,850,230.68	1,807,554.73	1,032,480.02	984,484.16	892,703.94	984,484.16
INVENTORY ACTIVITY:						
MA & PA INJECTIONS	(2,122,797.27)	(548,113.39)	(428,659.52)	(715,479.26)	(1,172,960.98)	(289,796.88)
MA & PA SUMMER REFILL	0.00	0.00	0.00	(2,537,344.53)	(2,519,101.82)	(2,087,418.84)
MA & PA WITHDRAWALS	6,155,067.00	7,260,404.55	7,791,186.62	1,093,845.67	440,582.79	1,047,379.70
FSS INJECTIONS	0.00	0.00	0.00	0.00	0.00	0.00
FSS WITHDRAWALS	853,251.94	1,317,679.33	969,212.07	0.00	0.00	0.00
FSS - SUMMER REFILL	0.00	0.00	0.00	(606,911.04)	(601,953.28)	(496,179.36)
H/B INJECTIONS	0.00	0.00	0.00	0.00	0.00	0.00
H/B WITHDRAWALS	246,363.80	469,262.07	748,781.62	0.00	0.00	0.00
LNG INJECTIONS	0.00	0.00	0.00	0.00	0.00	(471,361.42)
LNG WITHDRAWALS	79,062.84	140,295.76	66,136.27	61,183.79	65,870.96	36,047.23
CNG INJECTIONS	0.00	0.00	0.00	0.00	0.00	0.00
CNG WITHDRAWALS	0.00	0.00	0.00	0.00	0.00	0.00
MARGIN ON OFF SYSTEM SALES	(29,030.96)	(31,528.77)	(12,272.32)	(42,573.84)	0.00	(87,618.81)
NEGOTIATED LOSS ACTIVITY	0.00	0.00	0.00	0.00	0.00	0.00
NEGOTIATED GAIN ACTIVITY	0.00	0.00	0.00	0.00	0.00	0.00
LNG POWER COSTS	20,683.20	20,442.75	19,813.94	20,261.91	21,350.39	21,418.33
MISCELLANEOUS ADJUSTMENTS:						
Refer to Miscellaneous Adjustments Worksheet	(1,257.72) #1	(7,433,377.31) #3		(393,461.00) #4	(61,186.88) #7	966,432.32 #8
	475,245.06 #2			9,491.17 #5		514,593.86 #9
	(187,057.56) #26			(13,428.66) #6		61,186.88 #10
	(309,357.47) #27					(169,824.00) #11
						(1,104,030.00) #12
	(17,123,219.74)	(6,692,648.74)	(4,119,909.73)	(4,043,929.08)	(3,849,472.68)	(3,679,812.50)
INTEREST EXPENSE	(102,464.18)	(67,569.29)	(30,736.36)	(24,925.17)	(24,084.91)	(22,974.83)
ENDING BALANCE-COMMODITY	(17,225,683.92)	(6,760,218.03)	(4,150,646.09)	(4,068,854.25)	(3,873,557.59)	(3,702,787.33)
INTEREST EXPENSE CALCULATED	(102,464.18)	(67,569.29)	(30,736.36)	(24,925.17)	(24,084.91)	(22,974.83)
INTEREST RATE (ANNUALIZED)	6.78%	6.78%	6.78%	7.30%	7.30%	7.30%

PIEDMONT NATURAL GAS COMPANY, INC.
 NASHVILLE GAS COMPANY DIVISION
 ANALYSIS - ACCOUNT 186.50
 ACA - NASHVILLE

COMMODITY	JULY 2006	AUGUST 2006	SEPTEMBER 2006	OCTOBER 2006	NOVEMBER 2006	DECEMBER 2006
DR/(CR)						
BEGINNING BALANCE	(3,702,787.33)	(1,154,940.53)	(570,487.24)	(393,078.79)	79,005.62	687,287.78
2005 ACA Audit Adjustment						
2005 WNA Audit Adjustment						
A/P ACCRUAL - Actual for Current Mth Posted	8,765,413.71	8,321,741.24	8,653,993.80	10,456,967.27	16,547,959.18	17,245,315.05
Cash-out Received thru Billing	(7,347.83)	(3,050.22)	0.00	(16,117.94)	(24,811.92)	0.00
Customer Accounting S2K Interface						
COST RECOVERY	(4,218,744.98)	(6,172,803.90)	(5,179,178.71)	(5,900,188.20)	(11,580,514.20)	(18,188,792.33)
ACA REFUND/(SURCHARGE)	161,227.28	150,068.49	162,574.09	239,258.55	608,779.45	965,487.54
CYCLE BILLING						
REVERSE P/M DEFERRED GAS COST	2,235,609.96	2,475,403.07	1,446,249.12	1,679,615.30	5,592,167.35	8,687,018.10
RECORD C/M DEFERRED GAS COST	(2,475,403.07)	(1,446,249.12)	(1,679,615.30)	(5,592,167.35)	(8,687,018.10)	(11,039,231.30)
BANKED GAS - CURRENT MTH	68,514.63	16.19	616.05	123,440.12	135,633.03	(83,675.17)
BANKED GAS - PRIOR MTH	0.00	(68,514.63)	(16.19)	(616.05)	(123,440.12)	(135,633.03)
INVENTORY ACTIVITY:						
MA & PA INJECTIONS	(689,097.30)	(231,131.24)	(644,363.27)	(1,146,120.12)	(3,179,792.22)	(985,787.44)
MA & PA SUMMER REFILL	(2,075,764.61)	(2,510,563.23)	(2,417,934.86)	(1,445,351.72)	0.00	0.00
MA & PA WITHDRAWALS	501,008.54	422,361.58	253,444.71	2,031,392.48	772,032.07	3,660,214.99
FSS INJECTIONS	0.00	0.00	0.00	0.00	0.00	0.00
FSS WITHDRAWALS	0.00	0.00	0.00	0.00	479,967.74	651,504.50
FSS - SUMMER REFILL	(489,509.76)	(589,271.68)	(570,564.00)	(347,475.84)	0.00	0.00
H/B INJECTIONS	(529,448.52)	0.00	0.00	0.00	0.00	0.00
H/B WITHDRAWALS	0.00	0.00	0.00	214,464.42	0.00	1,124,931.79
LNG INJECTIONS	(882,977.58)	0.00	0.00	0.00	(23,885.72)	0.00
LNG WITHDRAWALS	0.00	83,440.81	70,757.60	66,627.16	92,142.47	154,390.88
CNG INJECTIONS	0.00	0.00	0.00	0.00	0.00	0.00
CNG WITHDRAWALS	0.00	0.00	0.00	0.00	0.00	0.00
MARGIN ON OFF SYSTEM SALES	0.00	(13,306.27)	0.00	0.00	(1,121.45)	0.00
NEGOTIATED LOSS ACTIVITY	0.00	0.00	0.00	0.00	0.00	0.00
NEGOTIATED GAIN ACTIVITY	0.00	0.00	0.00	0.00	0.00	0.00
LNG POWER COSTS	111,467.98	171,858.82	88,070.60	21,959.99	20,838.81	21,739.96
MISCELLANEOUS ADJUSTMENTS:						
Refer to Miscellaneous Adjustments Worksheet	984,484.16 #13		(3,527.68) #15	68,400.00 #16	(23,334.00) #18	(56,682.82) #20
	1,104,030.00 #14			19,061.87 #17	80.05 #19	
	(1,139,324.72)	(564,940.62)	(389,981.28)	80,071.15	684,688.04	2,708,088.50
INTEREST EXPENSE	(15,615.81)	(5,546.62)	(3,097.51)	(1,065.53)	2,599.74	11,558.43
ENDING BALANCE-COMMODITY	(1,154,940.53)	(570,487.24)	(393,078.79)	79,005.62	687,287.78	2,719,646.93
INTEREST EXPENSE CALCULATED	(15,615.81)	(5,546.62)	(3,097.51)	(1,065.53)	2,599.74	11,558.43
INTEREST RATE (ANNUALIZED)	7.74%	7.74%	7.74%	8.17%	8.17%	8.17%

PIEDMONT NATURAL GAS COMPANY, INC.
 NASHVILLE GAS COMPANY DIVISION
 ANALYSIS - ACCOUNT 186.50
 ACA - NASHVILLE

	JANUARY 2006	FEBRUARY 2006	MARCH 2006	APRIL 2006	MAY 2006	JUNE 2006
DEMAND DR/(CR)						
BEGINNING BALANCE	4,468,674.58	4,071,163.32	3,985,346.60	4,048,783.97	3,771,105.64	4,069,935.37
ACA 2005 Adj	(486,756.75)					
A/P ACCRUAL	1,198,448.16	908,055.58	869,782.86	212,884.25	745,771.16	757,631.87
COST RECOVERY	(1,109,074.35)	(994,656.68)	(809,774.31)	(502,529.27)	(265,873.88)	(203,785.61)
ACA (SURCHARGE)/REFUND	(24,185.40)	(21,911.15)	(18,073.71)	(11,746.68)	(204,845.06)	(166,857.50)
ASSET MANAGEMENT REFUNDS	-	-	-	-	-	-
SECONDARY MKT MARGIN-DEMAND	-	-	-	-	-	-
<u>MISCELLANEOUS ADJUSTMENTS:</u>	-	-	(1,129.95) #21	-	-	-
Refer to Miscellaneous Adjustments Worksheet	-	-	-	-	-	-
	4,047,106.24	3,962,651.07	4,026,151.49	3,747,392.27	4,046,157.86	4,456,924.13
INTEREST EXPENSE	24,057.08	22,695.53	22,632.48	23,713.37	23,777.51	25,935.86
ENDING BALANCE-DEMAND	4,071,163.32	3,985,346.60	4,048,783.97	3,771,105.64	4,069,935.37	4,482,859.99
COMBINED BALANCE of DMD & CMD	(13,154,520.60)	(2,774,871.43)	(101,862.12)	(297,748.61)	196,377.78	780,072.66
INTEREST EXPENSE CALCULATION	24,057.08	22,695.53	22,632.48	23,713.37	23,777.51	25,935.86
INTEREST RATE (ANNUALIZED)	6.78%	6.78%	6.78%	7.30%	7.30%	7.30%

ENDING BALANCE - COMMODITY

PIEDMONT NATURAL GAS COMPANY, INC.
NASHVILLE GAS COMPANY DIVISION
ANALYSIS - ACCOUNT 186.50
ACA - NASHVILLE

DEMAND DR/(CR)	JULY 2006	AUGUST 2006	SEPTEMBER 2006	OCTOBER 2006	NOVEMBER 2006	DECEMBER 2006
BEGINNING BALANCE	4,482,859.99	4,918,425.29	5,371,351.43	5,815,027.58	6,197,728.40	5,153,364.77
ACA 2005 Adj						
A/P ACCRUAL	745,572.19	745,631.41	747,483.96	775,116.40	552,312.97	516,623.88
COST RECOVERY	(187,072.11)	(179,122.46)	(186,486.73)	(241,772.79)	(551,392.66)	(850,749.79)
ACA (SURCHARGE)/REFUND	(153,156.46)	(146,660.67)	(153,281.18)	(191,397.47)	(384,617.21)	(570,448.35)
ASSET MANAGEMENT REFUNDS	-	-	-	-	-	-
SECONDARY MKT MARGIN-DEMAND	-	-	-	-	-	-
MISCELLANEOUS ADJUSTMENTS:					90.00 #22	(19,061.87) #24
Refer to Miscellaneous Adjustments Worksheet	-	-	-	-	(699,266.65) #23	699,266.65 #25
	4,888,203.61	5,338,273.57	5,779,067.48	6,156,973.72	5,114,854.85	4,928,995.29
INTEREST EXPENSE	30,221.68	33,077.85	35,960.10	40,754.69	38,509.92	34,322.03
ENDING BALANCE-DEMAND	4,918,425.29	5,371,351.43	5,815,027.58	6,197,728.40	5,153,364.77	4,963,317.33
COMBINED BALANCE of DMD & CMD	3,763,484.76	4,800,864.19	5,421,948.79	6,276,734.02	5,840,652.55	7,682,964.25
INTEREST EXPENSE CALCULATION	30,221.68	33,077.85	35,960.10	40,754.69	38,509.92	34,322.03
INTEREST RATE (ANNUALIZED)	7.74%	7.74%	7.74%	8.17%	8.17%	8.17%

ENDING BALANCE - COMMODITY

Docket No. 07-00174 – El Paso, ML, Coral Recon. (Co. Documentation #15)(staff
post audit)

El Paso

El Paso, ML, Coral Recon.(Co. Documentation #15)(staff post audit).xls

		Company	Staff
Nov-05	Payments		
	Demand	453,931.92	453,931.92
	Commodity	119,290.75	119,290.75
	Transprotation		
Dec-05	Payments	(509,032.18)	(509,032.18)
	Demand	453,931.92	453,931.92
	Commodity	138,075.02	138,075.02
	Transprotation		
Jan-06	Payments	(456,340.00)	(456,340.00)
	Demand	453,931.92	453,931.92
	Commodity	116,774.90	116,774.90
	Transprotation		
Feb-06	Payments	(230,322.29)	(230,322.29)
	Demand	(9,480.72)	(9,480.72)
	Commodity	102,241.32	102,241.32
	Transprotation		
Mar-06	Payments	(92,760.60)	(92,760.60)
	Demand	316,417.92	316,417.92
	Commodity	56,266.87	56,266.87
	Transprotation		
Apr-06	Payments	(372,684.79)	(372,684.79)
	Demand	(615,993.99)	(82,477.20)
	Commodity	46,355.18	55,710.59
	Transprotation		
May-06	Payments		
	Demand	(82,477.20)	(82,477.20)
	Commodity	(3,385.86)	(3,385.86)
	Transprotation		
Jun-06	Payments		
	Demand	(82,477.20)	(82,477.20)
	Commodity	8,163.21	8,163.21
	Transprotation		
Jul-06	Payments		
	Demand	(82,462.27)	(82,462.27)
	Commodity	4,262.34	4,262.34
	Transprotation		
Aug-06	Payments		
	Demand	(82,462.27)	(82,462.27)
	Commodity	3,563.67	3,563.67
	Transprotation		
Sep-06	Payments		
	Demand	(82,477.20)	(82,477.20)
	Commodity	2,142.70	2,142.70
	Transprotation		
Oct-06	Payments		
	Demand		
	Commodity		
	Transprotation		

(12/05~1/06)Cost Paid
 1,735,936.43 (1,195,694.47) 540,241.96

(427,006.93)

115,865.27

542,872.20

Merrill Lynch

El Paso, ML, Coral Recon.(Co. Documentation #15)(staff post audit).xls

		Company	Staff
Nov-05	Payments		
	Demand	278,789.31	278,789.31
	Commodity	(55,921.62)	(55,921.62)
	Transprotation		
Dec-05	Payments		
	Demand	278,789.31	278,789.31
	Commodity	51,382.73	51,382.73
	Transprotation		
Jan-06	Payments		
	Demand	439,226.07	439,226.07
	Commodity	21,682.39	21,682.39
	Transprotation	7,730.47	7,730.47
Feb-06	Payments	(468,638.93)	(468,638.93)
	Demand	604,687.95	604,687.95
	Commodity	10,208.14	10,208.14
	Transprotation	7,439.36	7,439.36
Mar-06	Payments	(622,245.46)	(622,245.46)
	Demand	278,789.31	278,789.31
	Commodity	6,466.63	6,466.63
	Transprotation	8,155.19	8,155.19
Apr-06	Payments	(297,257.39)	(297,257.39)
	Demand	769,356.44	769,356.44
	Commodity	8,781.30	8,780,391.85
	Transprotation	6,741.19	6,741.19
May-06	Payments	(9,556,489.49)	(9,556,489.49)
	Demand	769,356.44	769,356.44
	Commodity	8,063,380.35	8,063,380.35
	Transprotation	6,608.14	6,608.14
Jun-06	Payments	(8,836,415.03)	(8,836,415.03)
	Demand	781,408.24	781,408.24
	Commodity	6,199,431.21	6,199,431.21
	Transprotation	6,389.30	6,389.30
Jul-06	Payments	(6,987,228.76)	(6,987,228.76)
	Demand	769,347.17	769,347.17
	Commodity	6,854,904.85	6,855,471.87
	Transprotation	6,384.44	6,384.44
Aug-06	Payments	(7,631,203.40)	(7,631,203.40)
	Demand	769,347.17	769,347.17
	Commodity	6,019,108.94	6,018,541.94
	Transprotation	5,410.46	5,410.46
Sep-06	Payments	(6,793,299.57)	(6,793,299.57)
	Demand	769,358.40	769,358.40
	Commodity	6,534,290.08	6,534,290.08
	Transprotation	5,781.50	5,781.50
Oct-06	Payments	(7,309,429.98)	(7,309,429.98)
	Demand		
	Commodity		
	Transprotation		

Cost(11/05~1/06)

Paid

553,039.73

(598,967.18)

(45,927.45)

916.36

(567.02)

567.00

(45,837.45)

Coral

		Company	Staff
Nov-05	Payments		
	Demand		
	Commodity	11,160,232.01	11,160,232.01
	Transprotation		
Dec-05	Payments	(7,047,944.86)	(10,684,986.95)
	Demand		
	Commodity	9,182,787.66	9,182,787.66
	Transprotation		
Jan-06	Payments	(14,603,641.27)	(10,988,772.19)
	Demand		
	Commodity	8,192,309.08	8,192,309.08
	Transprotation		
Feb-06	Payments	(8,186,437.62)	(8,186,437.62)
	Demand		
	Commodity	6,716,698.26	6,716,698.26
	Transprotation		
Mar-06	Payments		
	Demand		
	Commodity	2,271,091.16	2,271,091.16
	Transprotation		
Apr-06	Payments		
	Demand		
	Commodity	2,216,559.45	2,216,559.45
	Transprotation		
May-06	Payments	(2,216,559.45)	(2,216,559.45)
	Demand		
	Commodity	1,689,428.09	1,689,428.09
	Transprotation		
Jun-06	Payments	(1,689,428.09)	(1,689,428.09)
	Demand		
	Commodity	744,090.18	744,090.18
	Transprotation		
Jul-06	Payments	(744,090.18)	(744,090.18)
	Demand		
	Commodity	1,892,117.85	1,892,117.85
	Transprotation		
Aug-06	Payments	(1,892,117.85)	(1,892,117.85)
	Demand		
	Commodity	2,287,097.39	2,287,097.39
	Transprotation		
Sep-06	Payments	(2,287,097.39)	(2,287,097.39)
	Demand		
	Commodity	2,109,659.25	2,109,659.25
	Transprotation		
Oct-06	Payments	(2,109,659.25)	(2,109,659.25)
	Demand		
	Commodity		
	Transprotation		

Company(11/05~1/06)

Cost

28,535,328.75

Paid

(29,838,023.75) (1,302,695.00)

Staff (11/05~1/06)

Cost

28,535,328.75

Paid

(29,860,196.76) (1,324,868.01)

(1,302,695.00)

(1,324,868.01)

Docket No. 07-00174 – El Paso Recon. – Co. final submission (5-22-08)

	Nov-05	Billed	Paid	COG	
Invoice #	688683	55,036.80	55,036.80	55,036.80	
		77,176.40	77,176.40		
		27,017.74	27,017.74	27,017.74	
		1,847.06	-	1,847.06	
		23,564.00	21,716.94	83,901.60	
Invoice #	688684	398,895.12	398,895.12	398,895.12	
		(77,176.40)			
		87,578.58	88,339.82	88,339.82	
		2,005.83		2,005.83	
		80.30	80.30	80.30	
		12,769.43			
		112.66			
		67,513.00			
		491,778.52	487,315.24	489,321.07	
		515,342.52	509,032.18	573,222.67	(64,190.49)
Invoice #	Dec-05	Billed	Paid	COG	
689355		55,036.80	55,036.80	55,036.80	
		398,895.12	398,895.12	398,895.12	
		133,047.69	138,075.02	138,075.02	
		1,847.06	1,847.06		
		451,312.67	456,340.00	592,006.94	
Invoice #	689356		(3,013.43)		
		46,454.42			
		24,729.61	(24,729.61)		
			(761.24)		
		4,468.28	2,005.83		
			67,513.00		
			(77,176.40)		
			(8,418.81)		
		23,179.66	(36,161.85)	0	
			-not pd-credit due		
		474,492.33	456,340.00	592,006.94	(135,666.94)
Invoice #	Jan-06	Billed	Paid	COG	
690036		55,036.80	55,036.80	55,036.80	
		398,895.12	398,895.12	398,895.12	
		98,949.49	98,949.49	98,949.49	
		(5,027.33)	(5,027.33)		
		410,340.08	410,340.08	552,881.41	
Invoice #	690037	(102,502.17)	(102,502.17)	(102,502.17)	
		7,633.00			
		120,327.58	120,327.58	120,327.58	
			67,513.00		
			(77,176.40)		
		23,174.66	(37,406.44)	17,825.41	
		(111,803.69)	(180,017.79)		
		298,536.39	230,322.29	570,706.82	(340,384.53) (540,241.96)
PPA	Apr-06	Billed	Paid	COG	
				(24,729.61)	
				(307.99)	
				67,513.00	
				77,176.40	
				(77,176.40)	
				12,769.43	
				46,454.42	
				7,633.00	
				5,068.82	
				(461,591.12)	
Invoice #	691865	41,557.76		(25,570.49)	
		(355,352.08)			
		(313,794.32)		(25,570.49)	
Invoice #	691864	55,036.80		55,036.80	
		(137,514.00)		(137,514.00)	
		428,634.99	no pmt	-	
		346,157.79	-	(82,477.20)	
		32,363.47	-	(569,638.81)	569,638.81

Docket No. 07-00174 – Staff First Data Request (November 13, 2007) and
Company Responses

FIRST DATA REQUEST
DOCKET NO. 07-00174
NOV. 13, 2007

1. Please reconcile the following discrepancies between the Cost Recovery schedule and the Frequency Distribution with the filing:

Month	Rate	Cost Recovery Sch (K1)	Frequency Distribution (J1)	Difference
March	365	-44,047	0	-44047
August	321	179,607	158,215	21392
September	321	207,473	228,865	-21392
October	365	161,764	110,617	51147
	360	Net 3,297,133 =3,348,280-51,147	3,348,280	-51147
December	321	4,041,205	3,972,558	68647
	365	215,014	170,967	44047
Jan 07	321	4,793,396	4,814,655	-21259
Feb 07	321	7,303,297	7,350,685	-47388

Differences are caused by billing timing differences. As shown in the table above, these differences correct themselves over time. See Additional support provided for January and February 2007.

2. Please provide Demand recovery-Step calculations for the months of July through December, 2006.

Included with this submission are the frequency distribution excel files for July through December 2006 which show the formulas used to calculate the step calculations.

3. Please provide an explanation for the difference in Block numbers for the rates 331 and 371 for the month of November on Frequency Distribution Reports.

Month	Block	Month	Block
January through October And December	1000	November	1000
	15000		15000
	40000		25000
	90000		50000
	999999		90000

In November 2006, the excel version of the frequency distribution had an error in the step calculations for rates 331 and 371. However, the paper version was used in the production of the cost recovery numbers (included with this submission).

FIRST DATA REQUEST
DOCKET NO. 07-00174
NOV. 13, 2007

4. Please provide support for the 365 commodity cost recovery on the Gas Cost Recovery schedule.

February	82,226.04	See additional support page.
March	-76,247.47	I2
April	129,903.43	See additional support page provided for question 5.
May	20,047.97	I2
June	13,809.71	See additional support page.
July	108,262.26	I2
August	62,082.11	J2
September	32,519.88	J2
October	121,436.98	J2
November	135,900.89	J2
December	152,798.87	I2-\$171,860.74 should have been used on the cost recovery schedule.

5. Please provide support for the 360 adjustment shown on the Gas Cost Recovery schedule.

March	18,705.62
April	-61,514.41
May	268,579.47
August	793,475.34
October	-4,142.36

The above dollar values represent adjustments made by Customer Accounting after the month end close. For March and May 2006, please see Section I for the Customer Accounting Rate 360/365 reconciliations (adjustments are shown on the second page). For August and October 2006, please see Section J for the Customer Accounting Rate 360/365 reconciliations (adjustments are shown on the second page). For May 2006, please see additional support page provided with this response.

FIRST DATA REQUEST
DOCKET NO. 07-00174
NOV. 13, 2007

6. Please provide references for numbers in the Bear Creek Inventory Storage schedule (H1) for the months of November and December, 2006.

November	Injection	75,038
November	Injection	364,693
December	Injection	114,349

In November and December 2006, Nashville Gas was not under an asset management deal with Merrill Lynch. In this situation, the injection volumes are reported by Nashville Gas's Gas Supply department in the Gas Costing System. See system print outs provided.

7. Please provide support showing why there is a difference between storage withdrawal quantity (1s) and El Paso's invoice (3e) in October. In addition, please provide "1s sheets" (same as October) for the months of November and December, 2006.

The withdrawal quantity listed on 3e in October is the Net (285,988) quantity which is also shown on 1s at the far right. The Gross quantity (287,425) is entered into the Storage schedule shown at the far left and referenced to the storage schedule H1.

The schedule depicted on page 1s of the October file is a Merrill Lynch file. In November and December 2006, Nashville Gas was not under an asset management contract with Merrill Lynch and therefore the schedule is not available.

8. Why is the volume sold for January in the Offsystem Sales Margin Schedule (pg.93) listed on February's Gas cost recovery schedule (K1) instead of January?

Volume sold for January 2006 in the Offsystem Sales Margin Schedule was reported to Gas Accounting by Customer Accounting after the January close. It was therefore subsequently included in the February 2006 gas cost recovery schedule.



"Michelle Ramsey"
<Michelle.Ramsey@state.tn.us>
s>

12/12/2007 09:56 AM

"Kelly Choate" <kelly.choate@piedmontng.com>, "Pat
Murphy" <Pat.Murphy@state.tn.us>, "Paul Greene"
<Paul.Greene@state.tn.us>

cc

bcc

Subject NGC ACA

History:

☐ This message has been replied to.

Kelly,

On our November 1 conference call, we discussed that invoice stamped amounts do not match the lead schedule (example : 3/06 ML invoice). So we requested you correct the AP Invoices lead sheet to tie these amounts.

① — For example, On March AP Invoices Lead (C)

Merrill Lynch -Demand 278,789.31
-Commodity 6,466.63

But we want you to correct to Invoice amount (10 a)

Merrill Lynch - Demand 278,789.31
-Commodity 10,312.90

Please check each month (2/06-12/06) and correct this and send us a new AP Invoices Lead sheet.

Secondly, based on our First Data Request question number 4, you provided support for the 365 commodity cost recovery on the Gas Cost Recovery schedule. But some months are not tied to your support (Off System Sales). Please provide explanation for the difference in these numbers.

Month	Gas Cost Recovery	Off System Sales
② — March	-76,247.47	0
③ — October	121,436.98	117,294.62
④ — December	152,798.87	171,860.74

⑤ * Thirdly, based on our First Data Request question number 1, we don't really understand your answer. Pat, Paul and I need to schedule a conference call with you, so we can discuss this information with you. Will you please check to see if 12/14 at 10 AM, your time, would work?

⑥

Michelle Ramsey
Utilities Division
Tennessee Regulatory Authority
615-741-2904 ext. 172

* Item C - As noted in our last conference call, this was an error. The 171,860.74 # is correct as supported

National Gas Distributors - Tennessee Customers						
December Pool Customers						
			Totals			
			\$ 76,247.47			
Account	Name					
6000176532001	DUPONT		\$ 67,405.17	①		
7000927607002	UNIFIRST		\$ 1,804.12	②	2/28/2006	1804.12
8001648625001	DUPONT COMPANY		\$ 7,038.18	③	3/15/2006	7038.18
			\$ 76,247.47			
			\$ 76,247.47			
R.A. Flebbe 2006-01-19						

ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
6000178532001	DUPONT PO BOX 2197 HOUSTON, TX 77079-2197	2/6/2006
Priority: 7.0	Rate Schedule: 372 *Rate Schedule Information is Available Upon Request*	Information is Based On Actual Read

Broker Name: CONOCOPHILLIPS COMPANY

Broker Balancing: Yes

Meter Data

Meter	Service	Period	Meter	Reading	Reading	Meter	Gas Used	Heat	Number Of
Number	From	To	Previous	Current	Difference	Multiplier	(CCF)	Factor	Therms
TEC0665	01/01/2006	02/01/2006	365724	365724	0	10	0	1.044	0
TEC0809	01/01/2006	02/01/2006	160623	168226	7603	10	76,030	1.044	79,375
TEC0837	01/01/2006	02/01/2006	161225	161245	20	10	200	1.044	209
TEC0838	01/01/2006	02/01/2006	505993	507543	1550	10	15,500	1.044	16,182
TEC0839	01/01/2006	02/01/2006	568264	604046	35782	10	357,820	1.044	373,564

Nominations Summary in Dekatherms

Daily Detail					Daily Detail				
Date	Nominated	Consumed	Imbalance	Rate	Date	Nominated	Consumed	Imbalance	Rate
01/01/2006	2,200.0	1,240.9	959.1	372.364	01/17/2006	2,200.0	1,909.7	290.3	372.364
01/02/2006	766.0	1,251.7	-485.7	372.364	01/18/2006	2,231.0	1,880.6	350.4	372.364
01/03/2006	1,963.0	1,277.4	685.6	372.364	01/19/2006	2,350.0	1,863.2	486.8	372.364
01/04/2006	2,200.0	1,292.7	907.3	372.364	01/20/2006	2,350.0	1,366.1	983.9	372.364
01/05/2006	1,478.0	1,363.2	114.8	372.364	01/21/2006	2,350.0	1,381.4	968.6	372.364
01/06/2006	1,478.0	1,398.9	79.1	372.364	01/22/2006	2,350.0	1,427.6	922.4	372.364
01/07/2006	1,478.0	1,383.1	94.9	372.364	01/23/2006	2,350.0	1,509.1	840.9	372.364
01/08/2006	1,478.0	1,376.6	101.4	372.364	01/24/2006	2,350.0	2,402.5	-52.5	372.364
01/09/2006	1,478.0	1,355.4	122.6	372.364	01/25/2006	0	1,467.2	-1,467.2	372.364
01/10/2006	2,200.0	1,356.6	843.4	372.364	01/26/2006	0	1,471.0	-1,471.0	372.364
01/11/2006	2,200.0	1,287.5	912.5	372.364	01/27/2006	0	1,468.9	-1,468.9	372.364
01/12/2006	2,800.0	1,292.8	1,507.2	372.364	01/28/2006	0	1,459.2	-1,459.2	372.364
01/13/2006	2,200.0	1,449.4	750.6	372.364	01/29/2006	0	1,455.0	-1,455.0	372.364
01/14/2006	2,200.0	1,881.6	318.4	372.364	01/30/2006	0	1,478.4	-1,478.4	372.364
01/15/2006	2,200.0	1,878.5	321.5	372.364	01/31/2006	0	1,454.9	-1,454.9	372.364
01/16/2006	2,200.0	1,851.9	348.1	372.364	Totals:	49,050.0	46,933.0	2,117.0	

ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
8000176532001	DUPONT PO BOX 2197 HOUSTON, TX 77078-2197	2/6/2006
Priority: 7.0	Rate Schedule: 372 *Rate Schedule Information is Available Upon Request*	Information is Based On Actual Read

Gas Bill Calculation	Days	Rate	Dekatherms	Amount	Franchise Fee	State Tax	Other Tax	Total Amount
Cash-Out	31	364	3,894.1	\$67,405.17				\$67,405.17
Rate 364 Total	31		3,894.1	\$67,405.17				\$67,405.17
Facility Charges	31	372	0	\$300.00				\$300.00
Tariff Charges	31	372	46,933.0	\$17,556.03				\$17,556.03
Rate 372 Total	31		46,933.0	\$17,556.03				\$17,556.03
Total Current Charges	31		50,827.1	\$85,261.20				\$85,261.20

ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
8000176532001	DUPONT PO BOX 2197 HOUSTON, TX 77079-2197	2/6/2008
Priority: 7.0	Rate Schedule: 372 *Rate Schedule Information Is Available Upon Request*	Information Is Based On Actual Read

Rate Detail 364

A special cash out dollar amount of \$56,170.98 is included for the month of .

A special cash out penalty dollar amount of \$11,234.19 is included for the month of .

A special cash out volume of 38,941 therms is included for the month of December.

ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
7000927607002	UNIFIRST 68 JONSPIN RD WILMINGTON, MA 01887-1090	2/6/2006
Priority: 1.2	Rate Schedule: 371 *Rate Schedule Information Is Available Upon Request*	Information Is Based On Actual Read

Broker Name: SOUTH STAR ENERGY

Broker Balancing: Yes

Meter Data

Meter	Service	Period	Meter	Reading	Reading	Meter	Gas Used	Heat	Number Of
Number	From	To	Previous	Current	Difference	Multiplier	(CCF)	Factor	Therms
TEC0911	01/01/2006	02/01/2006	6072	7516	1444	10	14,440	1.045	15,090

Nominations Summary In Dekatherms

Daily Detail					Daily Detail				
Date	Nominated	Consumed	Imbalance	Rate	Date	Nominated	Consumed	Imbalance	Rate
01/01/2006	53.0	2.1	50.9	371,364	01/17/2006	38.0	74.8	-36.8	371,364
01/02/2006	53.0	27.1	25.9	371,364	01/18/2006	38.0	70.7	-32.7	371,364
01/03/2006	53.0	60.7	-7.7	371,364	01/19/2006	46.0	68.5	-22.5	371,364
01/04/2006	53.0	69.4	-16.4	371,364	01/20/2006	46.0	43.6	2.4	371,364
01/05/2006	27.0	65.2	-38.2	371,364	01/21/2006	46.0	2.1	43.9	371,364
01/06/2006	27.0	26.3	.7	371,364	01/22/2006	46.0	31.3	14.7	371,364
01/07/2006	27.0	26.3	.7	371,364	01/23/2006	46.0	69.0	-23.0	371,364
01/08/2006	27.0	25.2	1.8	371,364	01/24/2006	46.0	73.2	-27.2	371,364
01/09/2006	27.0	71.1	-44.1	371,364	01/25/2006	46.0	70.9	-24.9	371,364
01/10/2006	54.0	69.3	-15.3	371,364	01/26/2006	46.0	71.0	-25.0	371,364
01/11/2006	54.0	71.5	-17.5	371,364	01/27/2006	54.0	37.7	16.3	371,364
01/12/2006	38.0	69.0	-31.0	371,364	01/28/2006	54.0	2.1	51.9	371,364
01/13/2006	38.0	41.7	-3.7	371,364	01/29/2006	54.0	31.6	22.4	371,364
01/14/2006	38.0	6.2	31.8	371,364	01/30/2006	54.0	67.2	-13.2	371,364
01/15/2006	38.0	31.2	6.8	371,364	01/31/2006	54.0	66.6	-12.6	371,364
01/16/2006	38.0	66.4	-28.4	371,364	Totals:	1,359.0	1,509.0	-150.0	

Gas Bill Calculation	Days	Rate	Dekatherms	Amount	Franchise Fee	State Tax	Other Tax	Total Amount
Cash-Out	31	364	104.1	\$1,804.32	\$90.81	\$111.60		\$2,006.73
Rate 364 Total	31		104.1	\$1,804.32	\$90.81	\$111.60		\$2,006.73
Demand Charges	31	371	50.0	\$651.92	\$39.38			\$691.30
Facility Charges	31	371	0	\$300.00	\$18.12			\$318.12
Tariff Charges	31	371	1,509.0	\$1,509.57	\$91.18			\$1,600.75
Rate 371 Total	31		1,509.0	\$2,481.49	\$148.66			\$2,610.17
Total Current Charges	31		1,613.1	\$4,285.81	\$239.49	\$111.60		\$4,615.90

ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
7000927607002	UNIFIRST 68 JONSPIN RD WILMINGTON, MA 01887-1090	2/6/2006
Priority: 1.2	Rate Schedule: 371 *Rate Schedule Information Is Available Upon Request*	Information Is Based On Actual Read

Rate Detail 364

A special cash out volume of 1,041 therms is included for the month of .
A special cash out dollar amount of \$1,503.43 is included for the month of .
A special cash out penalty dollar amount of \$300.89 is included for the month of .

ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
8001848626001	DUPONT COMPANY PO BOX 2197 HOUSTON, TX 77078-2197	2/8/2006
Priority: 2.2	Rate Schedule: 371 *Rate Schedule Information Is Available Upon Request*	Information Is Based On Actual Read

Broker Name: CONOCOPHILLIPS COMPANY

Broker Balancing: Yes

Meter Data

Meter	Service	Period	Meter	Reading	Reading	Meter	Gas Used	Heat	Number Of
Number	From	To	Previous	Current	Difference	Multiplier	(CCF)	Factor	Therms
TEC0650	01/01/2006	02/01/2006	90557	97925	7368	10	73,680	1.045	76,996

Nominations Summary in Dekatherms

Daily Detail					Daily Detail				
Date	Nominated	Consumed	Imbalance	Rate	Date	Nominated	Consumed	Imbalance	Rate
01/01/2006	150.0	10.4	139.6	371.364	01/17/2006	150.0	322.1	-172.1	371.364
01/02/2006	150.0	50.1	99.9	371.364	01/18/2006	119.0	162.1	-43.1	371.364
01/03/2006	150.0	209.4	-59.4	371.364	01/19/2006	0	205.5	-205.5	371.364
01/04/2006	150.0	65.2	84.8	371.364	01/20/2006	0	247.0	-247.0	371.364
01/05/2006	150.0	208.1	-58.1	371.364	01/21/2006	0	264.4	-264.4	371.364
01/06/2006	150.0	288.0	-138.0	371.364	01/22/2006	0	270.9	-270.9	371.364
01/07/2006	150.0	279.6	-129.6	371.364	01/23/2006	0	171.4	-171.4	371.364
01/08/2006	150.0	178.4	-26.4	371.364	01/24/2006	0	219.5	-219.5	371.364
01/09/2006	150.0	163.0	-13.0	371.364	01/25/2006	500.0	356.4	143.6	371.364
01/10/2006	150.0	254.1	-104.1	371.364	01/26/2006	500.0	338.3	161.7	371.364
01/11/2006	150.0	355.2	-205.2	371.364	01/27/2006	500.0	251.3	248.7	371.364
01/12/2006	150.0	223.8	-73.8	371.364	01/28/2006	500.0	361.9	138.1	371.364
01/13/2006	150.0	141.7	8.3	371.364	01/29/2006	500.0	391.3	108.7	371.364
01/14/2006	150.0	222.3	-72.3	371.364	01/30/2006	500.0	409.5	90.5	371.364
01/15/2006	150.0	301.3	-151.3	371.364	01/31/2006	500.0	447.2	52.8	371.364
01/16/2006	150.0	332.2	-182.2	371.364	Totals:	8,169.0	7,899.6	-1,530.6	

Gas Bill Calculation	Days	Rate	Dekatherms	Amount	Franchise Fee	State Tax	Other Tax	Total Amount
Cash-Out	31	364	406.5	\$7,038.18	\$354.26	\$435.36		\$7,827.80
Rate 364 Total	31		406.5	\$7,038.18	\$354.26	\$435.36		\$7,827.80
Demand Charges	31	371	400.9	\$5,227.08	\$315.72			\$5,542.81
Facility Charges	31	371	0	\$300.00	\$18.12			\$318.12
Tariff Charges	31	371	7,699.6	\$6,208.69	\$375.00			\$6,583.69
Rate 371 Total	31		7,699.6	\$11,735.78	\$708.84			\$12,444.62
Total Current Charges	31		8,108.1	\$18,773.96	\$1,063.10	\$435.36		\$20,272.42

ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
8001848825001	DUPONT COMPANY PO BOX 2197 HOUSTON, TX 77079-2197	2/8/2008
Priority: 2.2	Rate Schedule: 371 *Rate Schedule Information Is Available Upon Request*	Information Is Based On Actual Read

Rate Detail 364

A special cash out volume of 4,065 therms is included for the month of .
A special cash out dollar amount of \$5,865.15 is included for the month of .
A special cash out penalty dollar amount of \$1,173.03 is included for the month of .

Total Rate 360/365 - October 2006

<u>Customer Name</u>	<u>Account Number</u>	<u>Therms</u>	<u>Dollars</u>
360			
Louis Dreyfus	4002249111001	900	\$364.05
Merrill Lynch Commodities	5002330702001	3,347,380	\$1,313,009.81
	Subtotal	3,348,280	\$1,313,373.86
365			
Atmos Energy	9001188817001	14,264	\$7,937.20
Conoco Inc	5001189182001		
Proliance Energy	2001246972001		
SouthStar Energy Services	5001188807001	147,500	\$113,499.78
	Subtotal	161,764	\$121,436.98

Difference =

Total	3,510,044	\$1,434,810.84
Total rate 360	3,348,280	\$1,313,373.86
Total rate 365	110,617	\$117,294.62
S2K Total	3,458,897	\$1,430,668.48
Difference	(51,147)	(\$4,142.36)
Corrections		
Tennessee Chips	5001548223002	(51,147) (\$4,142.36)
Total Corrections	(51,147)	(\$4,142.36)
Unlocated Difference	0	(\$0.00)

ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
5001548223002	TENNESSEE CHIPS LLC 002920 KRAFT DR NASHVILLE, TN 37204	10/30/2006
Priority: 2.2	Rate Schedule: 371 *Rate Schedule Information Is Available Upon Request*	Information Is Based On Actual Read

Broker Name: ATMOS ENERGY MARKETING LLC

Broker Balancing: Yes

Meter Data

Meter	Service	Period	Meter	Reading	Reading	Meter	Gas Used	Heel	Number Of
Number	From	To	Previous	Current	Difference	Multiplier	(CCF)	Factor	Therms
TEC0613	10/01/2005	11/01/2005	119073	121405	2332	10	23,320	1.035	24,136

Nominations Summary In Dekatherms

Daily Detail					Daily Detail				
Date	Nominated	Consumed	Imbalance	Rate	Date	Nominated	Consumed	Imbalance	Rate
10/01/2005	0	2.1	-2.1	371,364	10/17/2005	0	187.4	-187.4	371,364
10/02/2005	0	33.1	-33.1	371,364	10/18/2005	0	80.9	-80.9	371,364
10/03/2005	0	138.2	-138.2	371,364	10/19/2005	0	76.3	-76.3	371,364
10/04/2005	0	147.6	-147.6	371,364	10/20/2005	0	61.4	-61.4	371,364
10/05/2005	0	94.3	-94.3	371,364	10/21/2005	0	18.4	-18.4	371,364
10/06/2005	0	55.8	-55.8	371,364	10/22/2005	0	0	0	371,364
10/07/2005	0	2.1	-2.1	371,364	10/23/2005	0	28.8	-28.8	371,364
10/08/2005	0	0	0	371,364	10/24/2005	0	126.4	-126.4	371,364
10/09/2005	0	35.1	-35.1	371,364	10/25/2005	0	124.7	-124.7	371,364
10/10/2005	0	128.3	-128.3	371,364	10/26/2005	0	166.2	-166.2	371,364
10/11/2005	0	426.0	-426.0	371,364	10/27/2005	0	66.6	-66.6	371,364
10/12/2005	0	150.7	-150.7	371,364	10/28/2005	0	4.2	-4.2	371,364
10/13/2005	0	45.5	-45.5	371,364	10/29/2005	0	4.2	-4.2	371,364
10/14/2005	0	2.1	-2.1	371,364	10/30/2005	0	35.6	-35.6	371,364
10/15/2005	0	0	0	371,364	10/31/2005	0	144.7	-144.7	371,364
10/16/2005	0	26.9	-26.9	371,364	Totals:	0	2,413.6	-2,413.6	

Gas Bill Calculation	Days	Rate	Dekatherms	Amount	Franchise Fee	State Tax	Other Tax	Total Amount
Cash-Out	31	364	287.5	-\$4,142.36	-\$250.20	-\$65.89		-\$4,458.45
Rate 364 Total	31		287.5	-\$4,142.36	-\$250.20	-\$65.89		-\$4,458.45
Demand Charges	31	371	148.0	\$1,929.68	\$116.55			\$2,046.23
Facility Charges	31	371	0	\$300.00	\$18.12			\$318.12
Tariff Charges	31	371	2,413.6	\$2,335.38	\$141.06			\$2,476.44
Rate 371 Total	31		2,413.6	\$4,585.06	\$276.73			\$4,861.79
Total Current Charges	31		2,701.1	\$422.70	\$25.63	-\$65.89		\$382.34



ACCOUNT NUMBER	CUSTOMER NAME	BILLING DATE
5001548223002	TENNESSEE CHIPS LLC 002920 KRAFT DR NASHVILLE, TN 37204	10/30/2006
Priority: 2.2	Rate Schedule: 371 *Rate Schedule Information Is Available Upon Request*	Information Is Based On Actual Read

Rate Detail 364

An added gas volume of -27,011 is included on rate plan 364.

Imbalance Percent is 100.00%

Imbalance short rate is \$14.40820/DTs

Penalty rate is \$0.0000/DTs

TENNESSEE CHIPS LLC
STEVE PEAK
002920 KRAFT DR
NASHVILLE TN 37204-0000

5001548223002 DD 171 BIL/CYC 21-999
ACT OPN 112000 RD/CYC 21 GMS ACTIVE *NOTES*
RATE 371-893 ON 112000 DC
LAST-TRAN 01/04/08

***** 01-20 MISC. ACTION INFORMATION ***** 01/10/08 *** 1037 **
TYPE TRIGGER. LAST....
CODE ..DATE.. MESSAGE..... UPDATED.
COLL 00/00/00 GMS(MTR CHNG) -6 DIALS, -10 CONSTANT/PAC 07/29/03
JRNL 00/00/00 METER DATA MAINTAINED 07/30/03 08:39 BY @UMAE1 07/30/03
JRNL 00/00/00 METER DATA MAINTAINED 08/20/03 11:43 BY @UMAE1 08/20/03
JRNL 00/00/00 METER DATA MAINTAINED 07/14/06 12:19 BY @UMFW1 07/14/06
JRNL 00/00/00 10/05 BILL CANCELLED PER KIRBY LANE IN NASHVILLE. REBILL 10/30/06
JRNL 00/00/00 AS A CUST CASH OUT. THIS MONTH HAD A FAST METER. 10/30/06
GEN 00/00/00 LEFT MSG ON CHRISTY'S VOICE MAIL (ACCTS PAYABLE) RE:PAST 09/10/07
GEN 00/00/00 DUE ACCT SSD/CLT 09/10/07
GEN 00/00/00 CHGD FROM CYCLE 15 TO 21 WCJ/CSS 10/11/07
JRNL 00/00/00 METER DATA MAINTAINED 10/11/07 09:27 BY @PWCJ2 10/11/07

* * * ARE THERE MORE RECORDS NO * * *
DSPLY 21 KEY _____ TO NEW SS _____ DSPLY _____ KEY _____

ZCSCA301.C

8.02.59 PIEDMONT NATURAL GAS CO., INC.
RATE CODE BY STATE AND RATE

02/08/07

Jan 07

RATE	NUMBER TRANS	THERMS	REVENUE W/O TAX	STATE	CITY	EXCISE TAX	OTHER
NC 101	12	30,619,679	2,492.56-	.00	.00	.00	.00
NC 102	272600	17,664,149	42,597,182.32	1,420,624.00	.00	.00	.00
NC 103	47261	2,029,847	22,741,100.78	684,215.38	.00	.00	.00
NC 104	62	4,038,216	1,937,866.40	51,922.43	.00	.00	.00
NC 105	120	10,609,289	3,341,347.48	94,806.57	.00	.00	.00
NC 111	219	28,421,119	10,360.00	236.38	.00	.00	.00
NC 114	341	15,084,523	1,438,968.14	235,967.23	.00	.00	.00
NC 115	26	23,454,214	2,631,224.62	544,805.71	.00	.00	.00
NC 121	313618	15,084,523	1,195,598.87	25,559.78	.00	.00	.00
NC 124	3	12,198,837	37,824,513.29	1,193,517.09	4.81	.00	.00
NC 132	18301	8,452	1,101.07	.00	.00	.00	.00
NC 142	17	1,723,995	15,304,099.19	452,811.75	.00	.00	.00
NC 152	118	53,595,013	2,051,212.33	52,722.09	.00	.00	.00
NC 160	67	12,180,867	35,800,658.29	.00	.00	.00	.00
NC 161	22	4,446,842	1,622,583.27	54,099.53	.00	.00	.00
NC 162	425	5,645,423	1,556,448.83	146,921.85	.00	.00	.00
NC 165	44	5,645,423	722,010.73	15.91	.00	.00	.00
NC 641	1	574,946	1,672,261.15	.00	.00	.00	.00
NC 667	6	1,957,844	318,456.32	12,603.71	.00	.00	.00
NC 672	5	231,826	58,349.85	4,184.78	.00	.00	.00
NC 674	3	2,156,472	340,819.90	.00	.00	.00	.00
NC 675	3	2,156,472	2,600.40	77.65	.00	.00	.00
NC 680	1	176,765,644.92	4,974,476.19	4.81	.00	.00	.00
NC 653371	5	6,110.62	.00	.00	.00	.00	.00
SC 124	1	1,235,680	250.00	.00	.00	.00	.00
SC 151	4	5,375,685	7,705,731.03	.00	.00	.00	.00
SC 201	50959	3,480,923	5,082,494.07	248,500.00	87,937.27	.00	.00
SC 202	10544	3,292,205	354,632.32	7,319.27	70,166.38	.00	.00
SC 203	11	899,086	766,145.43	12,601.83	801.12	.00	.00
SC 204	20	1,546,290	362,353.70	.75	5,014.61	.00	.00
SC 205	4	1,813,738	602,332.90	839.21	1,970.09	.00	.00
SC 213	59	3,095,968	282,585.09	177.40	5,591.07	.00	.00
SC 214	60	5,124,985	6,390,987.07	.00	108,194.16	.00	.00
SC 215	14	34,510	3,454,470.25	.00	.00	.00	.00
SC 221	65131	2,508,949	29,573.07	161,978.92	52,568.34	.00	.00
SC 224	1	1,980	2,343.15	30.73	23.80	.00	.00
SC 242	3927	355,883	477,633.18	18,504.54	1,881.87	.00	.00
SC 252	25	935,724	1,175,539.67	35,535.34	9,103.82	.00	.00
SC 262	100	2,850	1,904.08	.00	.00	.00	.00
SC 265	4	28,716,828	28,716,828.00	485,277.99	343,255.43	.00	.00
SC 265	130571	28,716,828	28,716,828.00	.00	.00	.00	.00
SC 265	4	28,716,828	28,716,828.00	.00	.00	.00	.00
TN 121	2	8,575,563	11,192,194.54	6.45	.00	.00	.00
TN 311	83957	7,958,716	11,004,011.39	133.96	5.30	.00	.00
TN 313	83104	4,422,296	6,618,253.88	420.31	488,149.53	.00	.00
TN 321	12793	813,202	743,931.50	333,666.49	534,072.86	.00	.00
TN 331	42	41,793,453	6,819,350.09	32,050.84	352,335.69	.00	.00

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8.02.59 FIEDMONT NATURAL GAS CO., INC.
RATE CODE BY STATE AND RATE

02/08/07

RATE	NUMBER TRANS	THEMUS	REVENUE W/O TAX	STATE	CITY	EXCISE TAX	OTHER
TN 332	3946	2,688,199	3,239,995.19	186,287.23	166,385.12	.00	.00
TN 341	1	1,482,753	1,849,848.53	.00	10.33	.00	.00
TN 352	328	339,160	1,283,758.96	67,273.56	99,334.79	.00	.00
TN 365	17	1,071,099	1,247,474.62	52,935.91	70,663.57	.00	.00
TN 366	166	2,432,090	475,619.60	.00	27,886.42	.00	.00
TN 371	92	6,643,696	369,894.27	.00	30,165.68	.00	.00
TN 372	74	2,805,933	89,059.95	.00	2,976.52	.00	.00
TN 373	3	70,167	76,500.40	.00	.00	.00	.00
TN 381	4	39,664,111	37,156,270.37	672,774.75	1,782,570.16	.00	.00
TN	164130						

Jan '07

TN 01/2007 121	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %	Step	Therms
	1	1000	57	57		1	1	
	0	999999	0	57		0	1	57
TN 01/2007 311	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	62717	1000	8570760	8,570,760	0.999439	0.999439		
	0	999999	0	8,575,563		0	1	8,575,563
TN 01/2007 313	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	82040	1000	7957305	7,957,305	0.999822	0.999822		
	0	999999	0	7,958,716		0	1	7,958,716
TN 01/2007 321	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	12612	1000	3616835	3,616,835	0.751213	0.751213		
	0	999999	0	4,814,655		0	1	4,814,655
TN 01/2007 331	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	40	1000	40000	40,000	0.049183	0.049183		
	37	15000	161466	548,756	0.198536	0.674742		548,756 0.674743
	1	40000	5000	755,217	0.006147	0.928604		206,461 0.253862
	1	90000	40000	805,217	0.049183	0.990083		50,000 0.061479
	0	999999	0	813,282		0	1	8,065 0.009917
TN 01/2007 332	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	3826	1000	1723855	1,723,855	0.641267	0.641267		
	865	2000	541392	2,265,247	0.201395	0.842663		2,265,247 0.842663
	0	999999	0	2,688,199		0	1	422,952 0.157337
TN 01/2007 341	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	1	1000	0	-		0	0	
	0	999999	0	-		0	0	-
TN 01/2007 352	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	272	1000	257950	257,950	0.173966	0.173966		
	0	999999	0	1,482,753		0	1	1,482,753
TN 01/2007 365	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	5	1000	5000	5,000	0.01519	0.01519		
	0	999999	0	329,160		0	1	329,160
TN 01/2007 366	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	153	1000	145868	145,868	0.136185	0.136185		
	124	5000	113283	665,303	0.105763	0.62114		665,303 0.621141
	0	999999	0	1,071,099		0	1	405,796 0.378859
TN 01/2007 371	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	91	1000	90000	90,000	0.037005	0.037005		
	84	15000	391039	1,278,191	0.160783	0.525552		1,278,191 0.525553
	21	40000	89681	2,143,915	0.036874	0.881511		865,724 0.355959
	10	90000	167462	2,432,090	0.068855	1		288,175 0.118489
	0	999999	0	2,432,090		0	1	- 0
TN 01/2007 372	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	54	1000	50143	50,143	0.007547	0.007547		
	48	15000	239735	733,022	0.036084	0.110333		733,022 0.110333
	34	40000	162272	1,737,780	0.024425	0.261568		1,004,768 0.151235
	30	90000	965483	3,009,865	0.145323	0.45304		1,272,085 0.191472
	3	999999	385555	6,643,696	0.058033	1		3,633,831 0.546959
TN 01/2007 373	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	3	1000	3000	3,000	0.001069	0.001069		
	2	999999	1145534	2,805,933	0.408254	1		2,805,933
TN 01/2007 381	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	2	1000	1041	1,041	0.014836	0.014836		
	0	999999	0	70,167		0	1	70,167

03/07/07

8.56.57 FIDMONT NATURAL GAS CO., INC.
RATE CODE BY STATE AND RATE

PAGE 1

ZCSCA301.C

Feb'07

NUMBER RATE	TRANS	THERMS	REVENUE W/O TAX	STATE	CITY	EXCISE TAX	OTHER
NC 101	275930	6	10.10-	.00	.00	.00	.00
NC 102	47790	39,906,564	52,396,151.82	1,932,984.62	6.47	.00	.00
NC 103	53	25,742,481	31,456,804.17	1,971,580.02	.00	.00	.00
NC 104	108	1,903,282	1,826,754.12	49,236.30	.00	.00	.00
NC 105	115	3,392,911	2,668,990.62	79,226.63	.00	.00	.00
NC 113	253	9,853,806	10,320.00	235.44	.00	.00	.00
NC 114	411	26,643,011	1,377,842.83	227,189.03	.00	.00	.00
NC 115	21	15,166,117	2,503,536.68	516,652.69	.00	.00	.00
NC 121	318982	35,060,501	1,200,401.97	25,239.49	.00	.00	.00
NC 124	1	1,282	48,956,146.30	1,632,944.65	6.84	.00	.00
NC 132	18463	13,294,557	15,936,745.16	493,051.00	.00	.00	.00
NC 142	9	8,709	8,667.83	273.64	.00	.00	.00
NC 152	137	1,945,626	2,283,080.78	59,829.42	.00	.00	.00
NC 160	99	49,072,174	42,383,022.25	.00	.00	.00	.00
NC 161	31	16,208,277	2,108,652.38	63,931.14	.00	.00	.00
NC 162	443	4,455,615	5,080,980.03	147,691.77	.00	.00	.00
NC 165	73	8,719,505-	83,425.60	.00	.00	.00	.00
NC 641	1	102-	119.74-	4.79-	.00	.00	.00
NC 667	8	665,395	709,663.73	.00	.00	.00	.00
NC 672	4	1,455,518	262,010.10	11,105.35	.00	.00	.00
NC 674	3	202,819	54,186.64	3,749.69	.00	.00	.00
NC 675	3	2,110,180	335,961.61	.00	.00	.00	.00
NC 680	1	2,600.40	77.65	.00	.00	.00	.00
NC 682945	1	238,369,198	211,648,737.04	6,114,993.74	13.31	.00	.00
SC 161	5	550,390	6,110.62	.00	.00	.00	.00
SC 201	51238	7,426,382	190,819.52	.00	.00	.00	.00
SC 202	10353	4,889,599	9,603,755.19	.00	105,767.32	.00	2.22
SC 203	13	309,728	6,567,965.09	321,379.95	86,205.92	.00	4,253.33
SC 204	23	807,095	709,718.23	7,043.26	3,905.13	.00	.00
SC 205	4	1,413,023	90.00	.75	1.20	.00	.00
SC 213	52	3,374,490	335,868.27	629.21	1,564.07	.00	24.64
SC 214	64	3,251,383	503,259.14	164.90	5,650.46	.00	2.51
SC 215	16	7,318,045	223,412.17	.00	.00	.00	.00
SC 221	65571	2,906,874	10,880,933.11	.00	137,273.50	.00	.00
SC 224	3971	2,113	286,971.60	2,020.39	3,170.71	.00	.00
SC 242	2	254,590	3,687,478.81	174,752.62	56,067.94	.00	1,676.32
SC 252	17	870,521	2,103.48	23.75	18.23	.00	.00
SC 262	108	2,421	329,861.49	11,542.50	1,347.72	.00	.00
SC 265	2	33,775,760	1,053,149.27	31,015.91	9,754.21	.00	312.33
SC 131452	2	2,127.58	2,127.58	.00	.00	.00	.00
SC 131452	2	33,775,760	34,719,846.46	560,934.50	411,519.39	.00	6,271.35
TN 121	18	12,733,971	4,533.33	.00	.00	.00	.00
TN 311	63710	11,258,808	14,105,910.47	214.95	584,121.53	.00	.00
TN 313	83222	7,303,297	13,693,263.27	543.14	668,079.57	.00	.00
TN 321	12886	620,053	8,336,833.41	429,912.73	444,456.18	.00	.00
TN 331	43	3,143,079	746,938.38	32,893.81	40,576.97	.00	.00
TN 332	3900	3,512,396.31	3,512,396.31	201,673.91	183,752.17	.00	.00

DATE	NUMBER TRANS	THERMS	REVENUE W/O TAX	STATE	CITY	EXCISE TAX	OTHER
TN 341	1		300.00	.00	18.33	.00	.00
TN 352	285	1,879,636	1,996,111.72	70,384.22	110,001.28	.00	.00
TN 360	1		19,000.00	.00	.00	.00	.00
TN 365	15	175,917	150,879.86	.00	.00	.00	.00
TN 366	159	987,862	1,069,904.14	43,389.51	60,215.27	.00	.00
TN 371	98	2,487,190	477,306.14	.00	28,000.60	.00	.00
TN 372	54	6,506,931	364,435.10	.00	19,558.06	.00	.00
TN 373	5	2,719,441	60,438.87	.00	2,967.42	.00	.00
TN 381	2	53,551	63,225.88	.00	.00	.00	.00
TN	164401	50,569,736	44,601,476.88	779,012.27	2,141,747.38	.00	.00

Feb '07

TN FEBRUARY 2007 FREQUENCY DISTRIBUTION TABLE

TN 02/2007 121	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %	Step Therms	Step %
	1	1,000	-	-	0	0		
	0	999,999	-	-	0	0		
TN 02/2007 311	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	62997	1,000	12,684,470	12,684,470	0.996112	0.996112		
	0	999,999	-	12,733,971	0	1		
TN 02/2007 313	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	82307	1,000	11,755,159	11,755,159	0.999689	0.999689		
	0	999,999	-	11,758,808	0	1		
TN 02/2007 321	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	12672	1,000	5,012,883	5,012,883	0.681961	0.681961		
	0	999,999	-	7,350,685	0	1		
TN 02/2007 331	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	39	1,000	38,000	38,000	0.046338	0.046338		
	37	15,000	160,231	537,738	0.195391	0.655735	537,738	0.6557
	1	40,000	5,000	752,734	0.006097	0.917909	214,996	0.2622
	1	90,000	40,000	802,734	0.048777	0.97888	50,000	0.0610
	0	999,999	-	820,053	0	1	17,319	0.0211
TN 02/2007 332	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	3830	1,000	1,894,986	1,894,986	0.602907	0.602907		
	1021	2,000	659,617	2,554,603	0.209863	0.81277	2,554,603	0.8128
	0	999,999	-	3,143,079	0	1	588,476	0.1872
TN 02/2007 341	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	1	1,000	-	-	0	0		
	0	999,999	-	-	0	0		
TN 02/2007 352	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	260	1,000	249,668	249,668	0.132827	0.132827		
	0	999,999	-	1,879,636	0	1		
TN 02/2007 360	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	1	1,000	-	-	0	0		
	0	999,999	-	-	0	0		
TN 02/2007 365	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	5	1,000	3,000	3,000	0.017053	0.017053		
	0	999,999	-	175,917	0	1		
TN 02/2007 366	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	145	1,000	136,880	136,880	0.138561	0.138561		
	116	5,000	106,361	620,330	0.107667	0.627952	620,330	0.6280
	0	999,999	-	987,862	0	1	367,532	0.3720
TN 02/2007 371	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	92	1,000	89,050	89,050	0.035803	0.035803		
	85	15,000	388,664	1,272,722	0.156266	0.51171	1,272,722	0.5117
	18	40,000	77,288	2,126,332	0.031074	0.854511	852,610	0.3428
	11	90,000	192,651	2,449,646	0.077457	0.984905	324,314	0.1304
	0	999,999	-	2,487,190	0	1	37,544	0.0151
TN 02/2007 372	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	54	1,000	51,000	51,000	0.007837	0.007837		
	49	15,000	244,476	746,067	0.037571	0.114657	746,067	0.1147
	35	40,000	165,116	1,740,772	0.025375	0.267525	994,705	0.1529
	26	90,000	929,606	2,967,398	0.142864	0.456036	1,226,626	0.1885
	4	999,999	323,824	6,506,931	0.049766	1	3,539,533	0.5440
TN 02/2007 373	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	3	1,000	3,000	3,000	0.001103	0.001103		
	2	999,999	1,089,369	2,719,441	0.400585	1		
TN 02/2007 381	BILLS	BLOCK	THERMS	CUM. THERMS	% THERMS	CUM. %		
	2	1,000	1,000	1,000	0.018673	0.018673		
	0	999,999	-	53,551	0	1		

November 2006

#3

Rate 331 (303)

Rate 371 (313)

Rate 372

390,873

1,127,434

772,771

x .00374

x .00262

x .00282

\$1,461.87

\$2,953.88

\$2,179.21

390,873

1,127,434

772,771

489,136

1,723,291

1,773,530

98,263

595,857

1,000,759

x .00222

x .00171

x .00188

\$218.14

\$1,018.92

\$1,881.43

489,136

1,723,291

1,773,530

565,256

1,899,827

3,020,205

76,120

176,536

1,246,675

x .00172

x .00100

x .00106

\$130.93

176.54

\$1,321.48

Tot \$1,810.94

Tot \$4,149.34

Tot \$5,382.12

\$5960.28

- Correct

#'s used in all calculations

- Support file sent (made after the fact), incorrect

24	4000	15493	2,138,696	0.007175	0.990505
11	5000	6784	2,145,480	0.003141	0.993647
5	10000	7546	2,153,026	0.003494	0.997142
1	15000	5000	2,158,026	0.002315	0.999458
1	20000	1170	2,159,196	0.000541	1
0	25000	0	2,159,196	0	1
0	30000	0	2,159,196	0	1
0	35000	0	2,159,196	0	1
0	40000	0	2,159,196	0	1
0	45000	0	2,159,196	0	1
0	50000	0	2,159,196	0	1
0	90000	0	2,159,196	0	1
0	100000	0	2,159,196	0	1
0	135000	0	2,159,196	0	1
0	150000	0	2,159,196	0	1
0	200000	0	2,159,196	0	1
0	250000	0	2,159,196	0	1
0	300000	0	2,159,196	0	1
0	600000	0	2,159,196	0	1
0	999999	0	2,159,196	0	1

TN 11/2006 331

BILLS	BLOCK	THERMS	CUM. THERMS	% THERM	CUM. %
38	1000	38000	38,000	0.067226	0.067226
38	2000	38000	76,000	0.067226	0.134452
38	3000	38000	114,000	0.067226	0.201678
38	4000	37165	151,165	0.065749	0.267427
36	5000	35568	186,733	0.062923	0.330351
35	10000	138260	324,993	0.244597	0.574948
19	15000	65880	390,873	0.116549	0.691497
11	20000	39843	430,716	0.070486	0.761984
6	25000	25300	456,016	0.044758	0.806742
5	30000	13120	469,136	0.02321	0.829953
2	35000	10000	479,136	0.017691	0.847644
2	40000	10000	489,136	0.017691	0.865335
2	45000	10000	499,136	0.017691	0.883026
2	50000	10000	509,136	0.017691	0.900717
2	90000	56120	565,256	0.099282	1
0	100000	0	565,256	0	1
0	135000	0	565,256	0	1
0	150000	0	565,256	0	1
0	200000	0	565,256	0	1
0	250000	0	565,256	0	1
0	300000	0	565,256	0	1
0	600000	0	565,256	0	1
0	999999	0	565,256	0	1

TN 11/2006 332

BILLS	BLOCK	THERMS	CUM. THERMS	% THERM	CUM. %
3778	1000	1439480	1,439,480	0.715076	0.715076
608	2000	366164	1,805,644	0.181895	0.896972
198	3000	119655	1,925,299	0.059439	0.956412
62	4000	35619	1,960,918	0.017694	0.974106
15	5000	12195	1,973,113	0.006058	0.980164
10	10000	16636	1,989,749	0.008264	0.988428
1	15000	5000	1,994,749	0.002483	0.990912

2,013,043
1,805,644
207,399

2,013,043

1	100000	10000	131,969	0.054765	0.722729
1	135000	35000	166,969	0.191677	0.914407
1	150000	15000	181,969	0.082147	0.996555
1	200000	629	182,598	0.003444	1
0	250000	0	182,598	0	1
0	300000	0	182,598	0	1
0	600000	0	182,598	0	1
0	999999	0	182,598	0	1

TN 11/2006 366

BILLS	BLOCK	THERMS	CUM. THERMS	% THERM	CUM. %
145	1000	136735	136,735	0.189415	0.189415
135	2000	130371	267,106	0.180599	0.370015
127	3000	117303	384,409	0.162497	0.532512
105	4000	93660	478,069	0.129744	0.662257
84	5000	70704	548,773	0.097944	0.760201
59	10000	146896	695,669	0.203491	0.963693
12	15000	25697	721,366	0.035597	0.99929
1	20000	512	721,878	0.000709	1
0	25000	0	721,878	0	1
0	30000	0	721,878	0	1
0	35000	0	721,878	0	1
0	40000	0	721,878	0	1
0	45000	0	721,878	0	1
0	50000	0	721,878	0	1
0	90000	0	721,878	0	1
0	100000	0	721,878	0	1
0	135000	0	721,878	0	1
0	150000	0	721,878	0	1
0	200000	0	721,878	0	1
0	250000	0	721,878	0	1
0	300000	0	721,878	0	1
0	600000	0	721,878	0	1
0	999999	0	721,878	0	1

721,878
548,773
173,105

TN 11/2006 371

BILLS	BLOCK	THERMS	CUM. THERMS	% THERM	CUM. %
91	1000	88611	88,611	0.046641	0.046641
88	2000	88000	176,611	0.04632	0.092961
88	3000	88000	264,611	0.04632	0.139281
88	4000	88000	352,611	0.04632	0.185601
88	5000	87373	439,984	0.04599	0.231591
85	10000	400235	840,219	0.210669	0.44226
73	15000	287215	1,127,434	0.151179	0.59344
48	20000	197750	1,325,184	0.104088	0.697528
35	25000	148616	1,473,800	0.078226	0.775754
26	30000	111791	1,585,591	0.058842	0.834597
20	35000	80763	1,666,354	0.04251	0.877108
13	40000	56937	1,723,291	0.029969	0.907077
11	45000	42488	1,765,779	0.022364	0.929442
8	50000	40000	1,805,779	0.021054	0.950496
8	90000	94048	1,899,827	0.049503	1
0	100000	0	1,899,827	0	1
0	135000	0	1,899,827	0	1
0	150000	0	1,899,827	0	1
0	200000	0	1,899,827	0	1

	0	250000	0	1,899,827	0	1
	0	300000	0	1,899,827	0	1
	0	600000	0	1,899,827	0	1
	0	999999	0	1,899,827	0	1
TN 11/2006 372	BILLS	BLOCK	THERMS	CUM. THERMS	% THERM:	CUM. %
	54	1000	53000	53,000	0.008763	0.008763
	53	2000	53000	106,000	0.008763	0.017526
	53	3000	53000	159,000	0.008763	0.026289
	53	4000	53000	212,000	0.008763	0.035052
	53	5000	52580	264,580	0.008693	0.043745
	52	10000	255408	519,988	0.042229	0.085975
	51	15000	252783	772,771	0.041795	0.12777
	50	20000	247238	1,020,009	0.040878	0.168648
	48	25000	225048	1,245,057	0.037209	0.205858
	41	30000	188473	1,433,530	0.031162	0.23702
	34	35000	170000	1,603,530	0.028107	0.265128
	34	40000	170000	1,773,530	0.028107	0.293236
	34	45000	161534	1,935,064	0.026708	0.319944
	31	50000	151869	2,086,933	0.02511	0.345054
	30	90000	933272	3,020,205	0.154307	0.499361
	18	100000	171978	3,192,183	0.028434	0.527796
	15	135000	431604	3,623,787	0.071361	0.599158
	10	150000	137589	3,761,376	0.022749	0.621907
	9	200000	440248	4,201,624	0.07279	0.694697
	8	250000	343380	4,545,004	0.056774	0.751472
	6	300000	257616	4,802,620	0.042594	0.794066
	5	600000	1042813	5,845,433	0.172419	0.966485
	2	999999	202698	6,048,131	0.033514	1
TN 11/2006 373	BILLS	BLOCK	THERMS	CUM. THERMS	% THERM:	CUM. %
	3	1000	3000	3,000	0.001746	0.001746
	3	2000	3000	6,000	0.001746	0.003493
	3	3000	3000	9,000	0.001746	0.005239
	3	4000	3000	12,000	0.001746	0.006985
	3	5000	3000	15,000	0.001746	0.008732
	3	10000	15000	30,000	0.008732	0.017464
	3	15000	15000	45,000	0.008732	0.026197
	3	20000	15000	60,000	0.008732	0.034929
	3	25000	15000	75,000	0.008732	0.043661
	3	30000	15000	90,000	0.008732	0.052394
	3	35000	15000	105,000	0.008732	0.061126
	3	40000	15000	120,000	0.008732	0.069859
	3	45000	15000	135,000	0.008732	0.078591
	3	50000	15000	150,000	0.008732	0.087323
	3	90000	120000	270,000	0.069859	0.157182
	3	100000	30000	300,000	0.017464	0.174647
	3	135000	105000	405,000	0.061126	0.235774
	3	150000	45000	450,000	0.026197	0.261971
	3	200000	150000	600,000	0.087323	0.349295
	3	250000	150000	750,000	0.087323	0.436619
	3	300000	150000	900,000	0.087323	0.523943
	3	600000	527938	1,427,938	0.307343	0.831286
	1	999999	289806	1,717,744	0.168713	1

Feb-2006

#4

TN
Rate 360 sales rate 365 sales

Charges to
18650

Atmos	9001188817001		-44,412.31
ConocoPhillips	5001189182001	46,699	46,937.54
Cook Inlet Off. Sys. Sales	1001399819001	61,522.76	61,522.76
Louis Dreyfus	4002249111001	5,597,529.69	5,597,529.69
Proliance Energy	2001246972001		-40,893.44
Sempra Energy Trading Corp	6001546751001	72,650.00	72,650.00
Southstar Energy	5001188807001	35,288.50	35,288.50
Total billings		5,813,928.49	5,813,928.49
TOTAL CHARGES TO 186.50			-85,305.75 ✓
Total booked on S2k rate 365		88,830	82,226.04
Total booked on S2k rate 360		14,198,520	14,020,041.53
Total booked on S2k		14,287,350	14,102,267.57
Difference to account for		(7,257,740)	(8,288,339.08)
Louis Dreyfus (Jan Bill)	4002249111001	7,257,740	8,288,339.08
Total Amount to Account For		0	0 0.00

Total Rate 360/365 - June 2006

<u>Customer Name</u>	<u>Account Number</u>	<u>Therms</u> <u>Volume</u>	<u>Dollars</u>	
Atmos Energy	9001188817001	7,848	\$5,057.33	
Conocophillips	5001189182001	5,879	\$3,788.49	
Louis Dreyfus Energy	4002249111001	1,170	\$666.12	
Merrill Lynch Commodities	5002330702001	3,233,070	\$1,955,685.58	
South Star Energy	5001188807001	7,703	\$4,963.89	
	Total	3,255,670	\$1,970,161.41	
	Total rate 360	3,234,240	\$1,956,351.70	
	Total rate 365	21,430	\$13,809.71	
	S2K Total	3,255,670	\$1,970,161.41	
	Difference	0	\$0.00	
Corrections				
Merrill Lynch Commodities	5002330702001			
	Total Corrections	0	\$0.00	
	Unlocated Difference	0	\$0.00	

Rt. 365 21,430
361C
Short

G.S. OSS
3,234,240
Rt. 360 361C

December 2006

01/08/07		S. B. SO. ELEMENT NATURAL GAS CO. INC.										ZOSGASO1.C		PAGE	
		RATE CODE BY STATE AND RATE													
NUMBER	REVENUE	NUMBER	REVENUE	NUMBER	REVENUE	NUMBER	REVENUE	NUMBER	REVENUE	NUMBER	REVENUE	NUMBER	REVENUE	NUMBER	REVENUE
STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE	STATE
NC	101	270820	28,884,036	37,258,571.55	1,198,742.08	00	00	00	00	00	00	00	00	00	00
NC	102	48788	14,817,884	20,037,971.88	583,048.48	00	00	00	00	00	00	00	00	00	00
NC	103	80	1,783,885	1,918,318.63	45,586.21	00	00	00	00	00	00	00	00	00	00
NC	104	114	3,242,310	3,242,310.00	00	00	00	00	00	00	00	00	00	00	00
NC	105	114	3,242,310	3,242,310.00	00	00	00	00	00	00	00	00	00	00	00
NC	113	283	3,864,288	3,864,288.00	00	00	00	00	00	00	00	00	00	00	00
NC	114	433	25,532,987	2,233,175.52	488,111.99	00	00	00	00	00	00	00	00	00	00
NC	115	24	12,471,880	1,188,178.18	23,175.40	00	00	00	00	00	00	00	00	00	00
NC	121	310775	21,589,788	33,483,825.62	1,012,485.89	00	00	00	00	00	00	00	00	00	00
NC	122	183	1,051,305	1,051,305.00	00	00	00	00	00	00	00	00	00	00	00
NC	132	183	1,051,305	1,051,305.00	00	00	00	00	00	00	00	00	00	00	00
NC	143	109	1,292,180	1,292,180.00	00	00	00	00	00	00	00	00	00	00	00
NC	152	109	1,292,180	1,292,180.00	00	00	00	00	00	00	00	00	00	00	00
NC	180	73	22,295,835	18,857,854.43	32,444.81	00	00	00	00	00	00	00	00	00	00
NC	181	23	8,287,840	1,082,780.03	00	00	00	00	00	00	00	00	00	00	00
NC	182	418	3,772,280	1,810,821.18	33,185.84	00	00	00	00	00	00	00	00	00	00
NC	185	48	3,956,432	1,122,588.08	15,508.00	00	00	00	00	00	00	00	00	00	00
NC	187	20	827,025	733,824.82	00	00	00	00	00	00	00	00	00	00	00
NC	672	5	3,158,272	481,734.52	15,235.08	00	00	00	00	00	00	00	00	00	00
NC	674	3	211,895	55,875.85	3,882.83	00	00	00	00	00	00	00	00	00	00
NC	675	3	1,903,247	307,752.29	00	00	00	00	00	00	00	00	00	00	00
NC	680	1	155,578,287	140,514,563.88	4,240,824.37	00	00	00	00	00	00	00	00	00	00
SC	124	5	34,540	5,110.52	00	00	00	00	00	00	00	00	00	00	00
SC	181	6	101,483	89,581.71	00	00	00	00	00	00	00	00	00	00	00
SC	201	50645	8,703,467	2,230,562.38	00	00	00	00	00	00	00	00	00	00	00
SC	202	10128	2,515,832	1,150,350.57	180,833.00	00	00	00	00	00	00	00	00	00	00
SC	203	21	273,733	388,557.27	7,434.49	00	00	00	00	00	00	00	00	00	00
SC	204	24	775,735	814,287.00	13,681.88	00	00	00	00	00	00	00	00	00	00
SC	205	185	1,355,173	337,832.82	829.71	00	00	00	00	00	00	00	00	00	00
SC	213	185	1,355,173	337,832.82	829.71	00	00	00	00	00	00	00	00	00	00
SC	214	185	1,355,173	337,832.82	829.71	00	00	00	00	00	00	00	00	00	00
SC	215	185	1,355,173	337,832.82	829.71	00	00	00	00	00	00	00	00	00	00
SC	221	68548	5,412,773	3,123,448.38	00	00	00	00	00	00	00	00	00	00	00
SC	222	68548	5,412,773	3,123,448.38	00	00	00	00	00	00	00	00	00	00	00
SC	223	3862	2,230,438	3,307,440.15	148,272.88	00	00	00	00	00	00	00	00	00	00
SC	224	2	2,850	3,144.75	30.88	00	00	00	00	00	00	00	00	00	00
SC	225	23	240,935	386,386.54	14,239.08	00	00	00	00	00	00	00	00	00	00
SC	226	33	785,045	1,122,957.89	27,438.13	00	00	00	00	00	00	00	00	00	00
SC	227	3	122,957.89	122,957.89	00	00	00	00	00	00	00	00	00	00	00
SC	228	129818	23,728,118	26,381,230.48	408,045.51	00	00	00	00	00	00	00	00	00	00
TN	315	4	4,533.33	4,533.33	00	00	00	00	00	00	00	00	00	00	00
TN	316	8275	8,087,981	8,087,981.00	00	00	00	00	00	00	00	00	00	00	00
TN	317	8275	8,087,981	8,087,981.00	00	00	00	00	00	00	00	00	00	00	00
TN	318	8275	8,087,981	8,087,981.00	00	00	00	00	00	00	00	00	00	00	00
TN	319	8275	8,087,981	8,087,981.00	00	00	00	00	00	00	00	00	00	00	00
TN	320	8275	8,087,981	8,087,981.00	00	00	00	00	00	00	00	00	00	00	00
TN	321	12534	4,041,245	4,041,245.00	00	00	00	00	00	00	00	00	00	00	00
TN	322	40	728,223	870,703.49	27,278.78	00	00	00	00	00	00	00	00	00	00
TN	323	3880	2,403,118	2,774,183.18	182,568.21	00	00	00	00	00	00	00	00	00	00
TN	341	1	300.00	300.00	18.33	00	00	00	00	00	00	00	00	00	00

50074747-8000

01/09/07	915250 PLEMONT NATURAL GAS CO INC	ZC504011C	PAGE	3	
	RATE CREDIT STATE AND RATE				
NUMBER	REVENUE	STATE	CITY	EXCISE TAX	OTHER
RATE TRANS	7/0 TAX				
940134	224,891,868.22	187,207,990.43	5,182,210.89	1,769,624.45	1,001,135.08

#15

Total Rate 360/365 - April 2006

<u>Customer Name</u>	<u>Account Number</u>	<u>Volume</u>	<u>Dollars</u>
Atmos	9001188817001	5,259.3	37,743.89
Conocophillips	5001189182001	5,584.9	52,578.93
Merrill Lynch Commodities	5002330702001	400,413.0	2,798,441.10
Proliance Energy	2001246972001	3,722.0	35,040.69
South Star Energy	5001188807001	632.6	4,539.92

G.S. 025

Total	415,611.8	2,928,344.53
Total rate 360	393,040.0	2,736,926.69
Total rate 365	15,198.8	129,903.43
S2K Total	408,238.8	2,866,830.12

short

Difference	(7,373.0)	(61,514.41)
-------------------	------------------	--------------------

Corrections

Cook Inlet	1001399819001	(7,373.0)	(61,514.41)
Total Corrections	(7,373.0)	(61,514.41)	

Rate 360 adj.

Unlocated Difference	0.0	0.00
-----------------------------	------------	-------------

#6

Storage Activity

Storage Facility FSMA [TENN] Month 11 November Year 2006 Previous Month Ending Balance 2361597

Date	Beginning Balance	Injection	Withdrawal	Adjustment	Boil Off	Ending Balance
11/01/2006	2361597	0	2161	0	0	235943
11/02/2006	2359436	0	23025	0	0	233641
11/03/2006	2336411	0	16375	0	0	232003
11/04/2006	2320036	2375	0	0	0	232241
11/05/2006	2322411	23041	0	0	0	234545
11/06/2006	2345452	30838	0	0	0	237629
11/07/2006	2376290	701	0	0	0	237699
11/08/2006	2376991	18713	0	0	0	239570
11/09/2006	2395704	28136	0	0	0	242384
11/10/2006	2423840	33804	0	0	0	245764
11/11/2006	2457644	15115	0	0	0	247275
11/12/2006	2472759	0	2083	0	0	247067
11/13/2006	2470676	0	16148	0	0	245452
11/14/2006	2454528	11966	0	0	0	246649
11/15/2006	2466494	41904	0	0	0	250839
11/16/2006	2508398	5170	0	0	0	251356
11/17/2006	2513568	7543	0	0	0	252111
11/18/2006	2521111	19205	0	0	0	254031
11/19/2006	2540316	0	9465	0	0	253085
11/20/2006	2530851	0	26200	0	0	250465
11/21/2006	2504651	0	4406	0	0	250024
11/22/2006	2500245	0	2372	0	0	249787
11/23/2006	2497873	0	13772	0	0	248410
11/24/2006	2484101	0	321	0	0	248378
11/25/2006	2483780	15358	0	0	0	249913
11/26/2006	2499138	9792	0	0	0	250893
11/27/2006	2508930	6536	0	0	0	251546
11/28/2006	2515466	25947	0	0	0	254141
11/29/2006	2541413	38701	0	0	0	258011
11/30/2006	2580114	29848	0	0	0	260996
Total	2361597	364693	116328	0	0	260996

11/30/2006

Total Adjustments

0

0 (Total Inventory \$) / 2609962 = (Adj Ending Bal.) 0

(Avg. Gas Cost/DT)

Storage Activity

Storage Facility FSPA [TENN] Month 11 November Year 2006 Previous Month Ending Balance 532319

Date	Beginning Balance =	Injection =	Withdrawal =	Adjustment =	Boil Off =	Ending Balance =
11/01/2006	532319	0	0	0	0	53231
11/04/2006	532319	4414	0	0	0	53673
11/05/2006	536733	4414	0	0	0	54114
11/06/2006	541147	4414	0	0	0	54556
11/07/2006	545561	4414	0	0	0	54997
11/08/2006	549975	4414	0	0	0	55438
11/09/2006	554389	4414	0	0	0	55880
11/10/2006	558803	4414	0	0	0	56321
11/11/2006	563217	4414	0	0	0	56763
11/12/2006	567631	4414	0	0	0	57204
11/13/2006	572045	4414	0	0	0	57645
11/14/2006	576459	4414	0	0	0	58087
11/15/2006	580873	4414	0	0	0	58528
11/16/2006	585287	4414	0	0	0	58970
11/17/2006	589701	4414	0	0	0	59411
11/18/2006	594115	4414	0	0	0	59852
11/19/2006	598529	4414	0	0	0	60294
11/20/2006	602943	4414	0	0	0	60735
Total	532319	75038	0	0	0	60735

11/30/2006

Total Adjustments

= 0

0 (Total Inventory \$) / 607357

= (Adj Ending Bal.) 0

(Avg. Gas Cost/DT)

Storage Activity

Storage Facility FSMA [TENN] Month 12 December Year 2006 Previous Month Ending Balance **2609962**

Date	Beginning Balance	Injection =	Withdrawal =	Adjustment =	Boil Off =	Ending Balance
12/01/2006	2609962	0	32479	0	0	257748
12/02/2006	2577483	0	12909	0	0	256457
12/03/2006	2564574	0	44806	0	0	251976
12/04/2006	2519768	0	49229	0	0	247053
12/05/2006	2470539	0	21723	0	0	244881
12/06/2006	2448816	0	24358	0	0	242445
12/07/2006	2424458	0	44415	0	0	238004
12/08/2006	2380043	0	36125	0	0	234391
12/09/2006	2343918	0	32977	0	0	231094
12/10/2006	2310941	0	18568	0	0	229237
12/11/2006	2292373	31405	0	0	0	232377
12/12/2006	2323778	0	3379	0	0	232039
12/13/2006	2320399	0	4024	0	0	231637
12/14/2006	2316375	14709	0	0	0	233108
12/15/2006	2331084	0	3771	0	0	232731
12/16/2006	2327313	526	0	0	0	232783
12/17/2006	2327839	6047	0	0	0	233388
12/18/2006	2333886	4239	0	0	0	233812
12/19/2006	2338125	6768	0	0	0	234489
12/20/2006	2344893	0	346	0	0	234454
12/21/2006	2344547	2766	0	0	0	234731
12/22/2006	2347313	6994	0	0	0	235430
12/23/2006	2354307	0	458	0	0	235384
12/24/2006	2353849	18641	0	0	0	237249
12/25/2006	2372490	1566	0	0	0	237405
12/26/2006	2374056	0	30401	0	0	234365
12/27/2006	2343655	0	41908	0	0	230174
12/28/2006	2301747	0	19780	0	0	228196
12/29/2006	2281967	0	6702	0	0	227526
12/30/2006	2275265	8389	0	0	0	228365
12/31/2006	2283654	12299	0	0	0	229595
Total	2609962	114349	428358	0	0	229595

12/31/2006

Total Adjustments

0

0 (Total Inventory \$) / 2295953

= (Adj Ending Bal.) 0

(Avg. Gas Cost/DT)

Month
Oct-06

FUEL ADJUSTED VOLUMES 0.0083 0.0083 0.0083
0.0086 0.0086 0.0086
0.0053 0.0102 0.0102

Date	Delivered from Sig.		Delivered to Storage		TOTAL INJ / WITH		INJECTION / WITHDRAWAL FEES		Delivered from Sig. to Gate		Delivered from Sig. to Gate	
	TGPL - PA	TGPL - MA	TGPL - PA	TGPL - MA	TGPL - PA	TGPL - MA	TGPL - PA wd.	TGPL - MA wd.	TGPL - PA wd.	TGPL - MA wd.	wd.	inj.
10/1/2006					5,032							
10/2/2006					503							
10/3/2006					1,615							
10/4/2006					2,273							
10/5/2006					25,038							
10/6/2006					21,307							
10/7/2006					25,219							
10/8/2006					26,046							
10/9/2006					22,717							
10/10/2006					14,828							
10/11/2006					17,359							
10/12/2006					36,279							
10/13/2006					31,513							
10/14/2006					4,020							
10/15/2006					4,020							
10/16/2006					21,870							
10/17/2006					1,041							
10/18/2006					482							
10/19/2006					933							
10/20/2006					24,438							
10/21/2006					12,270							
10/22/2006					17,794							
10/23/2006					36,082							
10/24/2006					37,539							
10/25/2006					22,338							
10/26/2006					17,960							
10/27/2006					4,532							
10/28/2006					1,054							
10/29/2006					25,985							
10/30/2006					30,534							
10/31/2006					1,017							
TOTAL	24,266	24,266	24,266	24,266	524,754	524,754	\$128.61	\$2,420.76	2,931.74	\$5,481.11	2,931.74	2,373.70

Wd - commodity charges

4

19

TOTAL \$8,055.21

INVOICE

Fuel Adjusted (Net)

3

MERRILL LYNCH - AS PAID

Injection fee - MA

Wd fee - PA

Wd fee - MA

Storage Inventory Total Injection

less storage refill equals storage

Injection - ML

24,266

287,425

Gross

Storage

TX

39

19

7

(C)

Piedmont Natural Gas Company
ACA Audit-AP Invoices
FEBRUARY 28, 2006

ADM Investor
Hedging

295,380.00 18a2
Total Invoice \$ 295,380.00

AMERADA HESS

Demand
Commodity

\$ -
\$ 5,354,274.48 12a3
Total Invoice \$ 5,354,274.48

ADAMS

Demand
Commodity

\$ -
\$ 67,080.74 9a2
Total Invoice \$ 67,080.74

COLUMBIA GAS TRANSMISSION COMPANY (TCO)

Demand
Commodity

\$ 90,681.86 6a2 - C3
\$ 2,251.80 6a1
Total Invoice \$ 92,933.66

COLUMBIA GULF TRANSMISSION COMPANY (GULF)

Demand
Commodity

\$ 31,450.00 5a2
\$ 3,991.03 5a1
Total Invoice \$ 35,441.03

CORAL

Demand
Commodity

\$ -
\$ 6,716,698.26 7a4
Total Invoice \$ 6,716,698.26

DUKE ENERGY

Demand
Commodity

\$ -
\$ 388,515.68 17a2
Total Invoice \$ 388,515.68

EL PASO

Demand
Commodity

\$ (9,480.72) 1a2
\$ 102,241.32 1a1
Total Invoice \$ 92,760.60

FINA (Total Gas Power NA, INC)

Demand
Commodity

\$ -
\$ 5,063,174.27 8a2
Total Invoice \$ 5,063,174.27

HATTIESBURG

Demand
Commodity

\$ 52,600.00 2a1
\$ -
Total Invoice \$ 52,600.00

LOUIS DREYFUS

Demand
Commodity

\$ -
\$ 142,726.07 10a2
Total Invoice \$ 142,726.07

MERRILL LYNCH

Demand
Commodity

\$ 604,687.95 3a3
\$ 10,208.14 3a2
Total Invoice \$ 614,896.09

PPM

Demand
Commodity

\$ -
\$ 2,485,125.87 3a3
Total Invoice \$ 2,485,125.87

(C)

SEQUENT

Demand
Commodity

	\$	-	
	\$	107,695.07	11a3
Total Invoice	\$	107,695.07	

TENASKA

Demand
Commodity

	\$	-	
	\$	2,111,147.37	14a4
Total Invoice	\$	2,111,147.37	

TETCO (TEXAS EASTERN)

Demand
Commodity

	\$	133,879.46	4a2
	\$	(9,875.80)	4a1
Total Invoice	\$	124,003.66	

Transportation Billing (LONG)

Commodity

	\$	85,305.75	E2
Total Invoice	\$	85,305.75	

Total Demand per AP Invoices	\$	903,818.55
Total Commodity per AP Invoices	\$	22,925,940.05
TOTAL	\$	23,829,758.59

Misc Demand Adjustments

Col. Gas - reversal 1/06 Refund Excess Deferred - transferred to NC/SC -
JE# 41780 - AHB

4,237.03 3

Misc Commodity Adjustments

7/05 MA Swing accrual adjmnt. ACA '05 audit - 500 Leg

\$ (32,564.20) 2/a1

Total Demand Accrued	\$	908,055.58	1
Total Commodity Accrued	\$	22,893,375.85	
TOTAL	\$	23,801,431.42	2

(A)

C

Piedmont Natural Gas Company
ACA Audit-AP Invoices
MARCH 31, 2006

ADAMS

Demand
Commodity

	\$	-
	\$	41,383.79 1a2
Total Invoice	\$	41,383.79

COLUMBIA GAS TRANSMISSION COMPANY (TCO)

Demand
Commodity

	\$	57,674.86 2a5
	\$	1,654.10 2a6
Total Invoice	\$	59,328.96

COLUMBIA GULF TRANSMISSION COMPANY (GULF)

Demand
Commodity

	\$	31,450.00 3a2
	\$	1,316.00 3a4
Total Invoice	\$	32,766.00

CONSTELLATION

Demand
Commodity

	\$	65,100.80 4a3
Total Invoice	\$	65,100.80

CORAL

Demand
Commodity

	\$	2,271,091.16 5a3
Total Invoice	\$	2,271,091.16

EL PASO

Demand
Commodity

	\$	316,417.92 6a1
	\$	56,266.87 6a2
Total Invoice	\$	372,684.79

FINA (Total Gas Power NA, INC)

Demand
Commodity

	\$	425,518.81 7a1
Total Invoice	\$	425,518.81

HATTIESBURG

Demand
Commodity

	\$	52,600.00 8a1
Total Invoice	\$	52,600.00

LOUIS DREYFUS

Demand
Commodity

	\$	222,628.86 9a1
Total Invoice	\$	222,628.86

MERRILL LYNCH

Demand
Commodity

	\$	278,789.31 10a1
	\$	10,312.90 10a2
Total Invoice	\$	289,102.21

NOBLE

Demand
Commodity

	\$	-
	\$	7,040.00 11a1
Total Invoice	\$	7,040.00

PPM

Demand
Commodity

	\$	2,564,631.60 14a1
Total Invoice	\$	2,564,631.60

SEQUENTDemand
Commodity

	\$	519,102.63	12a1
Total Invoice	\$	519,102.63	

TENASKADemand
Commodity

	\$	1,345,306.34	13a1
Total Invoice	\$	1,345,306.34	

TETCO (TEXAS EASTERN)Demand
Commodity

	\$	132,850.77	15a2
	\$	(7,649.01)	15a1
Total Invoice	\$	125,201.76	

Transportation Billing (LONG)

Commodity

	\$	70,435.08	E1
Total Invoice	\$	70,435.08	

Total Demand per AP Invoices	\$	869,782.86
Total Commodity per AP Invoices	\$	7,594,139.93
TOTAL	\$	8,463,922.79

Misc Demand Adjustments**Misc Commodity Adjustments**

Merrill Lynch - commodity charges K# 3650-pd in April

\$ (3,846.27)

Total Demand Accrued	\$	869,782.86	1
Total Commodity Accrued	\$	7,590,293.66	-2
TOTAL	\$	8,460,076.52	

(C)

Piedmont Natural Gas Company
ACA Audit-AP Invoices
APRIL 30, 2006

ADM Investor
Hedging

156,640.00 1a1
Total Invoice \$ 156,640.00

COLUMBIA GAS TRANSMISSION COMPANY (TCO)
Demand
Commodity

\$ 391.00 2a1
\$ -
Total Invoice \$ 391.00

CORAL
Demand
Commodity

\$ -
\$ 2,216,559.45 3a1
Total Invoice \$ 2,216,559.45

EL PASO
Demand
Commodity

\$ (82,477.20) 4a2
\$ 55,710.59 4a1-
Total Invoice \$ (26,766.61) (C3+C4)

Demand
Commodity

\$ 52,600.00 5a1
\$ -
Total Invoice \$ 52,600.00

LOUIS DREYFUS
Demand
Commodity

\$ -
\$ 16,956.67 6a1
Total Invoice \$ 16,956.67

MERRILL LYNCH
Demand
Commodity

\$ 769,356.44 7a1
\$ 8,780,391.85 7a2
Total Invoice \$ 9,549,748.29

PPM
Demand
Commodity

\$ -
\$ 3,659.29 8a1
Total Invoice \$ 3,659.29

TETCO (TEXAS EASTERN)
Demand
Commodity

\$ 6,530.80 9a2
\$ (5,084.25) 9a1
Total Invoice \$ 1,446.55

Transportation Billing (LONG)
Commodity

\$ -
Total Invoice \$ -

(C)

Total Demand per AP Invoices	\$	746,401.04
Total Commodity per AP Invoices	\$	11,224,833.60
TOTAL	\$	11,971,234.64

Misc Demand Adjustments

A-K# 6815 - EP 12/05 Annual IS Credits -Pd in Dec 05 but not accrued in COG	\$	(27,743.04)
B-K# 60882 - EP 1/06 demand Cr- Cr taken on Jan Inv but not accrued in Jan COG	\$	(160,436.76)
C-FT - BH - #46715 - record EP 11/05,12/05, and 1/06 demand credits	\$	(412,542.00)
D-FT - A 60542-EP 11/05 demand-Billed and Pd in Nov but not accrued in COG	\$	77,176.40
E-Dmd Cr for 11/05-Billed in Nov, Pd in past due amt in Dec, but not accrued in COG	\$	(77,176.40)
F-FT-24706-EP 11/05 payment for Non-discounted Point Charge-Billed in Nov,Pd in past due amt in Dec but not accrued in COG	\$	67,513.00
G-FT - A 237 - credit El Paso 11/05 for difference is amt. due vs. paid-remove from demand (s/b commodity)	\$	(307.99)

Misc Commodity Adjustments

Merrill Lynch - commodity charges K# 3650-pd in April, accrued in March	\$	3,846.27
Merrill Lynch - TCO Storage FTS commodity -pd in April, accrued in May		(2,929.91)
I-Merrill Lynch - wd comm.chgs.reversed/credits applied above for swing on storage 11/05 - 2/06	\$	(73,930.23)
H-Merrill Lynch - 12/05 commodity on injections originally accrued to El Paso	\$	5,027.33
Credit Accrued above in April should have been in commodity (pd as commodity)	\$	307.99
Credit taken on EP bill in April but not accrued for in COG	\$	(9,663.40)

Total Demand Accrued	\$	212,884.25
Total Commodity Accrued	\$	11,147,491.65
TOTAL	\$	11,360,375.90

(C)

Piedmont Natural Gas Company
ACA Audit-AP Invoices
MAY 31, 2006

CORAL

Demand
Commodity

\$ -
\$ 1,689,428.09 1a1
Total Invoice \$ 1,689,428.09

EL PASO

Demand
Commodity

\$ (82,477.20) 2b1
\$ (3,385.86) 2d1
Total Invoice \$ (85,863.06)

HATTIESBURG

Demand
Commodity

\$ 52,600.00 3a1
\$ -
Total Invoice \$ 52,600.00

LOUIS DREYFUS

Demand
Commodity

\$ -
\$ 6,749.77 4a1
Total Invoice \$ 6,749.77

MERRILL LYNCH

Demand
Commodity

\$ 769,356.44 5a1
\$ 8,060,450.44 5a2 + C3
Total Invoice \$ 8,829,806.88

PPM

Demand
Commodity

\$ -
\$ 3,781.26 6a1
Total Invoice \$ 3,781.26

TETCO (TEXAS EASTERN)

Demand
Commodity

\$ 6,291.92 7a1
\$ (5,092.89) C4
Total Invoice \$ 1,199.03

Transportation Billing (LONG)

Commodity

\$ 99,446.07 E1
Total Invoice \$ 99,446.07

Total Demand per AP Invoices \$ 745,771.16
Total Commodity per AP Invoices \$ 9,851,376.88
TOTAL \$ 10,597,148.04

Misc Demand Adjustments

Misc Commodity Adjustments

Merrill Lynch - TCO Storage FTS commodity -pd in April, accrued in May
Tetco-Cashout for April, taken in May and credit accrued in June

2,929.91 3
5,092.89 4

Total Demand Accrued \$ 745,771.16 -2
Total Commodity Accrued \$ 9,859,399.68 -1
TOTAL \$ 10,605,170.84

(C)

Piedmont Natural Gas Company
ACA Audit-AP Invoices
JUNE 30, 2006

CORAL

Demand
Commodity

	\$	744,090.18	1a1
Total Invoice	\$	744,090.18	

EL PASO

Demand
Commodity

	\$	(82,477.20)	2a1
	\$	8,163.21	2c1
Total Invoice	\$	(74,313.99)	

HATTIESBURG

Demand
Commodity

	\$	52,600.00	3a1
Total Invoice	\$	52,600.00	

LOUIS DREYFUS

Demand
Commodity

	\$	6,972.80	4a1
Total Invoice	\$	6,972.80	

MERRILL LYNCH

Demand
Commodity

	\$	781,408.24	5a1
	\$	6,199,431.21	5a2
Total Invoice	\$	6,980,839.45	

PPM

Demand
Commodity

	\$	3,659.29	6a1
Total Invoice	\$	3,659.29	

TETCO (TEXAS EASTERN)

Demand
Commodity

	\$	5,945.35	7a2
	\$	720.37	7a1
Total Invoice	\$	6,665.72	

(C)

Transportation Billing (LONG)
Commodity

	\$	1,359.71	E1
Total Invoice	\$	1,359.71	

Total Demand per AP Invoices	\$	757,476.39
Total Commodity per AP Invoices	\$	6,964,396.77
TOTAL	\$	7,721,873.16

Misc Demand Adjustments

Tetco-\$140.70 was incorrectly categorized as demand. Moved to commodity.

140.70 7d1

Tetco-May billing difference-credit adj June Bill

\$ 12.74 7a3

Tetco-June bill overstated-credit adj June Bill

\$ 2.04 7a4

Misc Commodity Adjustments

Tetco-Cashout for April, taken in May and credit accrued in June

(5,092.89) 7g1

Tetco-\$140.70 was incorrectly categorized as demand. Moved to commodity.

(140.70) 7d1

Tetco-Adjustment to fix underaccrual (opposite sign used in COG) COG was not adjusted to correct this

(1,159.34) 7c2

Total Demand Accrued	\$	757,631.87	-1
Total Commodity Accrued	\$	6,958,003.84	2
TOTAL	\$	7,715,635.71	

FT - A 60884 - Demand/Reservation - payable to Merrill Lynch

Guarantee Fee - Payable to Merrill Lynch - overpayment to Piedmont for asset mgmt.

FT - BH - #48715 - Dem./Reserv. 81,900 dts & Assign.Cr. 55,900 dts - credit taken El Paso
FT - BH - #48715 Demand 5.672 TGP, \$.0224/30 days GCS payable to Merrill Lynch
Space/Delivery Charge - MA 8815 and PA 2400 - payable to Merrill Lynch

COL GAS - TCO - FSS DEMAND - #38017 - payable to Merrill Lynch
COL GAS - TCO - SST DEMAND (5,000 * \$5.7710) - payable to Merrill Lynch
COL GAS - TCO - FSSCP DEMAND - #38017 - payable to Merrill Lynch
Col. Gas - Storage Base Gas Sale - payable to Columbia Gas
Col. Gulf - FT51 #43482 and #78812 - payable to Merrill Lynch

TETCO - Demand 18,000 @ \$12.4708

TETCO - K# 880489

TETCO K# 810743 (\$5.0018)

HATTIESBURG Demand Chgs

YELLOW - 100 LEG volumes

GREEN - 800 LEG volumes

DEMAND SUBTOTAL

PINK - 800 LEG volumes

PURCHASES:

EL PASO - Imbalance Cash Out - 3650 LMSMA - revision May 2008 production

EL PASO - Swing on Storage - amount due pipeline - June 2008

El Paso - commodity charges K# 3850

MERRILL LYNCH - commodity charges - storage withdrawals

MERRILL LYNCH - commodity charges - baseload

Tetco - cashout for April '08 production billed in May 2008

Tetco - cashout for May '08 production - date when 608 invoice provided for info purposes

MERRILL LYNCH - commodity charges - swing

MERRILL - TN 800 Leg

MERRILL - TN 100 Leg - Pool

MERRILL - TN 800 Leg - Pool

MERRILL - TN 500

CORAL - 100 LEI

PPM - reservation

MERRILL - TN 10

BEAR CREEK INJ

BEAR CREEK INJ

BEAR CREEK INJ

ADM Investor

Merrill - Columbia

Merrill - Columbia

MERRILL - TN 500

HATTIES injection

HATTIES injection

HATTIES injection

BEAR CREEK INJ

BEAR CREEK INJ

BEAR CREEK INJ

MERRILL LYNCH

BEAR CREEK INJ

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DTS

AMOUNT

RATE

388,898.12 agrees to El Paso/rate summaries

0.00

12,851.80

0.00

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7c

- Supplier pd correctly
- NOT

Adjusted
in accrual

should be 579.67-70

- underaccrued by
x2 = \$1,159.34

2

(C)

Piedmont Natural Gas Company
ACA Audit-AP Invoices
July 31, 2006

CORAL

Demand
Commodity

\$ 1,892,117.85 ^{1a1}
Total Invoice \$ 1,892,117.85

EL PASO

Demand
Commodity

\$ (82,462.27) ^{2a1}
\$ 4,262.34 ^{2c1}
Total Invoice \$ (78,199.93)

HATTIESBURG

Demand
Commodity

\$ 52,600.00 ^{3b2}
Total Invoice \$ 52,600.00

LOUIS DREYFUS

Demand
Commodity

\$ 5,732.00 ^{4a1}
Total Invoice \$ 5,732.00

MERRILL LYNCH

Demand
Commodity

\$ 769,347.17 ^{5a1}
\$ 6,855,471.85 ^{5a2 + (C5)}
Total Invoice \$ 7,624,819.02

PPM

Demand
Commodity

\$ 3,781.26 ^{1a1}
Total Invoice \$ 3,781.26

TETCO (TEXAS EASTERN)

Demand
Commodity

\$ 6,099.53 ^{7a2, 7a3 + (C3) + (C4)}
\$ (2,732.42) ^{7b1}
Total Invoice \$ 3,367.11

Transportation Billing (LONG)

Commodity

\$ 7,347.83 ^{D1}
Total Invoice \$ 7,347.83

Total Demand per AP Invoices \$ 745,584.43
Total Commodity per AP Invoices \$ 8,765,980.71
TOTAL \$ 9,511,565.14

Misc Demand Adjustments

Tetco-June bill overstated-credit adj June Bill, accrued in July on demand
(not commodity)

(2.04) 3

Misc Commodity Adjustments

Overpayment to ML, Pd in July not accrued
M.Lynch 100 Leg Pool July 2006 SANMER04-06 ML Commodity Rpt.
Paid/not accrued in 7/06

(10.20) 4

(567.00) 5

Total Demand Accrued \$ 745,582.39 ¹
Total Commodity Accrued \$ 8,765,403.51 ^{-2 + (C4)}
TOTAL \$ 9,510,985.90

C

Piedmont Natural Gas Company
ACA Audit-AP Invoices
AUGUST 31, 2006

CORAL

Demand
Commodity

Total Invoice \$ 2,287,097.39 ^{1a1}
Total Invoice \$ 2,287,097.39

EL PASO

Demand
Commodity

\$ (82,462.27) ^{2e1}
\$ 3,563.67 ^{2a1}
Total Invoice \$ (78,898.60)

HATTIESBURG

Demand
Commodity

\$ 52,600.00 ^{3a1}
Total Invoice \$ 52,600.00

LOUIS DREYFUS

Demand
Commodity

\$ 6,787.36 ^{4a1}
Total Invoice \$ 6,787.36

MERRILL LYNCH

Demand
Commodity

\$ 769,347.17 ^{5a2}
\$ 6,018,541.94 ^{5a1}
Total Invoice \$ 6,787,889.11

PPM

Demand
Commodity

\$ 3,781.26 ^{6a1}
Total Invoice \$ 3,781.26

TETCO (TEXAS EASTERN)

Demand
Commodity

\$ 6,146.51 ^{7a2}
\$ (1,647.60) ^{7a1}
Total Invoice \$ 4,498.91

Transportation Billing (LONG)

Commodity

\$ 3,050.22 ^{E1}
Total Invoice \$ 3,050.22

Total Demand per AP Invoices \$ 745,631.41
Total Commodity per AP Invoices \$ 8,321,174.24
TOTAL \$ 9,066,805.65

Misc Demand Adjustments

Misc Commodity Adjustments

M.Lynch 100 Leg Pool July 2006 SANMER04-06 ML Commodity Rpt. Paid/not accrued \$ 567.00 ^{5r1}

Total Demand Accrued \$ 745,631.41 ⁻¹
Total Commodity Accrued \$ 8,321,741.24 ⁻²
TOTAL \$ 9,067,372.65

C

Piedmont Natural Gas Company
ACA Audit-AP Invoices
SEPTEMBER 30, 2006

CORAL

Demand
Commodity

\$ 2,109,659.25 1b1
Total Invoice \$ 2,109,659.25

EL PASO

Demand
Commodity

\$ (82,477.20) 2a1
\$ 2,142.70 2c1
Total Invoice \$ (80,334.50)

HATTIESBURG

Demand
Commodity

\$ 52,600.00 3a1
Total Invoice \$ 52,600.00

LOUIS DREYFUS

Demand
Commodity

\$ 4,805.72 4a1
Total Invoice \$ 4,805.72 4c1

MERRILL LYNCH

Demand
Commodity

\$ 769,358.40 5a1
\$ 6,534,290.08 5a3
Total Invoice \$ 7,303,648.48

PPM

Demand
Commodity

\$ 3,659.29 6a1
Total Invoice \$ 3,659.29

TETCO (TEXAS EASTERN)

Demand
Commodity

\$ 6,165.16 7a2
\$ (563.24) 7a1
Total Invoice \$ 5,601.92

Transportation Billing (LONG)

Commodity

\$ -
Total Invoice \$ -

Total Demand per AP Invoices \$ 745,646.36
Total Commodity per AP Invoices \$ 8,653,993.80
TOTAL \$ 9,399,640.16

Misc Demand Adjustments

COL.GAS - RP95-408 Article V CR - ACA '05 Item 13 audit adjmnt.- Finding #5 under-rec

1,837.60 8a1

Misc Commodity Adjustments

Total Demand Accrued \$ 747,483.96 - 1
Total Commodity Accrued \$ 8,653,993.80 - 2
TOTAL \$ 9,401,477.76

C

Piedmont Natural Gas Company
ACA Audit-AP Invoices
OCTOBER 31, 2006

CORAL

Demand
Commodity

	\$	1,313,009.81	2a1
Total Invoice	\$	1,313,009.81	

EL PASO

Demand
Commodity

	\$	(82,477.20)	3a1
	\$	(251,512.98)	3c1
Total Invoice	\$	(333,990.18)	

HATTIESBURG

Demand
Commodity

	\$	52,600.00	4a1
Total Invoice	\$	52,600.00	

LOUIS DREYFUS

Demand
Commodity

	\$	8,414.00	5a1
Total Invoice	\$	8,414.00	

MERRILL LYNCH

Demand
Commodity

	\$	798,201.97	1a2
	\$	7,299,783.03	1a3
Total Invoice	\$	8,097,985.00	

PPM

Demand
Commodity

	\$	3,781.26	7a1
Total Invoice	\$	3,781.26	

TETCO (TEXAS EASTERN)

Demand
Commodity

	\$	6,791.63	6a1
	\$	-	
Total Invoice	\$	6,791.63	

Transportation Billing (LONG)

Commodity

	\$	16,117.94	E1a
Total Invoice	\$	16,117.94	

Total Demand per AP Invoices	\$	775,116.40
Total Commodity per AP Invoices	\$	8,389,593.06
TOTAL	\$	9,164,709.46

Misc Demand Adjustments**Misc Commodity Adjustments**

ADM Investor - AP accrual for April and June 2006 payments

235,160.00 -c2d

CORAL - AP accrual for 2006 winter period

3,194,812.86 -C2c

EL PASO - AP accrual for 2006 winter period

397,577.38 -C2b

MERRILL LYNCH - AP accrual for 2006 winter period

(1,760,176.03) -C2a

Total Demand Accrued	\$	775,116.40	/ a
Total Commodity Accrued	\$	10,456,967.27	- b
TOTAL	\$	11,232,083.67	

(C)

Piedmont Natural Gas Company
ACA Audit-AP Invoices
NOVEMBER 30, 2006

ADM Investor
Hedging

68,200.00 1a1
Total Invoice \$ 68,200.00

ANADARKO
Demand
Commodity

\$ 535,645.16 2a1
Total Invoice \$ 535,645.16

BP CANADA
Demand
Commodity

\$ 1,764,745.71 3a1
Total Invoice \$ 1,764,745.71

CORAL
Demand
Commodity

\$ 7,636,557.56 4a1
Total Invoice \$ 7,636,557.56

EL PASO
Demand
Commodity

\$ 316,420.35 5a2
\$ 111,832.75 5a1
Total Invoice \$ 428,253.10

FINA (Total Gas Power NA, INC)
Demand
Commodity

\$ 3,271,135.59 6a1
Total Invoice \$ 3,271,135.59

HATTIESBURG
Demand
Commodity

\$ 52,600.00 7a1
Total Invoice \$ 52,600.00

LOUIS DREYFUS
Demand
Commodity

\$ 37,254.95 8a1
Total Invoice \$ 37,254.95

MERRILL LYNCH
Demand
Commodity

\$ 50,371.00 9a1
Total Invoice \$ 50,371.00

OXY
Demand
Commodity

\$ 775,020.14 10a1
Total Invoice \$ 775,020.14

PPM
Demand
Commodity

\$ 2,311,598.71 11a1
Total Invoice \$ 2,311,598.71

SEQUENT
Demand
Commodity

\$ 9,006.00 12a1
Total Invoice \$ 9,006.00

TETCO (TEXAS EASTERN)

Demand	\$	132,921.62	13b1
Commodity			

Total Invoice	\$	132,921.62
---------------	----	------------

Transportation Billing (LONG)

Commodity	\$	24,811.92	E1a
-----------	----	-----------	-----

Total Invoice	\$	24,811.92
---------------	----	-----------

Misc Adjustments

Total Demand per AP Invoices	\$	552,312.97
Total Commodity per AP Invoices	\$	16,545,808.49
TOTAL	\$	17,098,121.46

Misc Demand Adjustments**Misc Commodity Adjustments**

ML- commodity/injection/withdrawal charges-Gulf-Adj Accrued in Nov,Pd Subsequent to 12/06	\$	2,150.69	9e1
----------------------------------------------------------------------------------------------	----	----------	-----

Total Demand Accrued	\$	552,312.97	-1
Total Commodity Accrued	\$	16,547,959.18	
TOTAL	\$	17,100,272.15	2

(C)

Piedmont Natural Gas Company
ACA Audit-AP Invoices
DECEMBER 31, 2006

ANADARKO

Demand
Commodity

\$ 1,260,531.20
Total Invoice \$ 1,260,531.20 1a1

ATMOS

Demand
Commodity

\$ 965,778.93
Total Invoice \$ 965,778.93 2a1

BP CANADA

Demand
Commodity

\$ 1,140,066.48
Total Invoice \$ 1,140,066.48 3a1

COLUMBIA GULF TRANSMISSION COMPANY (GULF)

Demand
Commodity

\$ 62,898.50
\$ 4,980.01
Total Invoice \$ 67,878.51 4a1
4a2

CORAL

Demand
Commodity

\$ 6,518,976.13
Total Invoice \$ 6,518,976.13 5a1

EL PASO

Demand
Commodity

\$ 217,173.02
\$ 127,578.93
Total Invoice \$ 344,751.95 6a2
6a1

FINA (Total Gas Power NA, INC)

Demand
Commodity

\$ 3,435,761.93
Total Invoice \$ 3,435,761.93 7a1

HATTIESBURG

Demand
Commodity

\$ 52,600.00
Total Invoice \$ 52,600.00 8a1

LOUIS DREYFUS

Demand
Commodity

\$ 56,094.18
Total Invoice \$ 56,094.18 9a1

MERRILL LYNCH

Demand
Commodity

\$ 50,372.00
\$ 5,817.14
Total Invoice \$ 56,189.14 10a1
10e1

OXY

Demand
Commodity

\$ 880,080.92
Total Invoice \$ 880,080.92 11a1

PPM

Demand
Commodity

\$ 2,857,649.92
Total Invoice \$ 2,857,649.92 12a1

(C)

TETCO (TEXAS EASTERN)

Demand

\$ 133,580.36 13a 1

Commodity

\$ (7,699.58) 13a 2

Total Invoice \$ 125,880.78

Transportation Billing (LONG)

Commodity

\$ -

Total Invoice \$ -

Misc Adjustments

Total Demand per AP Invoices \$ 516,623.88

Total Commodity per AP Invoices \$ 17,245,616.19

TOTAL \$ 17,762,240.07

Misc Demand Adjustments

Misc Commodity Adjustments

TETCO - Prior Adjustment for 9/06 Cashout (301.14)-Taken in January 07

\$ (301.14) 13g 1

Total Demand Accrued \$ 516,623.88 1

Total Commodity Accrued \$ 17,245,315.05 2

TOTAL \$ 17,761,938.93

Docket No. 07-00174 – Staff Data Request (February 28, 2008) and Company Responses

1. With respect to **Commodity miscellaneous adjustment #2**, please see Company's response to Staff question #2i in the last ACA audit (Docket 06-00087). I have attached a copy for your convenience.

We have reviewed the original entry for Coral 500 Leg injections to Market Area in November 2005 and the subsequent adjustment made in December 2005. According to the data response by the Company, the \$1,419,902.38 invoice charges that were accrued for Coral in November 2005 proved to be the actual charges. Of the \$6,949,154.22 charges identified as Market Area injections on the November Cost of Gas Schedule (which included the \$1,419,902.38 Coral invoice), \$6,473,909.16 was shown on the Inventory schedule and credited back to the ACA.

The difference of \$475,245.06 should have been credited to the ACA in November per the Company's response, since the accrual was correct. However, an adjustment was made in December to the Inventory schedule for this amount and was appropriately credited to the ACA account in December.

We are of the opinion that no further adjustment is needed for the Coral 500 Leg for November 2005 injections. Therefore, a reversal of the December adjustment in January 2006 is an error and results in a **finding of \$475,245.06 over-recovery**. Please confirm your agreement or provide detailed explanation why the Company's response to Staff data request referenced above is wrong.

2. With respect to **Commodity miscellaneous adjustments #8 and #9** in June 2006, please provide a detailed explanation for these adjustments. Your explanation should include at a minimum the reason for the adjustments, and show a detailed calculation of each amount. If volumes have changed from the reporting in the last audit, provide documentation (i.e. revised invoice(s) showing the correct withdrawal amounts and withdrawal charges). If the rate has changed from what was reported in the last audit, explain and provide a "final corrected" inventory schedule for the Market Area.
3. **Commodity miscellaneous adjustment #13** appears to be a Banked Gas off-setting entry of \$984,484.16 for July 2006. Where is the Banked Gas entry for June 2006? We note in the filing for the two lines labeled "Banked Gas – Current Mth." and "Banked Gas – Prior Mth.," there is no entry for current month in June and no entry for prior month in July. The way the Banked Gas entries work is that the two should net out to zero.

Since we see no corresponding credit for **\$984,484.16** for June 2006, this appears to be a **finding of an over-recovery** in this amount. Please confirm your agreement or state why you disagree. For reporting purposes, this type of adjustment should not be made as a miscellaneous adjustment. The "actuals" should be shown on the Banked Gas lines labeled for this purpose.

Nashville Gas Company
Docket No. 07-00174
Staff Data Request
February 28, 2008

4. With respect to **Commodity miscellaneous adjustment #16**, please provide a copy of the South Caroling ADM invoice and documentation supporting the statement that this premium was charged to South Carolina in error. Staff receives copies of ADM statements for Tennessee on a daily basis and the monthly statement for October 2006 shows "zero" premium due.
5. With respect to **Demand miscellaneous adjustment #23 and #25**, please explain why the \$699,266.05 credit issued from Tennessee Gas Pipeline in November 2006 was reversed in December 2006 resulting in a zero net effect to ratepayers. Provide the invoice(s) or revised invoice(s) that support the credit and the reversal.

Nashville Gas Company
Docket No. 07-00174
Staff Data Request
February 28, 2008

1. With respect to **Commodity miscellaneous adjustment #2**, please see Company's response to Staff question #2i in the last ACA audit (Docket 06-00087). I have attached a copy for your convenience.

We have reviewed the original entry for Coral 500 Leg injections to Market Area in November 2005 and the subsequent adjustment made in December 2005. According to the data response by the Company, the \$1,419,902.38 invoice charges that were accrued for Coral in November 2005 proved to be the actual charges. Of the \$6,949,154.22 charges identified as Market Area injections on the November Cost of Gas Schedule (which included the \$1,419,902.38 Coral invoice), \$6,473,909.16 was shown on the Inventory schedule and credited back to the ACA.

The difference of \$475,245.06 should have been credited to the ACA in November per the Company's response, since the accrual was correct. However, an adjustment was made in December to the Inventory schedule for this amount and was appropriately credited to the ACA account in December.

We are of the opinion that no further adjustment is needed for the Coral 500 Leg for November 2005 injections. Therefore, a reversal of the December adjustment in January 2006 is an error and results in a **finding of \$475,245.06 over-recovery**. Please confirm your agreement or provide detailed explanation why the Company's response to Staff data request referenced above is wrong.

Inventory flow:

November 2005 Estimate booked \$6,473,909.16 for MA injections (this was correct).
November 2005 Actual increased the MA injections by \$475,245.06 (this was incorrect).
December 2005 Actual decreased the MA injections by \$475,245.06 to correct for the incorrect adjustment in November 2005 Actual.

JE17-A flow:

November 2005 Est booked the correct \$6,473,909.16 for MA injections.
November 2005 Act incorrectly booked an increase to the MA injections of \$475,245.06.

As this increase was made in the November 2005 Actual, it appears on the ACA schedule as an adjustment in the December 2005 column (all adjustments between the estimate and the actual appear in the next month's column).

December 2005 Actual corrected this by decreasing the MA injections by \$475,245.06.

The correction was made in the December Actual and it would have shown up on the ACA schedule as an adjustment from the estimate to the actual in January's column. Even though

Nashville Gas Company
Docket No. 07-00174
Staff Data Request
February 28, 2008

we changed our reporting to reflect only the actual values, this adjustment needed to be added to the January column to accurately reflect the ACA balance at January 1, 2006. Therefore, the Company does not believe that there is an over-recovery of \$475,245.06.

2. With respect to **Commodity miscellaneous adjustments #8 and #9** in June 2006, please provide a detailed explanation for these adjustments. Your explanation should include at a minimum the reason for the adjustments, and show a detailed calculation of each amount. If volumes have changed from the reporting in the last audit, provide documentation (i.e. revised invoice(s) showing the correct withdrawal amounts and withdrawal charges). If the rate has changed from what was reported in the last audit, explain and provide a "final corrected" inventory schedule for the Market Area.

Per the email received by the Gas Accounting department from Sarah Stabley of Gas Supply, the adjustments were system supply updates related to meter reads, fuels and 3rd party gas on gas withdrawn from the FSMA facility. Annually Gas Supply reaches an agreement with the asset manager of the storage facility (Merrill Lynch) as to the correct storage balances (see attachment). From these agreed-upon balances, adjustments are made to GCS and the TN Storage Schedule to accurately reflect the correct amount in the storage facility. Gas Supply provided a schedule of the adjustments to be made to FSMA for the months of April 2005 through March 2006. These adjustments were calculated by comparing the monthly GCS balance with the agreed-upon balances (see attachment). The following adjustments were made in the May 2006 Actual JE17a:

April-October 05 101,516 dts @ October 05 average rate of \$9.5200 = \$966,432.32

Nov 05-March 06 52,134 dts @ March 06 average rate of \$9.8706 = \$514,593.86

These adjustments were recorded on the ACA GL Schedule as adjustments in June (Note: While our schedule should have been changed to reflect actual balances thereby including the adjustments in the May column for MA & PA withdrawals, the ACA interest is the same as both months accrued interest at the rate of 7.30%).

However, the April through October 2005 adjustments calculated by Gas Supply had already been incorporated into the TN Storage schedule and thereby in the cost of gas. By making the additional adjustment for 101,516 dts in May, the ACA GL schedule and the ACA account, are overstated by \$966,432.32 (as well as the interest).

3. **Commodity miscellaneous adjustment #13** appears to be a Banked Gas off-setting entry of \$984,484.16 for July 2006. Where is the Banked Gas entry for June 2006? We note in the filing for the two lines labeled "Banked Gas – Current Mth." and "Banked Gas – Prior Mth.," there is no entry for current month in June and no entry for prior month in July. The way the Banked Gas entries work is that the two should net out to zero.

Nashville Gas Company
Docket No. 07-00174
Staff Data Request
February 28, 2008

Since we see no corresponding credit for **\$984,484.16** for June 2006, this appears to be a **finding of an over-recovery** in this amount. Please confirm your agreement or state why you disagree. For reporting purposes, this type of adjustment should not be made as a miscellaneous adjustment. The "actuals" should be shown on the Banked Gas lines labeled for this purpose.

All monthly data was previously provided as an estimate with an adjustment in the following month for any estimate to actual differences. The June CM Banked Gas Estimate entry amount was \$984,484.16. The June CM Banked Gas on the ACA GL Schedule currently shows the Actual entry amount of \$0.00. The estimate to actual difference of \$984,484.16 in July should have been removed from the ACA GL schedule when the file was changed to reflect only the Actual entries. The ACA Account 18650 is correct. Interest on the ACA GL schedule is now overstated as the ACA GL Schedule was overstated (however, as our GL is based on the prior ACA GL Schedule which showed the estimate in the June 2006 column with the estimate to actual adjustment in the July 2006 column, the interest in the GL account is not overstated).

4. With respect to **Commodity miscellaneous adjustment #16**, please provide a copy of the South Caroling ADM invoice and documentation supporting the statement that this premium was charged to South Carolina in error. Staff receives copies of ADM statements for Tennessee on a daily basis and the monthly statement for October 2006 shows "zero" premium due.

Please see support provided for the 3.5.08 data request question #3.

5. With respect to **Demand miscellaneous adjustment #23 and #25**, please explain why the \$699,266.05 credit issued from Tennessee Gas Pipeline in November 2006 was reversed in December 2006 resulting in a zero net effect to ratepayers. Provide the invoice(s) or revised invoice(s) that support the credit and the reversal.

The \$699,266.65 credit issued from Tennessee Gas Pipeline in November 2006 was reversed in December 2006 on the ACA GL Schedule resulting in a net zero effect to the ratepayers in error.

The credit to the 18650 account was input into the November 2006 Estimate JE-17a, was reversed out and not included in the November 2006 Actual as it should have been. When the credit was received it was appropriately credited to the 80400 account by cash management. Had the entry been included in the November 2006 Actual the 80400 account would have been debited and the 18650 account would have been credited. The \$699,266.65 credit (in November) on the ACA GL schedule reflects the appropriate ACA balance and the correct interest was booked. The corresponding debit on the December ACA GL schedule appropriately reflected the estimate to actual difference. However, as the entry should have been made in the November actual, the ACA account is overstated and needs to be credited through a journal entry to correct the ACA GL balance and the

Nashville Gas Company

Docket No. 07-00174

Staff Data Request

February 28, 2008

debit in December should be removed to correct the interest calculation on the ACA GL schedule.

MA & PA Adj Schedule

	MA Adj	PA Adj
Apr 05		
May 05	2	
Jun 05	(2)	
Jul 05	(95,039)	
Aug 05	35,978	
Sep 05	(11,137)	
101316 <u>Oct 05</u>	(31,318)	
* Nov 05	(52,064)	
Dec 05	(6,992)	
Jan 06	(1,140)	
Feb 06	5,976	
<u>Mar 06</u>	2,086	

positive # = inj and neg # = wd

Scott
+ Sarah
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NASHVILLE GAS COMPANY
BEAR CREEK STORAGE - ACCT. 151.50
MARKET AREA 1,8815
GAS INJECTION STORAGE IN STORAGE

DATE	DT	FUEL RATE	NET INJECTIONS (COG schedule)	INJECTION RATE	NET INJECTIONS	NET INJECTION	INJECTED	INJECTION CHARGE	GROSS WOS	WOT	WITHDRAWN	WITHDRAWAL CHARGE	DT	BALANCE	RATE
1005 ACTUAL - 1031 in di adjustment	1105														
1205 - 1105 ACT adj. "net" dis & in chg per GS	1205														
1205 - 1105 Actual - accrual adj. - Coral 500 Leg	1205														
1005 - 1205 ACTUAL - accrual adj. Coral 500 Leg	1005														
2005															
4005 - summer refill	4005														
5005 - summer refill	5005														
5005 Actual - GCS wtd adj. 4005 - 1005 per G. Supply	5005														
5005 Actual - GCS wtd adj. 1105 - 3005 per G. Supply	5005														
6005 - GCS adjunt. - TGP reimburse fuel overchg	6005														
7005 - summer refill	7005														
8005 - summer refill	8005														
9005 - summer refill	9005														
10005 - summer refill	10005														
11005															
12005															

ACA FILING

MA Withdrawals

	TN Storage Sch	Nashville Storage Levels per Merrill Lynch Schedule	Difference
Apr-05	316,988	316,988	-
May-05	51,719	51,719	-
Jun-05	132,930	132,930	-
Jul-05	68,998	68,998	-
Aug-05	168,654	168,654	-
Sep-05	108,120	108,120	-
Oct-05	228,859	228,859	-
Nov-05	197,450	220,644	(23,194)
Dec-05	739,093	746,085	(6,992)
Jan-06	512,951	514,091	(1,140)
Feb-06	572,349	572,440	(91)
Mar-06	684,127	682,041	2,086

MA Injections

	TN Storage Sch	Nashville Storage Levels per Merrill Lynch Schedule	Difference
Apr-05	184,677	184,675	(2)
May-05	253,074	253,072	(2)
Jun-05	54,765	54,767	2
Jul-05	104,559	104,559	-
Aug-05	53,963	53,961	(2)
Sep-05	20,207	20,207	-
Oct-05	333,678	333,738	60
Nov-05	534,121	505,251	(28,870)
Dec-05	83,939	83,939	-
Jan-06	193,476	193,476	-
Feb-06	67,768	73,835	6,067
Mar-06	60,723	60,723	-

Total Difference

Apr-05	(2)	0
May-05	(2)	2.0000
Jun-05	2	(2.0000)
Jul-05	-	(95,039.0000)
Aug-05	(2)	35,978.0000
Sep-05	-	(11,137.0000)
Oct-05	60	(31,318.0000)
		(101,516.0000)
Nov-05	(52,064)	
Dec-05	(6,992)	
Jan-06	(1,140)	
Feb-06	5,976	
Mar-06	2,086	
	(52,134)	

Docket No. 07-00174 – Staff Data Request (March 5, 2008)

**2006 ACA Audit
TRA Data Request Responses**

"Pat Murphy"
<Pat.Murphy@state.tn.us>

03/05/2008 04:00 PM

Kelly,

Please respond to the following ACA data requests as soon as possible, but no later than March 10.

1 - Regarding your Transportation Long schedules, we note that you treat the amount paid by the Company to the customers for their excess gas as a gas purchase. However, on a separate line (Cash-out Received through Billing) you reverse the amount resulting in a net cost of zero. We believe the amount should not be reversed, since it is a true cost of the Company. Please state whether you agree. If not, please explain fully the reason for the reversal.

The Company agrees with the Staff.

2 - The Incentive Plan Filing shows an asset management payment for the 2006-2007 winter as \$2,550,000, paid in installments of \$318,750 from November 2006 through June 2007. Staff does not see that the Company credited \$318,750 in November and December of the current ACA audit period. Please explain.

Upon review of the November and December 2006 ACA packages sent to the TRA, we note that the \$318,750 credits were applied to the Merrill Lynch bills in both months. The credits well as the supporting asset management payment schedules are shown on the Merrill Lynch bills found on pages 9c and 9d in November and pages 10b and 10d in December.

3 - Please review the attached schedule and reconcile the amounts reported in the ACA for hedging costs with the monthly ADM statement amounts. Provide documentation supporting the differences.

See table below and attached invoices/payments. The Company notes that these invoices were all paid but as shown below several were not included in the COG and not in the ACA account. The Company finds that the ACA account is understated by \$400,628.

ADM Investor (Hedging)

	DSTA Monthly Stmt.	ACA Audit AP Invoices	Company Notes
Jan-06	300,960.00	300,960.00	
Feb-06	295,380.00	295,380.00	
Mar-06	140,880.00	-	Paid but not recorded in COG/ACA.
Apr-06	157,240.00	156,640.00	
May-06	94,280.00	-	Paid but not recorded in COG/ACA.
Jun-06	-	-	
Jul-06	-	-	
Aug-06	-	-	
Sep-06	66,600.00	-	Paid but included in ACA under incorrect category (LNG Power Costs).
Oct-06	-	-	
Nov-06	233,668.00	68,200.00	Paid \$68,200 in November and \$165,468 in December but only recorded the \$68,200 in November.
Dec-06	-	-	
	1,289,008.00	821,180.00	

Apr-06	(600.00)	A/	
	1,288,408.00	821,180.00	467,228.00
			<u>(66,600.00)</u>
			400,628.00

A/ Trade Error-FC (1b in April)

18650SEPT06

Account	Journal ID	Voucher	Invoice	Vendor	Name	Sum		Acctg Date	District
						Amount			
18650	APACCR4602	00823131	00528920327941AG06	0000146761	NASHVILLE ELECTRIC SERVICE	21,470.60		2006-09-14	00
18650	APACCR4602	00826825	WIRE092906	0000940017	ADM INVESTOR SERVICES, INC.	66,600.00		2006-09-29	17
						88,070.60			

Microsoft Excel - 2003-07-18 11:45:00 AM to 07-18-2003 11:45:00 AM

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SAS A B C D E F G H I J K L M N O P Q R S T U V W X Y

1 | PIEMONT NATURAL GAS COMPANY, INC.

2 | NASHVILLE GAS COMPANY DIVISION

3 | ANALYSIS - ACCOUNT 186.50

4 | ACA - NASHVILLE

5 |

6 | COMMODITY

7 | DR1CPI

8 | AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

9 | 2006 2006 2006 2006 2006

10 | LNG WITHDRAWALS 83,440.81 70,757.80 68,827.16 82,142.47 154,380.6

11 | CNG INJECTIONS 0.00 0.00 0.00 0.00 0.0

12 | CNG WITHDRAWALS 0.00 0.00 0.00 0.00 0.0

13 |

14 | MARGIN ON OFF SYSTEM SALES (13,308.27) 0.00 0.00 (1,121.45) 0.0

15 | NEGOTIATED LOSS ACTIVITY 0.00 0.00 0.00 0.00 0.0

16 | NEGOTIATED GAIN ACTIVITY 0.00 0.00 0.00 0.00 0.0

17 | LNG POWER COSTS 171,859.82 68,070.60 21,959.89 20,839.81 21,739.6

18 | MISCELLANEOUS ADJUSTMENTS:

19 | Refer to Miscellaneous Adjustments Worksheet (3,527.69)*#15 68,400.00*#16 (23,334.00)*#18 (58,602.6

20 | 19,061.87*#17 80.85*#19

21 |

22 | (584,940.82) (388,981.28) 80,871.15 684,688.04 2,708,088.6

23 | INTEREST EXPENSE (5,548.82) (3,087.51) (1,085.53) 2,589.74 11,558.4

24 | ENDING BALANCE-COMMODITY (570,487.24) (393,078.79) 78,005.62 687,287.78 2,719,646.6

25 |

26 | INTEREST EXPENSE CALCULATED (5,548.82) (3,087.51) (1,085.53) 2,589.74 11,558.4

27 |

28 | INTEREST RATE (ANN) IN PERCENT 7.14% 7.14% 8.17% 8.17% 8.17%

29 | Commodity Demand Misc Adjustments 01-05 CHODOMO 02-05 CHODOMO 03-12

Ready

FILE EDIT VIEW INSERT FORMAT TOOLS DATA WINDOW HELP MICROSOFT EXCEL 2003

ADM030708

Account	Voucher	Invoice	Vendor	Name	Sum Amount	Acctg Date	District	Check #
80400	00766181	WIRE020106	0000940017	ADM INVESTOR SERVICES, INC.	300,960.00	2006-02-03	17	0001511
80400	00772992	WIRE022806-1	0000940017	ADM INVESTOR SERVICES, INC.	295,380.00	2006-02-28	17	0001583
80400	00782034	WIRE040306	0000940017	ADM INVESTOR SERVICES, INC.	140,880.00	2006-04-03	17	0001745
80400	00789001	WIRE050106	0000940017	ADM INVESTOR SERVICES, INC.	156,640.00	2006-05-01	17	0001851
80400	00797500	WIRE060206	0000940017	ADM INVESTOR SERVICES, INC.	94,280.00	2006-06-02	17	0001948
18650	00826825	WIRE092906	0000940017	ADM INVESTOR SERVICES, INC.	66,600.00	2006-09-29	17	0002386
80400	00835697	WIRE110206	0000940017	ADM INVESTOR SERVICES, INC.	68,200.00	2006-11-02	17	0002480
80400	00841805	WIRE120106	0000940017	ADM INVESTOR SERVICES, INC.	165,468.00	2006-12-01	17	0002577
					1,288,408.00			

↓ ↓ ↓ ↓

PIEDMONT NATURAL GAS COMPANY
P. O. Box 33068
Charlotte, NC 28233-3068

Wire Report Remittance Advice

Date	Payment Amount	Reference
04/07/2006	\$140,880.00	0001745

Account

ADM INVESTOR SERVICES, INC.
141 W. JACKSON BLVD. SUITE 1600A
CHICAGO BOARD OF TRADE BLDG
CHICAGO, IL 60604-3190

* NON-NEGOTIABLE *

Payment Date: 04/07/2006

Vendor Number 0000940017

Reference: 0001745

Invoice Number	Invoice Date	Voucher ID	Gross Amount	Discounts Taken	Late Charges	Paid Amount
WIRE040306	03/31/2006	00782034	140,880.00	0.00	0.00	140,880.00

Vendor Number	Name	Bank Charge	Transfer Cost Cd		
0000940017	ADM INVESTOR SERVICES, INC.	\$0.00			
Reference	Date	Total Gross Amt	Total Discounts	Total Late Charges	Total Paid Amt
0001745	04/07/2006	\$140,880.00	\$0.00	\$0.00	\$140,880.00

<< Prev

Transfer 8 of 8

DOMESTIC WIRE TRANSFER DETAIL

Initiated By: CR158528 On Apr 3 2006 At 1:38:10 PM
Last Modified By: CR266843 On Apr 3 2006 At 2:02:09 PM
Status: Completed
Approved By: CR266843 On Apr 3 2006 At 2:02:09 PM
Processed: On Apr 3 2006 At 2:04:14 PM
Template Name:
Transaction ID: 20006527
Entry Method: User Entry
MTS Advice #: 060403054530

Amount: \$ 140,880.00
Value Date: 04/03/2006
Debit Account: WBNC 2018621259479

Receiving Financial Institution

ABA #: 071000288
Name: HARRIS N.A.
City/State/Zip: CHICAGO, IL

Beneficiary

Account #: 4230538
Account Name: ADM Investor Services
Address Line 1: Customer Segregated Funds Account
Address Line 2:
Address Line 3:
Reference:

Originator to Beneficiary Information

Orig/Ben Info: Credit to Piedmont Natural Gas account # FX 2062

Beneficiary Financial Institution

Account Name:
Address Line 1:

<< Prev

Transfer 8 of 8

© Wachovia Corporation, 2004

T # 040201

WIRE

ADM INVESTOR SERVICES, INC.
Chicago Board of Trade Building
141 W. Jackson Blvd. Suite 1600A
Chicago, IL 60604-3190

DAILY COMMODITY STATEMENT

PAGE 2

april 7

STATEMENT DATE: MAR 31, 2006
ACCOUNT NUMBER: X2052
SALESMAN NUMBER: X121
INTRODUCED BY: RBC DAIN RAUSCHER
(704) 264-2767

*** NASHVILLE GAS CO
A DIVISION OF PIEDMONT NAT GAS
ATTN: BARRY L GUY CONTROLLER
PO BOX 33068
CHARLOTTE NC 28233-3060

IF YOU HAVE ANY QUESTIONS OR ISSUES
REGARDING YOUR STATEMENT THAT YOU
ARE UNABLE TO RESOLVE WITH YOUR BROKER,
PLEASE CONTACT ADMIS CUSTOMER SERVICE AT
1/800/654-0461 or 312/242-7200.

DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT
1/31/6				24 CALL FEB 07 NATURAL GAS 18000 C	1.300	US		132,240.00-
				24* EX- 1/26/07 CLOSE	.551			132,240.00-
				AVERAGE SHORT PRICE:	1.300			
11/30/5				40 CALL DEC 06 NATURAL GAS 18500 C	.580	US		100,400.00-
				40* EX-11/27/06 CLOSE	.251			100,400.00-
				AVERAGE SHORT PRICE:	.580			
12/29/5				23 CALL DEC 06 NATURAL GAS 18750 C	.640	US		54,970.00-
				23* EX-11/27/06 CLOSE	.239			54,970.00-
				AVERAGE SHORT PRICE:	.640			

*** SSC USD ***
BEGINNING ACCT BALANCE 140,880.00-
ENDING ACCT BALANCE 140,880.00-
TOTAL EQUITY 140,880.00-
OPTIONS MARKET VALUE 1,219,830.00
ACCT VALUE AT MARKET 1,078,950.00
MARGIN DEFICIT 140,880.00-

CO	SUB	ACCOUNT NUMBER	ST	DIST ALLOC	AREA CODE	I.R. NUMBER	COMMIT TYPE	AMOUNT
01	01	80400	3	17	6220			140,880.00 X
PO NUMBER		APPROVAL		DATE		DATE		DATE
				4/3/04		4/3/06		4/3/06

4/3/06

[Signature]

PLEASE REPORT ANY DIFFERENCES OR OBJECTIONS IMMEDIATELY. YOUR FAILURE TO IMMEDIATELY EXERCISE YOUR RIGHT TO HAVE DIFFERENCES OR OBJECTIONS CORRECTED WILL BE DEEMED YOUR AGREEMENT THAT THIS STATEMENT IS CORRECT AND RATIFIED

RETAIN FOR TAX RECORDS

PIEDMONT NATURAL GAS COMPANY
P. O. Box 33068
Charlotte, NC 28233-3068

Wire Report Remittance Advice

Date	Payment Amount	Reference
06/09/2006	\$94,280.00	0001948

Account

ADM INVESTOR SERVICES, INC.
141 W. JACKSON BLVD. SUITE 1600A
CHICAGO BOARD OF TRADE BLDG
CHICAGO, IL 60604-3190

* NON-NEGOTIABLE *

Payment Date: 06/09/2006		Vendor Number 0000940017		Reference: 0001948		
Invoice Number	Invoice Date	Voucher ID	Gross Amount	Discounts Taken	Late Charges	Paid Amount
WIRE060206	06/01/2006	00797500	94,280.00	0.00	0.00	94,280.00
Vendor Number		Name		Bank Charge	Transfer Cost Cd	
0000940017		ADM INVESTOR SERVICES, INC.		\$0.00		
Reference	Date	Total Gross Amt	Total Discounts	Total Late Charges	Total Paid Amt	
0001948	06/09/2006	\$94,280.00	\$0.00	\$0.00	\$94,280.00	

<< Prev

Next >>

DOMESTIC WIRE TRANSFER DETAIL

Initiated By: CR158528 On Jun 2 2006 At 3:45:07 PM
Last Modified By: CR266843 On Jun 2 2006 At 3:47:01 PM
Status: Completed
Approved By: CR266843 On Jun 2 2006 At 3:47:01 PM
Processed: On Jun 2 2006 At 3:48:16 PM
Template Name:
Transaction ID: 20006793
Entry Method: User Entry
MTS Advice #: 060602056622

Amount: \$ 94,280.00
Value Date: 06/02/2006
Debit Account: WBNC 2018621259479

Receiving Financial Institution

ABA #: 071000288
Name: HARRIS N.A.
City/State/Zip: CHICAGO, IL

Beneficiary

Account #: 4230538
Account Name: ADM Investor Services
Address Line 1: Customer Segregated Funds Account
Address Line 2:
Address Line 3:
Reference:

Originator to Beneficiary Information

Orig/Ben Info: Credit to Piedmont Natural Gas account # FX2062

Beneficiary Financial Institution

Account Name:
Address Line 1:

<< Prev

Next >>

Transfer 3 of 4

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WIRE060206.xls

Vendor	Pay Group	Name	Template #	Bank Account #	Account #	Due Date	Invoices #	Invoice Date	Gross Amt
0000940017		ADM INVESTOR SERVICES, INC.	TEMPLATE 040201	4230538	X2062	2006-06-01	WIRE060206	2006-06-01	94,280.00

ACH/WIRE REQUEST

✓ JER

TEMPLATE #	VENDOR #	REQUISITION DATE	DUE DATE	\$ AMOUNT
040201	940017	6/1/2006	6/2/2006	\$94,280.00

* Please execute a ☒ Wire ☐ ACH for Piedmont Natural Gas

VENDOR NAME ADM INVESTOR SERVICES

Requested by NCH 6/1/06, TB

Approved by APB 6/1/06 Row 6/1/06 CF 6/1/06 Tim 6/2/06 (8)

INSTRUCTIONS:

Bank Account#	4230538
Bank Name	Harris Bank
ABA Number	71000288

SPECIAL INSTRUCTIONS:

GENERAL LEDGER DISTRIBUTION

CO	SUB	ACCOUNT NUMBER	ST	DIST	AREA CODE	I.R. NUMBER	BUDGET CODE	\$ AMOUNT
01	01	80400	3	17	6220			\$94,280.00

* All Wire Requests must be to A/P by 4:00pm the Day Prior to Due Date to ensure timely processing

* All ACH Requests must be to A/P by 4:00pm 2 Days Prior to Due Date to ensure timely processing

ADM INVESTOR SERVICES, INC.
Chicago Board of Trade Building
141 W. Jackson Blvd. Suite 1600A
Chicago, IL 60604-3190

DAILY COMMODITY STATEMENT

STATEMENT DATE: MAY 31, 2006
ACCOUNT NUMBER: X2062
SALESMAN NUMBER: X121
INTRODUCED BY: RBC DAIN RAUSCHER
(704)264-2767

*** NASHVILLE GAS CO
A DIVISION OF PIEDMONT NAT GAS
ATTN BARRY L GUY CONTROLLER
PO BOX 33068
CHARLOTTE NC 28233-3060

IF YOU HAVE ANY QUESTIONS OR ISSUES
REGARDING YOUR STATEMENT THAT YOU
ARE UNABLE TO RESOLVE WITH YOUR BROKER,
PLEASE CONTACT ADMIS CUSTOMER SERVICE AT
1/800/654-0461 or 312/242-7200.

CONFIRMATION

THE FOLLOWING TRADES HAVE BEEN MADE THIS DAY FOR YOUR ACCOUNT AND RISK.

DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT
5/31/6		8 8*		CALL FEB 07 NATURAL GAS 18000 EX- 1/26/07 AVERAGE LONG PRICE: .520	C	.520	US	41,600.00- 149.04- 6.80- 4.00- .16- 41,600.00-
5/31/6		26 26*		CALL DEC 06 NATURAL GAS 18500 EX-11/27/06 AVERAGE LONG PRICE: .200	C	.200	US	52,000.00- 484.38- 22.10- 13.00- .52- 52,000.00-

MEMO OPTIONS OFFSETTING INFORMATION.

DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT
1/31/6			8	CALL FEB 07 NATURAL GAS 18000	C	1.300	US	104,000.00
5/31/6		8 8*	8*	CALL FEB 07 NATURAL GAS 18000 GROSS DEBIT OPTION PREMIUM GROSS CREDIT OPTION PREMIUM NET MEMO OPTION PREMIUM	C	.520	US	41,600.00- 41,600.00- 104,000.00 62,400.00
11/30/5			26	CALL DEC 06 NATURAL GAS 18500	C	.580	US	150,800.00
5/31/6		26 26*	26*	CALL DEC 06 NATURAL GAS 18500 GROSS DEBIT OPTION PREMIUM GROSS CREDIT OPTION PREMIUM NET MEMO OPTION PREMIUM	C	.200	US	52,000.00- 52,000.00- 150,800.00 98,800.00

OPEN POSITIONS

DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT
2/27/6		27 27*		CALL MAR 07 NATURAL GAS 10500 EX- 2/23/07 CLOSE AVERAGE LONG PRICE: 1.890	C	1.890 1.735	US	468,450.00 468,450.00
3/30/6		12 12*		CALL JAN 07 NATURAL GAS 11000 EX-12/26/06 CLOSE AVERAGE LONG PRICE: 1.700	C	1.700 1.396	US	167,520.00 167,520.00
11/30/5		40		CALL DEC 06 NATURAL GAS 11250	C	1.800	US	384,800.00
12/29/5		23 63*		CALL DEC 06 NATURAL GAS 11250 EX-11/27/06 CLOSE AVERAGE LONG PRICE: 1.860	C	1.965 .962	US	221,260.00 606,060.00

PLEASE REPORT ANY DIFFERENCES OR OBJECTIONS IMMEDIATELY. YOUR FAILURE TO IMMEDIATELY EXERCISE YOUR RIGHT TO HAVE DIFFERENCES OR
OBJECTIONS CORRECTED WILL BE DEEMED YOUR AGREEMENT THAT THIS STATEMENT IS CORRECT AND RATIFIED

RETAIN FOR TAX RECORDS

ADM INVESTOR SERVICES, INC.
Chicago Board of Trade Building
141 W. Jackson Blvd. Suite 1600A
Chicago, IL 60604-3190

DAILY COMMODITY STATEMENT

PAGE 2

STATEMENT DATE: MAY 31, 2006
ACCOUNT NUMBER: X2062
SALESMAN NUMBER: X121
INTRODUCED BY: RBC DAIN RAUSCHER
(704) 264-2767

*** NASHVILLE GAS CO
A DIVISION OF FIDELITY NAT GAS
ATTN BARRY L GUY CONTROLLER
PO BOX 33068
CHARLOTTE NC 28233-3060

IF YOU HAVE ANY QUESTIONS OR ISSUES
REGARDING YOUR STATEMENT THAT YOU
ARE UNABLE TO RESOLVE WITH YOUR BROKER,
PLEASE CONTACT ADMIS CUSTOMER SERVICE AT
1/800/654-0461 or 312/242-7200.

DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT
1/31/6		24		CALL FEB 07 NATURAL GAS 11750 C	12750	2.550	US	318,960.00
		24*		EX- 1/26/07 CLOSE		1.329		318,960.00
				AVERAGE LONG PRICE:		2.550		
2/27/6				27 CALL MAR 07 NATURAL GAS 17000 C	17000	.800	US	187,920.00-
				27* EX- 2/23/07 CLOSE		.696		187,920.00-
				AVERAGE SHORT PRICE:		.800		
3/30/6				12 CALL JAN 07 NATURAL GAS 18000 C	18000	.530	US	48,960.00-
				12* EX-12/26/06 CLOSE		.408		48,960.00-
				AVERAGE SHORT PRICE:		.530		
1/31/6				16 CALL FEB 07 NATURAL GAS 18000 C	18000	1.300	US	80,960.00-
				16* EX- 1/26/07 CLOSE		.506		80,960.00-
				AVERAGE SHORT PRICE:		1.300		
*** SEG USD ***								
BEGINNING ACCT BALANCE						.00		
COMMISSION						633.42-		
CLEARING FEES						28.90-		
EXCHANGE FEES						17.00-		
NFA FEES						.68-		
TOTAL FEES						46.58-		
OPTION PREMIUM						93,600.00-		
NET PROFIT/LOSS FROM TRADES						94,280.00-		
NET MEMO OPTION PREMIUM						161,200.00		
ENDING ACCT BALANCE						94,280.00-		
TOTAL EQUITY						94,280.00-		
OPTIONS MARKET VALUE						1,243,150.00		
ACCT VALUE AT MARKET						1,148,870.00		
MARGIN DEFICIT						94,280.00-		

PLEASE REPORT ANY DIFFERENCES OR OBJECTIONS IMMEDIATELY. YOUR FAILURE TO IMMEDIATELY EXERCISE YOUR RIGHT TO HAVE DIFFERENCES OR
OBJECTIONS CORRECTED WILL BE DEEMED YOUR AGREEMENT THAT THIS STATEMENT IS CORRECT AND RATIFIED

RETAIN FOR TAX RECORDS

PIEDMONT NATURAL GAS COMPANY
P. O. Box 33068
Charlotte, NC 28233-3068

Wire Report Remittance Advice

Date	Payment Amount	Reference
09/29/2006	\$66,600.00	0002386

Account

ADM INVESTOR SERVICES, INC.
141 W. JACKSON BLVD. SUITE 1600A
CHICAGO BOARD OF TRADE BLDG
CHICAGO, IL 60604-3190

*** NON-NEGOTIABLE ***

Payment Date: 09/29/2006

Vendor Number

0000940017

Reference: 0002386

Invoice Number	Invoice Date	Voucher ID	Gross Amount	Discounts Taken	Late Charges	Paid Amount
WIRE092906	09/29/2006	00826825	66,600.00	0.00	0.00	66,600.00

Vendor Number	Name	Bank Charge	Transfer Cost Cd		
0000940017	ADM INVESTOR SERVICES, INC.	\$0.00			
Reference	Date	Total Gross Amt	Total Discounts	Total Late Charges	Total Paid Amt
0002386	09/29/2006	\$66,600.00	\$0.00	\$0.00	\$66,600.00

<< Prev

Next >>

Transfer 8 of 13

DOMESTIC WIRE TRANSFER DETAIL

Initiated By: CR241895 On Sep 29 2006 At 2:56:56 PM
Last Modified By: CR158528 On Sep 29 2006 At 3:02:32 PM
Status: Completed
Approved By: CR158528 On Sep 29 2006 At 3:02:32 PM
Processed: On Sep 29 2006 At 3:04:16 PM
Template Name:
Transaction ID: 20007323
Entry Method: User Entry
MTS Advice #: 060929080012

Amount: \$ 66,600.00
Value Date: 09/29/2006
Debit Account: WBNC 2018621259479

Receiving Financial Institution

ABA #: 071000288
Name: HARRIS N.A.
City/State/Zip: CHICAGO, IL

Beneficiary

Account #: 4230538
Account Name: ADM Investor Services
Address Line 1: Customer Segregated Funds Account
Address Line 2:
Address Line 3:
Reference:

Originator to Beneficiary Information

Orig/Ben Info: Credit to Piedmont Natural Gas account # FX2062

Beneficiary Financial Institution

Account Name:
Address Line 1:

<< Prev

Next >>

Transfer 8 of 13

ACH/WIRE REQUEST

TEMPLATE #	VENDOR #	REQUISITION DATE	DUE DATE	\$ AMOUNT
040201	940017	9/29/2006	9/29/2006	\$66,600.00

* Please execute a ☒ Wire ☐ ACH for Piedmont Natural Gas

VENDOR NAME ADM INVESTOR SERVICES

Requested by Margaret Lauder

Approved by [Signature]

INSTRUCTIONS:

Bank Account#	4230538
Bank Name	Harris Bank
ABA Number	71000288

SPECIAL INSTRUCTIONS:

GENERAL LEDGER DISTRIBUTION

CO	SUB	ACCOUNT NUMBER	ST	DIST	AREA CODE	I.R. NUMBER	BUDGET CODE	\$ AMOUNT
01	01	18650	3	17	6220			\$66,600.00

- * All Wire Requests must be to A/P by 4:00pm the Day Prior to Due Date to ensure timely processing
- * All ACH Requests must be to A/P by 4:00pm 2 Days Prior to Due Date to ensure timely processing

Handwritten notes:
 9/29/06
 9-29-06

ADM INVESTOR SERVICES, INC.
Chicago Board of Trade Building
141 W. Jackson Blvd. Suite 1600A
Chicago, IL 60604-3190

DAILY COMMODITY STATEMENT

STATEMENT DATE: SEP 28, 2006

ACCOUNT NUMBER: X2062

SALESMAN NUMBER: X121

INTRODUCED BY: RBC DAIN RAUSCHER
(704)264-2767

PAGE 2

*** NASHVILLE GAS CO
*** A DIVISION OF PIEDMONT NAT GAS
ATTN HARRY L GUY CONTROLLER
PO BOX 33068
CHARLOTTE NC 28233-3060

IF YOU HAVE ANY QUESTIONS OR ISSUES
REGARDING YOUR STATEMENT THAT YOU
ARE UNABLE TO RESOLVE WITH YOUR BROKER,
PLEASE CONTACT ADMIS CUSTOMER SERVICE AT
1/800/654-0461 or 312/242-7200.

DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT
3/30/6				12 CALL JAN 07 NATURAL GAS 18000 C		.530	US	2,400.00-
				12* EX-12/26/06 CLOSE		.020		2,400.00-
				AVERAGE SHORT PRICE:		.530		
1/31/6				16 CALL FEB 07 NATURAL GAS 18000 C		1.300	US	11,200.00-
				16* EX- 1/26/07 CLOSE		.070		11,200.00-
				AVERAGE SHORT PRICE:		1.300		
*** SEG USD ***								
BEGINNING ACCT BALANCE								.00
COMMISSION								558.90-
CLEARING FEES								25.50-
EXCHANGE FEES								15.00-
NFA FEES								.60-
TOTAL FEES								41.10-
OPTION PREMIUM								66,000.00-
NET PROFIT/LOSS FROM TRADES								66,600.00-
ENDING ACCT BALANCE								66,600.00-
TOTAL EQUITY								66,600.00-
OPTIONS MARKET VALUE								340,340.00
ACCT VALUE AT MARKET								273,740.00
MARGIN DEFICIT								66,600.00-

PLEASE REPORT ANY DIFFERENCES OR OBJECTIONS IMMEDIATELY. YOUR FAILURE TO IMMEDIATELY EXERCISE YOUR RIGHT TO HAVE DIFFERENCES OR
OBJECTIONS CORRECTED WILL BE DEEMED YOUR AGREEMENT THAT THIS STATEMENT IS CORRECT AND RATIFIED

RETAIN FOR TAX RECORDS

ADM INVESTOR SERVICES, INC.
Chicago Board of Trade Building
141 W. Jackson Blvd. Suite 1600A
Chicago, IL 60604-3190

DAILY COMMODITY STATEMENT

STATEMENT DATE: SEP 28, 2006

ACCOUNT NUMBER: X2062

SALESMAN NUMBER: X121

INTRODUCED BY: RBC DAIN RAUSCHER
(704)264-2767

... NASHVILLE GAS CO
... A DIVISION OF PIEDMONT NAT GAS
ATTN BARRY L GUY CONTROLLER
PO BOX 33068
CHARLOTTE NC 28233-3060

IF YOU HAVE ANY QUESTIONS OR ISSUES
REGARDING YOUR STATEMENT THAT YOU
ARE UNABLE TO RESOLVE WITH YOUR BROKER,
PLEASE CONTACT ADMIS CUSTOMER SERVICE AT
1/800/654-0461 or 312/242-7200.

C O N F I R M A T I O N							
THE FOLLOWING TRADES HAVE BEEN MADE THIS DAY FOR YOUR ACCOUNT AND RISK.							
DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE CC	DEBIT (-)/CREDIT
9/28/6		15		CALL DEC 06 NATURAL GAS 8000 C	.480	US	72,000.00-
		15*		EX-11/27/06		COMMISSION US	279.45-
				AVERAGE LONG PRICE: .480		CLEARING FEES US	12.75-
						EXCHANGE FEES US	7.50-
						NFA FEES US	.30-
						OPTION PREMIUM US	72,000.00-
9/28/6				15 CALL DEC 06 NATURAL GAS 12000 C	.040	US	6,000.00
				15* EX-11/27/06		COMMISSION US	279.45-
				AVERAGE SHORT PRICE: .040		CLEARING FEES US	12.75-
						EXCHANGE FEES US	7.50-
						NFA FEES US	.30-
						OPTION PREMIUM US	6,000.00
O P E N P O S I T I O N S							
DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE CC	DEBIT (-)/CREDIT
9/28/6		15		CALL DEC 06 NATURAL GAS 8000 C	.480	US	72,450.00
		15*		EX-11/27/06 CLOSE	.483		72,450.00
				AVERAGE LONG PRICE: .480			
2/27/6		27		CALL MAR 07 NATURAL GAS 10500 C	1.890	US	154,710.00
		27*		EX- 2/23/07 CLOSE	.573		154,710.00
				AVERAGE LONG PRICE: 1.890			
3/30/6		12		CALL JAN 07 NATURAL GAS 11000 C	1.700	US	30,000.00
		12*		EX-12/26/06 CLOSE	.250		30,000.00
				AVERAGE LONG PRICE: 1.700			
11/30/5		40		CALL DEC 06 NATURAL GAS 11250 C	1.800	US	38,000.00
12/29/5		23		CALL DEC 06 NATURAL GAS 11250 C	1.965	US	21,850.00
		63*		EX-11/27/06 CLOSE	.095		59,850.00
				AVERAGE LONG PRICE: 1.860			
1/31/6		24		CALL FEB 07 NATURAL GAS 11750 C	2.550	US	82,320.00
		24*		EX- 1/26/07 CLOSE	.343		82,320.00
				AVERAGE LONG PRICE: 2.550			
9/28/6				15 CALL DEC 06 NATURAL GAS 12000 C	.040	US	9,750.00-
				15* EX-11/27/06 CLOSE	.065		9,750.00-
				AVERAGE SHORT PRICE: .040			
2/27/6				27 CALL MAR 07 NATURAL GAS 17000 C	.800	US	35,640.00-
				27* EX- 2/23/07 CLOSE	.132		35,640.00-
				AVERAGE SHORT PRICE: .800			

PLEASE REPORT ANY DIFFERENCES OR OBJECTIONS IMMEDIATELY. YOUR FAILURE TO IMMEDIATELY EXERCISE YOUR RIGHT TO HAVE DIFFERENCES OR
OBJECTIONS CORRECTED WILL BE DEEMED YOUR AGREEMENT THAT THIS STATEMENT IS CORRECT AND RATIFIED

RETAIN FOR TAX RECORDS

PIEDMONT NATURAL GAS COMPANY
P. O. Box 33068
Charlotte, NC 28233-3068

Wire Report Remittance Advice

Date	Payment Amount	Reference
12/11/2006	\$165,468.00	0002577

Account

ADM INVESTOR SERVICES, INC.
141 W. JACKSON BLVD. SUITE 1600A
CHICAGO BOARD OF TRADE BLDG
CHICAGO, IL 60604-3190

*** NON-NEGOTIABLE ***

Payment Date: 12/11/2006

Vendor Number

0000940017

Reference: 0002577

Invoice Number	Invoice Date	Voucher ID	Gross Amount	Discounts Taken	Late Charges	Paid Amount
WIRE120106	12/01/2006	00841805	165,468.00	0.00	0.00	165,468.00

Vendor Number	Name	Bank Charge	Transfer Cost Cd		
0000940017	ADM INVESTOR SERVICES, INC.	\$0.00			
Reference	Date	Total Gross Amt	Total Discounts	Total Late Charges	Total Paid Amt
0002577	12/11/2006	\$165,468.00	\$0.00	\$0.00	\$165,468.00

Transfer 4 of 7

DOMESTIC WIRE TRANSFER DETAIL

Initiated By: CR294782 On Dec 1 2006 At 1:23:38 PM
Last Modified By: CR241896 On Dec 1 2006 At 1:25:27 PM
Status: Processing
Approved By: CR241896 On Dec 1 2006 At 1:25:27 PM
Processed: On Dec 1 2006 At 1:25:27 PM
Template Name:
Transaction ID: 20007573
Entry Method: User Entry

Amount: \$ 165,468.00
Value Date: 12/01/2006
Debit Account: WBNC 2018621259479

Receiving Financial Institution

ABA #: 071000288
Name: HARRIS N.A.
City/State/Zip: CHICAGO, IL

Beneficiary

Account #: 4230538
Account Name: ADM Investor Services
Address Line 1: Customer Segregated Funds Account
Address Line 2:
Address Line 3:
Reference:

Originator to Beneficiary Information

Orig/Ben Info: Credit to Piedmont Natural Gas account # FX2062

Beneficiary Financial Institution

Account Name:
Address Line 1:

Transfer 4 of 7

© Wachovia Corporation, 2004

12-1-06

ACH/WIRE REQUEST

TEMPLATE #	VENDOR #	REQUISITION DATE	DUE DATE	\$ AMOUNT
040201	940017	12/1/2006	12/1/2006	\$165,468.00

* Please execute a ☒ Wire ☐ ACH for Piedmont Natural Gas

VENDOR NAME ADM INVESTOR SERVICES

Requested by NCH Nancy Hitchens 12/1/06

Approved by [Signature] MD 12/1/06
12/1/06 12/1/06
now 12/1/06
Signature 12/1/06

INSTRUCTIONS:

Bank Account#	4230538
Bank Name	Harris Bank
ABA Number	71000288

SPECIAL INSTRUCTIONS:

<u>Options Purchase</u>

GENERAL LEDGER DISTRIBUTION

CO	SUB	ACCOUNT NUMBER	ST	DIST	AREA CODE	I.R. NUMBER	BUDGET CODE	\$ AMOUNT
01	01	80400	3	17	6220			\$165,468.00
		80400						

NCH 12/1/06

- * All Wire Requests must be to A/P by 4:00pm the Day Prior to Due Date to ensure timely processing
- * All ACH Requests must be to A/P by 4:00pm 2 Days Prior to Due Date to ensure timely processing

DAILY COMMODITY STATEMENT

ADM INVESTOR SERVICES, INC.
Chicago Board of Trade Building
141 W. Jackson Blvd. Suite 1600A
Chicago, IL 60604-3190

STATEMENT DATE: NOV 30, 2006

ACCOUNT NUMBER: X2062

SALESMAN NUMBER: X121

INTRODUCED BY: RBC DAIN RAUSCHER
(704)264-2767

PAGE 2

IF YOU HAVE ANY QUESTIONS OR ISSUES
REGARDING YOUR STATEMENT THAT YOU
ARE UNABLE TO RESOLVE WITH YOUR BROKER,
PLEASE CONTACT ADMIS CUSTOMER SERVICE AT
1/800/654-0461 or 312/242-7200.

*** NASHVILLE GAS CO
A DIVISION OF PIEDMONT NAT GAS
ATTN MARGARET LAUDER
PO BOX 33068
CHARLOTTE NC 28233-3068

DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT
3/30/6		12		CALL JAN 07 NATURAL GAS 11000 C	1.700		US	12,840.00
		12*		EX-12/26/06 CLOSE	.107			12,840.00
				AVERAGE LONG PRICE:	1.700			
1/31/6		24		CALL FEB 07 NATURAL GAS 11750 C	2.550		US	53,040.00
		24*		EX- 1/26/07 CLOSE	.221			53,040.00
				AVERAGE LONG PRICE:	2.550			
11/30/6				15 CALL FEB 07 NATURAL GAS 13500 C	.090		US	15,150.00-
				15* EX- 1/26/07 CLOSE	.101			15,150.00-
				AVERAGE SHORT PRICE:	.090			
11/30/6				13 CALL MAR 07 NATURAL GAS 14000 C	.100		US	19,240.00-
				13* EX- 2/23/07 CLOSE	.148			19,240.00-
				AVERAGE SHORT PRICE:	.100			
2/27/6				27 CALL MAR 07 NATURAL GAS 17000 C	.800		US	13,770.00-
				27* EX- 2/23/07 CLOSE	.051			13,770.00-
				AVERAGE SHORT PRICE:	.800			
3/30/6				12 CALL JAN 07 NATURAL GAS 18000 C	.530		US	120.00-
				12* EX-12/26/06 CLOSE	.001			120.00-
				AVERAGE SHORT PRICE:	.530			
1/31/6				16 CALL FEB 07 NATURAL GAS 18000 C	1.300		US	2,240.00-
				16* EX- 1/26/07 CLOSE	.014			2,240.00-
				AVERAGE SHORT PRICE:	1.300			

*** SEG USD ***

BEGINNING ACCT BALANCE	.00
COMMISSION	791.28-
CLEARING FEES	47.60-
EXCHANGE FEES	28.00-
NFA FEES	1.12-
TOTAL FEES	76.72-
OPTION PREMIUM	164,600.00-
NET PROFIT/LOSS FROM TRADES	165,468.00-
ENDING ACCT BALANCE	165,468.00-
TOTAL EQUITY	165,468.00-
OPTIONS MARKET VALUE	443,840.00
ACCT VALUE AT MARKET	278,372.80
MARGIN DEFICIT	165,468.00-

PLEASE REPORT ANY DIFFERENCES OR OBJECTIONS IMMEDIATELY. YOUR FAILURE TO IMMEDIATELY EXERCISE YOUR RIGHT TO HAVE DIFFERENCES OR OBJECTIONS CORRECTED WILL BE DEEMED YOUR AGREEMENT THAT THIS STATEMENT IS CORRECT AND RATIFIED

RETAIN FOR TAX RECORDS

ADM INVESTOR SERVICES, INC.
Chicago Board of Trade Building
141 W. Jackson Blvd. Suite 1600A
Chicago, IL 60604-3190

DAILY COMMODITY STATEMENT

STATEMENT DATE: NOV 30, 2006

ACCOUNT NUMBER: X2062

SALESMAN NUMBER: X121

INTRODUCED BY: RBC DAIN RAUSCHER
(704) 264-2767

*** NASHVILLE GAS CO
A DIVISION OF PIEDMONT NAT GAS
ATTN MARGARET LAUDER
PO BOX 33068
CHARLOTTE NC 28233-3060

IF YOU HAVE ANY QUESTIONS OR ISSUES
REGARDING YOUR STATEMENT THAT YOU
ARE UNABLE TO RESOLVE WITH YOUR BROKER,
PLEASE CONTACT ADMIS CUSTOMER SERVICE AT
1/800/654-0461 or 312/242-7200.

C O N F I R M A T I O N									
THE FOLLOWING TRADES HAVE BEEN MADE THIS DAY FOR YOUR ACCOUNT AND RISK.									
DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT	
11/30/6		15		CALL FEB 07 NATURAL GAS	9500	C .650	US	97,500.00-	
		15*		EX- 1/26/07		COMMISSION US		211.95-	
				AVERAGE LONG PRICE: .650		CLEARING FEES US		12.75-	
						EXCHANGE FEES US		7.50-	
						NFA FEES US		.30-	
						OPTION PREMIUM US		97,500.00-	
11/30/6		13		CALL MAR 07 NATURAL GAS	9500	C .720	US	93,600.00-	
		13*		EX- 2/23/07		COMMISSION US		183.69-	
				AVERAGE LONG PRICE: .720		CLEARING FEES US		11.05-	
						EXCHANGE FEES US		6.50-	
						NFA FEES US		.26-	
						OPTION PREMIUM US		93,600.00-	
11/30/6		15		CALL FEB 07 NATURAL GAS	13500	C .090	US	13,500.00	
		15*		EX- 1/26/07		COMMISSION US		211.95-	
				AVERAGE SHORT PRICE: .090		CLEARING FEES US		12.75-	
						EXCHANGE FEES US		7.50-	
						NFA FEES US		.30-	
						OPTION PREMIUM US		13,500.00	
11/30/6		13		CALL MAR 07 NATURAL GAS	14000	C .100	US	13,000.00	
		13*		EX- 2/23/07		COMMISSION US		183.69-	
				AVERAGE SHORT PRICE: .100		CLEARING FEES US		11.05-	
						EXCHANGE FEES US		6.50-	
						NFA FEES US		.26-	
						OPTION PREMIUM US		13,000.00	
O P E N P O S I T I O N S									
DATE	SETTL	BUY	SELL	CONTRACT DESCRIPTION	EX	TRADE PRICE	CC	DEBIT (-)/CREDIT	
10/31/6		10		CALL JAN 07 NATURAL GAS	8400	C .680	US	81,000.00	
		10*		EX-12/26/06 CLOSE		.810		81,000.00	
				AVERAGE LONG PRICE: .680					
11/30/6		15		CALL FEB 07 NATURAL GAS	9500	C .650	US	98,550.00	
		15*		EX- 1/26/07 CLOSE		.657		98,550.00	
				AVERAGE LONG PRICE: .650					
11/30/6		13		CALL MAR 07 NATURAL GAS	9500	C .720	US	102,050.00	
		13*		EX- 2/23/07 CLOSE		.785		102,050.00	
				AVERAGE LONG PRICE: .720					
2/27/6		27		CALL MAR 07 NATURAL GAS	10500	C 1.890	US	146,880.00	
		27*		EX- 2/23/07 CLOSE		.544		146,880.00	
				AVERAGE LONG PRICE: 1.890					

PLEASE REPORT ANY DIFFERENCES OR OBJECTIONS IMMEDIATELY. YOUR FAILURE TO IMMEDIATELY EXERCISE YOUR RIGHT TO HAVE DIFFERENCES OR OBJECTIONS CORRECTED WILL BE DEEMED YOUR AGREEMENT THAT THIS STATEMENT IS CORRECT AND RATIFIED

RETAIN FOR TAX RECORDS

Docket No. 07-00174 – Summary of Findings (to Company)

NASHVILLE GAS COMPANY
ACA FILING (DOCKET 07-00174)
JANUARY - DECEMBER 2006

Summary of Findings (to Company)-revised for report.xlsx

LINE #	COMMODITY:	COMPANY	STAFF	DIFFERENCE	Diff. in Gas Costs	FINDINGS
1	BEGINNING BALANCE	(19,147,287.85)	(19,147,287.85)	-		
2	2005 ACA Audit Adjustment	320,551.38	320,551.38	-		
3	2005 WNA Audit Adjustment	(108,007.00)	(108,007.00)	-	467,228.00	#2
4	INVOICED GAS COSTS	158,399,251.71	156,902,285.04	(1,496,966.67)	(1,964,194.67)	#1
5	Cash-out Received thru Billing	(400,792.77)	-	400,792.77		#4
6	Customer Accounting S2K Interface			-	Diff. in Recoveries	
7	COST RECOVERY - Sales Customers	(157,987,059.65)	(135,582,266.34)	22,404,793.31	783,246.02	#5
8	COST RECOVERY - Off-System Sales Customers		(28,390,035.53)	(28,390,035.53)		
9	COST RECOVERY - Transportation Short		(882,341.49)	(882,341.49)		
10	ACA REFUND/(SURCHARGE)	3,165,241.35	3,165,241.35	-		
	<u>CYCLE BILLING</u>					
11	REVERSE P/M DEFERRED GAS COST	95,690,558.32	95,690,558.32	-		
12	RECORD C/M DEFERRED GAS COST	(79,547,555.60)	(79,547,555.60)	-		
				-	Diff. in Banked Gas	
13	BANKED GAS - CURRENT MTH	(5,457,162.16)	(5,457,162.16)	-		
14	BANKED GAS - PRIOR MTH	7,223,717.67	7,223,717.67	-		
	<u>INVENTORY ACTIVITY:</u>					
15	MA & PA INJECTIONS	(12,154,098.89)	(12,154,098.89)	-		
16	MA & PA SUMMER REFILL	(15,593,479.61)	(15,593,479.61)	-		
17	MA & PA WITHDRAWALS	31,428,920.70	31,428,920.70	-		
18	FSS INJECTIONS	-	-	-		
19	FSS WITHDRAWALS	4,271,615.58	4,271,615.58	-		
20	FSS - SUMMER REFILL	(3,701,864.96)	(3,701,864.96)	-		
21	H/B INJECTIONS	(529,448.52)	(529,448.52)	-		
22	H/B WITHDRAWALS	2,803,803.70	2,803,803.70	-		
23	LNG INJECTIONS	(1,378,224.72)	(1,378,224.72)	-		
24	LNG WITHDRAWALS	915,955.77	915,955.77	-		
25	CNG INJECTIONS	-	-	-		
26	CNG WITHDRAWALS	-	-	-		
27	MARGIN ON OFF SYSTEM SALES	(217,452.42)	-	217,452.42		
28	NEGOTIATED LOSS ACTIVITY	-	-	-		
29	NEGOTIATED GAIN ACTIVITY	0.00	-	-		
30	LNG POWER COSTS	559,906.68	493,306.68	(66,600.00)		#3
	<u>MISCELLANEOUS ADJUSTMENTS:</u>					
31	OFF-SYSTEM SALES MARGIN ADJ.	(1,257.72)	(1,257.72)	1	-	
32	MARKET AREA INJECTION ADJ. (CORAL)	475,245.06	475,245.06	2	-	
33	ESTIMATE TO ACTUAL-DEFERRED GAS COST	(187,057.56)	(187,057.56)	26	-	
34	ESTIMATE TO ACTUAL-ACCTS. PAYABLE	(309,357.47)	(309,357.47)	27	-	
35	OFF-SYSTEM SALES ADJ.	(7,433,377.31)	-	3	7,433,377.31	
36	ASSET MANAGEMENT PAYMENT	(393,461.00)	-	4	393,461.00	#9
37	OFF-SYSTEM SALES ADJ.	9,491.17	9,491.17	5	-	
38	DUKE REFUND	(13,428.66)	(13,428.66)	6	-	
39	COLUMBIA GULF REFUND	(61,186.88)	(61,186.88)	7	-	
40	BEAR CR. MKT AREA W/D ADJ.	966,432.32	-	8	(966,432.32)	#7
41	BEAR CR. MKT AREA W/D ADJ.	514,593.86	514,593.86	9	-	
42	CASH MGT. REVERSAL	61,186.88	61,186.88	10	-	

43	TRANSFER	(169,824.00)	(169,824.00)	Findings (to Company)-revised for report.xlsx	
44	AHB ADJ. TO UNBILLED VOL.	(1,104,030.00)	(1,104,030.00)	12	-
45	BANKED GAS ADJ.	984,484.16	-	13	(984,484.16) #6
46	AHB ADJ. TO UNBILLED VOL.	1,104,030.00	1,104,030.00	14	-
47	LNG W/D ADJ.	(3,527.68)	(3,527.68)	15	-
48	ADM CHGD. TO SC IN ERROR	68,400.00	-	16	(68,400.00) #8
49	ADJ. NGD PENALTY REVENUE	19,061.87	19,061.87	17	-
50	GAS COST UNCOLLECTIBLES	(23,334.00)	(23,334.00)	18	-
51	HATTIESBURG W/D ADJ.	80.05	80.05	19	-
52	GAS COST UNCOLLECTIBLES	(56,682.82)	(56,682.82)	20	-
	ENDING BALANCE BEFORE INTEREST	3,003,568.97	998,185.61		(2,005,383.36)
55	INTEREST EXPENSE	(283,922.05)	(357,832.92)		(73,910.88) #10
	ENDING BALANCE-COMMODITY	2,719,646.92	640,352.69		(2,079,294.24)

DEMAND:

	COMPANY	STAFF	DIFFERENCE	
BEGINNING BALANCE	4,468,674.58	4,468,674.58	-	Diff. in Prior Audit Adj.
ACA 2005 Adj	(486,756.75)	(486,756.75)	-	#13
Invoiced Demand Gas Costs	8,775,314.69	8,702,612.78	-	#12
	-	-	-	#11
COST RECOVERY	(6,082,290.64)	(6,082,290.64)	-	
	-	-	-	
ACA (SURCHARGE)/REFUND	(2,047,180.84)	(2,047,180.84)	-	
	-	-	-	
ASSET MANAGEMENT PAYMENTS	-	(1,030,961.00)	(1,030,961.00)	#14
	-	-	-	
SECONDARY MKT MARGIN-DEMAND	-	-	-	
	-	-	-	
MISCELLANEOUS ADJUSTMENTS:	-	-	-	
MISCELLANEOUS ADJUSTMENTS 22 & 24	(20,101.82)	(20,101.82)	-	
PIPELINE REFUND	-	(699,266.65)	(699,266.65)	#15
ENDING BALANCE BEFORE INTEREST	4,607,659.22	2,804,729.66	(1,802,929.56)	
INTEREST EXPENSE	355,658.11	281,715.98	(73,942.13)	#16
ENDING BALANCE-DEMAND	4,963,317.33	3,086,445.64	(1,876,871.69)	
NET COMMODITY & DEMAND BALANCE	7,682,964.25	3,726,798.33	(3,956,165.92)	

Docket No. 07-00174 – Analysis of TRA Audit Staff Adjustments (Company file)

Analysis of TRA Audit Staff Adjustments

		Adjustments Identified (TRA Added/Removed)		Explanation		Company Disagreed (Reversed Staff Adj)		Company Agreed (Left Staff Adj)	
		\$							

Company Disagreed (Reversed Staff Adj) Company Agreed (Left Staff Adj)

[illegible]

	G-FT - A 237 - credit El Paso 11/05 for difference is ant. due vs. paid-remove from demand (s/b commodity)	D	\$	307.99	GCS vs EP bill difference. Paid per GCS then took the credit on April EP bill/COG. This adjustment is appropriately negated below with the addition of the 307.99 in the commodity section of adjustments. Should just show net this one out. The credit is netted from the commodity amount on the invoice section.	\$	(307.99)	
	Staff Ajustment - unknown	D	\$	6,530.80		\$	(6,530.80)	
JUN	Tetco-\$140.70 was incorrectly categorized as demand. Moved to commodity.	D		(140.70)	Recorded \$142.74 in June in Demand. Adjustment made to move the \$140.70 to Commodity in Invoice section.		140.70	
	Tetco-May billing difference-credit adj June Bill	D		(12.74)	Billing difference. Recorded per GCS less than was invoiced. Adjustment made to correct invoice in June.		12.74	
	Tetco-June bill overstated-credit adj June Bill	D		(2.04)	Recorded too much for the June bill (found in the June actual). Took credit in July.		2.04	
JUL	Tetco-June bill overstated-credit adj June Bill, recorded in July on demand (not commodity)	D		2.04			(2.04)	
	Staff Ajustment	D		10.20	See above.			10.20
SEP	COL.GAS - RP95-408 Article V CR - ACA '05 Item 13 audit adjmnt. - Finding #5 under-recovery	D		(1,837.60)	2004 ACA finding-Starting with TRA balances. Agree with Staff's removal of this adjustment.			(1,837.60)
OCT	Staff Ajustment - unknown	D		6,791.63			(6,791.63)	
DEC	Staff Ajustment - unknown	D	\$	(31,449.50)		\$	31,449.50	

Demand D \$ 513,466.49

\$ (515,293.89) \$ (1,827.40)

Docket No. 07-00174 – Summary of ACA Account for 2006 (Company Filed
Adjustments to TRA Findings)

Summary of ACA Account for 2006
Nashville Gas Company

	Company	Co Adj Staff	Staff	Co to Staff Difference	Co Adj Staff vs Staff Difference
Commodity (\$18,934,743.47)	(\$18,934,743.47)	(\$18,934,743.47)	(\$18,934,743.47)	\$0.00	\$0.00
Balance at 1/1/06					
Plus Gas Costs	184,410,960.47	183,423,543.14	181,621,882.40	(\$2,789,078.07)	(1,801,660.74)
Minus Recoveries	<u>162,472,648.03</u>	<u>162,440,217.86</u>	<u>161,689,402.01</u>	(\$783,246.02)	(750,815.85)
Ending Balance	\$3,003,568.97	\$2,048,581.81	\$997,736.92	(\$2,005,832.05)	(\$1,050,844.89)
before Interest					
Plus Interest	-283,922.05	-353,635.75	-358,986.81	(\$75,064.76)	(5,351.06)
Commodity	<u>\$2,719,646.92</u>	<u>\$1,694,946.06</u>	<u>\$638,750.11</u>	(\$2,080,896.81)	(\$1,056,195.95)
Balance at 12/31/06				\$0.00	
Demand Balance at 1/1/06	\$3,981,917.83	\$3,981,917.83	3,981,917.83	-	-
Plus Gas Costs	8,755,212.87	7,643,085.75	8,158,334.64	-596,878.23	515,248.89
Minus Recoveries	<u>8,129,471.48</u>	<u>8,129,471.48</u>	<u>8,129,471.48</u>	0.00	0.00
Ending Balance	\$4,607,659.22	\$3,495,532.10	\$4,010,780.99	(596,878.23)	\$515,248.89
before Interest					
Plus Interest	<u>355,658.11</u>	<u>330,291.02</u>	<u>360,720.86</u>	5,062.75	30,429.84
Demand Balance at 12/31/06	<u>\$4,963,317.33</u>	<u>\$3,825,823.12</u>	<u>\$4,371,501.85</u>	(\$591,815.48)	\$545,678.73
Total ACA Ending Balance at 12/31/06	<u>\$7,682,964.25</u>	<u>\$5,520,769.18</u>	<u>\$5,010,251.96</u>	(\$2,672,712.29)	(\$510,517.22)

Analysis of TRA Audit Staff Adjustments

	C indicates Commodity adjustment D indicates Demand adjustment	Adjustments Identified (TRA Added/Removed) \$	Explanation	Company Disagreed (Reversed Staff Adj)	Company Agreed (Left Staff Adj)
None					
Col. Gas - reversal 1/06 Refund Excess Deferred - transferred to NC/SC - JE# 41780 - AHB	D	(4,237.03)	Took Refund Credit amount on January Invoice. Applicable to NC/SC. Reversed with this addition to transfer to NC/SC.	4,237.03	
7/05 MA Swing adjmnt. ACA '05 audit - 500 Leg	C	\$ 32,564.20	In July 2005, MA Injections were not reduced by 3rd Party Gas. Payment was correct but postings were not. This adjustment represents a reduction to COG reported to reflect the actual MA Injections without 3rd Party Gas.	\$ (32,564.20)	
Staff Adjustment - unknown	D	\$ 4,294.64		\$ (4,294.64)	
Merrill Lynch - commodity charges K# 3650-pd in April	C	\$ 3,846.27	FSMA charge paid to El Paso in March. Should have taken a credit on ML in March but did not do until April.	\$ (3,846.27)	
Staff Adjustment for Hedging	C	\$ 140,880.00	ADM for March-Ok to add to COG		\$ 140,880.00
A-K# 6815 - EP 12/05 Annual IS Credits -Pd in Dec 05 but not in COG	D	\$ 27,743.04	Annual Credit on FSMA and FSPA on December bill, not recorded in COG until April	\$ (27,743.04)	
B-K# 60882 - EP 1/06 demand Cr- Cr taken on Jan Inv but not recorded in Jan COG	D	\$ 160,436.76	Paid ML and took credit on El Paso bill in January 2006. Did not account for the credit in the COG until April 2006.	\$ (160,436.76)	
C-FT - BH - #46715 - record EP 11/05, 12/05, and 1/06 demand credits	D	\$ 412,542.00	Paid ElPaso (incorporating the credit) but did not record the credits in Nov and Dec 05 and Jan 06. Took all 3 in April 06 COG.	\$ (412,542.00)	
D-FT - A 60542-EP 11/05 demand-Billed and Pd in Nov but not recorded in COG	D	\$ (77,176.40)	Demand charge billed and paid in November but not recorded in the COG (Invoice #688683). Recorded in Apr 06.	\$ 77,176.40	
E-Dmd Cr for 11/05-Billed in Nov, Pd in past due amt in Dec, but not recorded in COG	D	\$ 77,176.40	Assignment Credit on billed on November Invoice (#688684) but credit not taken on bill nor recorded in COG. Credit taken on April 06 bill and recorded in COG in April 06.	\$ (77,176.40)	

JAN

FEB

MAR

APR

F-FT-24706-EP 11/05 payment for Non-discounted Point Charge-Billed in Nov, Pd in past due amt in Dec but not recorded in COG	D	\$ (67,513.00)	Point charge Billed in Nov 05 and paid in Dec 05, not recorded in COG until April 06.	\$ 67,513.00	
G-FT - A 237 - credit El Paso 11/05 for difference is amt. due vs. paid-remove from demand (s/b commodity)	D	\$ 307.99	GCS vs EP bill difference. Paid per GCS then took the credit on April EP bill/COG. This adjustment is appropriately negated below with the addition of the 307.99 in the commodity section of adjustments. Should just show net this one out. The credit is netted from the commodity amount on the invoice section.	\$ (307.99)	
Merrill Lynch - commodity charges K# 3650-pd in April, recorded in March	C	\$ (3,846.27)	See above.	\$ 3,846.27	
Merrill Lynch - TCO Storage FTS commodity -pd in April, recorded in May	C	\$ 2,929.91	Paid this charge on the April invoice but did not record in COG until May.	\$ (2,929.91)	
I-Merrill Lynch - wd comm.chgs.reversed/credits applied above for swing on storage 11/05 - 2/06	C	\$ 73,930.23	Reversal of W/D chgs recorded in 11/05 through 2/06. Corrected charges appear in the April 06 Commodity Invoice section. Net effect is the change to the dollars.	\$ (73,930.23)	
H-Merrill Lynch - 12/05 commodity on injections originally recorded to El Paso	C	\$ (5,027.33)	Recorded/Paid El Paso \$5,027.33 too much in Dec 05. Took a credit for this overpayment in Jan 06 bill. Overaccrual in COG for El Paso never adjusted. ML was paid/recorded \$5,027.33 too much in Dec 05.	\$ (5,027.33)	
Credit Accrued above in April should have been in commodity (pd as commodity)	C	\$ (307.99)	Used to net out the demand credit. Actual credit taken from the Commodity section of the Invoice.	\$ 307.99	
Credit taken on EP bill in April but not recorded for in COG	C	\$ 9,663.40	Credit represents the difference between a credit taken and a credit owed to PNG (both of which were resolved). Adjustment not needed.	\$ 9,663.40	
Staff Adjustment - unknown	D	\$ 6,530.80		\$ (6,530.80)	
Merrill Lynch - TCO Storage FTS commodity -pd in April, accrued in May	C	\$ (2,929.91)	See above.	\$ 2,929.91	
Tetco-Cashout for April, taken in May and credit accrued in June	C	\$ (5,092.89)	Cashout for the month of April, taken against TETCO bill in May, in COG in June.	\$ 5,092.89	
Staff Adjustment	C	\$ 94,280.00	ADM for May-Ok to add to COG	\$ 94,280.00	
Tetco-\$140.70 was incorrectly categorized as demand. Moved to commodity.	D	\$ (140.70)	Recorded \$142.74 in June in Demand. Adjustment made to move the \$140.70 to Commodity in Invoice section.	\$ 140.70	
Tetco-May billing difference-credit adj June Bill	D	\$ (12.74)	Billing difference. Recorded per GCS less than was invoiced. Adjustment made to correct invoice in June actual.	\$ 12.74	
Tetco-June bill overstated-credit adj June Bill	D	\$ (2.04)	Recorded too much for the June bill (found in the June actual). Took credit in July.	\$ 2.04	

MAY

JUN

	FEBRUARY 2006	MARCH 2006	APRIL 2006	MAY 2006	JUNE 2006	JULY 2006	AUGUST 2006	SEPTEMBER 2006	OCTOBER 2006	NOVEMBER 2006	DECEMBER 2006	TOTAL
	(25,419,447.44)	(6,632,088.89)	(3,767,283.74)	(3,553,248.23)	(2,891,103.25)	(3,682,364.43)	(2,114,673.50)	(1,520,001.25)	(1,348,717.17)	(935,599.10)	(311,486.33)	(19,147,287.95)
	22,893,375.85	7,731,173.66	11,152,127.72	9,953,679.68	8,953,003.84	8,765,413.71	8,321,741.24	8,720,593.80	10,456,967.27	16,545,808.49	17,245,315.05	158,703,497.09
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	(21,112,454.74)	(18,904,713.24)	(9,995,607.71)	(4,748,433.76)	(3,459,485.06)	(3,011,840.21)	(3,356,861.44)	(3,038,999.88)	(4,465,377.18)	(11,372,432.71)	(18,035,993.48)	(136,333,062.19)
	(5,688,865.31)	(3,067,172.76)	(3,067,172.76)	(1,689,428.09)	(1,098,361.70)	(1,098,842.51)	(2,513,980.36)	(2,109,589.25)	(1,313,373.88)	(73,302.06)	0.00	(28,390,035.53)
	(82,226.04)	(129,903.43)	(129,903.43)	(20,047.97)	(13,909.71)	(108,262.28)	(62,082.11)	(32,578.89)	(121,438.89)	(135,900.88)	(171,660.75)	(882,341.49)
	128,080.79	103,706.62	61,489.86	254,189.14	185,724.47	161,227.28	150,068.49	162,574.09	239,258.35	608,779.45	965,487.54	3,165,241.35
	-	-	-	-	-	-	-	-	-	-	-	-
	24,020,685.77	10,716,973.04	7,376,335.56	2,564,588.09	1,713,880.94	2,235,608.86	2,475,403.07	1,446,249.12	1,679,615.30	5,592,167.35	8,667,016.10	95,690,558.32
	(10,716,973.04)	(7,376,335.56)	(2,564,588.09)	(1,713,880.94)	(2,235,609.96)	(2,475,403.07)	(1,446,248.12)	(1,679,615.30)	(5,592,167.35)	(8,667,016.10)	(11,039,231.30)	(79,547,555.60)
	(1,032,480.02)	(984,484.16)	(892,703.94)	(984,484.16)	0.00	68,514.83	16.19	616.05	123,440.12	135,633.03	(83,675.17)	(5,457,162.16)
	1,007,554.73	1,032,480.02	984,484.16	892,703.94	984,484.16	0.00	(68,514.63)	(16.19)	(816.05)	(123,440.12)	(135,633.03)	7,223,717.87
	-	-	-	-	-	-	-	-	-	-	-	-
	(548,113.39)	(428,659.52)	(715,479.26)	(1,172,860.98)	(289,706.88)	(689,097.30)	(231,131.24)	(644,363.27)	(1,146,120.12)	(3,179,762.22)	(985,787.44)	(12,154,068.89)
	0.00	0.00	(2,537,344.53)	(2,518,101.82)	(2,047,118.84)	(2,075,764.61)	(2,510,593.23)	(2,417,934.86)	(1,445,351.72)	0.00	0.00	(15,593,479.61)
	7,260,404.55	7,791,186.62	1,093,645.67	440,562.79	1,047,379.70	501,008.54	422,361.58	253,444.71	2,031,362.48	772,032.07	3,660,214.99	31,428,920.70
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	1,317,679.33	969,212.07	0.00	(601,953.28)	(498,179.36)	(489,508.76)	(589,271.66)	(570,564.00)	(347,475.84)	479,967.74	651,504.50	4,271,615.58
	0.00	0.00	(606,911.04)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(3,701,864.96)
	0.00	0.00	0.00	0.00	0.00	(529,448.52)	0.00	0.00	0.00	0.00	0.00	(529,448.52)
	468,262.07	748,761.62	0.00	0.00	0.00	0.00	0.00	0.00	214,464.42	0.00	1,124,831.79	2,803,483.70
	0.00	0.00	0.00	0.00	0.00	(882,977.58)	0.00	0.00	(23,885.72)	0.00	0.00	(1,378,224.72)
	140,295.76	66,136.27	81,163.79	65,870.96	36,047.23	83,440.81	83,440.81	70,757.60	66,627.16	92,142.47	154,380.86	915,955.77
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
	0.00	0.00	0.00	0.00	0.00	0.						

t with Company and agreed that the Company would resubmit "actual" invoice amounts (eliminating accruals) beginning in 2/06.

Company purchases the excess gas from the customer at a premium. The "cost" of this gas is included in the Invoiced Gas Costs total as a separate line item (line 4). Staff does not believe this amount should be reversed.
When purchases extra gas from the Company at a premium. The Company records this amount as a recovery, just as it does any other gas sale. Staff is recording the amounts as presented on the Company's Transportation Short Schedule.
(line 6). The Company included their "cost" piece in the recovery schedule and the "margin" piece on this line.
Adding any accrual adjustments made by Company.

nt month billing amount as shown on the actual bills was credited to the ACA as a recovery.
\$.97-171,860.74 = 19,061.87 difference FINDING -OVERRECOVERY)

PIEDMONT NATURAL GAS COMPANY, INC.
 NASHVILLE GAS COMPANY DIVISION
 ANALYSIS - ACCOUNT 186.50
 ACA - NASHVILLE

DEMAND DR/(CR)	JANUARY 2006	FEBRUARY 2006	MARCH 2006	APRIL 2006	MAY 2006	JUNE 2006	JULY 2006	AUGUST 2006
BEGINNING BALANCE	4,468,674.58	4,071,163.32	3,981,084.95	4,044,498.25	3,365,585.40	3,661,948.22	4,072,390.92	4,505,318.93
ACA 2005 Adj	(486,756.75)							
Invoiced Demand Gas Costs	1,198,448.16	903,805.94	869,782.86	206,353.45	745,771.16	757,631.87	745,582.39	745,631.41
COST RECOVERY	(1,109,074.35)	(994,656.68)	(808,774.31)	(502,529.27)	(265,873.88)	(203,785.61)	(187,072.11)	(179,122.46)
ACA (SURCHARGE)/REFUND	(24,185.40)	(21,911.15)	(18,073.71)	(11,746.68)	(204,845.06)	(166,857.50)	(153,156.46)	(146,660.67)
ASSET MANAGEMENT PAYMENTS	-	-	-	(393,461.00)	-	-	-	-
SECONDARY MKT MARGIN-DEMAND	-	-	-	-	-	-	-	-
MISCELLANEOUS ADJUSTMENTS:								
Refer to Miscellaneous Adjustments Worksheet	-	-	(1,129.95) #21	-	-	-	-	-
INTEREST EXPENSE	4,047,106.24	3,958,401.43	4,021,889.84	3,343,114.75	3,640,637.62	4,048,936.98	4,477,744.74	4,925,167.21
ENDING BALANCE-DEMAND	24,057.08	22,883.52	22,608.40	22,470.66	21,310.60	23,453.94	27,574.19	30,413.32
COMBINED BALANCE of DMD & CMD	4,071,163.32	3,981,084.95	4,044,498.25	3,365,585.40	3,661,948.22	4,072,390.92	4,505,318.93	4,955,580.52
INTEREST EXPENSE CALCULATION	(21,267,517.46)	(2,537,124.76)	337,889.83	(115,392.88)	835,507.35	461,494.61	2,463,143.35	4,304,010.28
INTEREST RATE (ANNUALIZED)	24,057.08	22,883.52	22,608.40	22,470.66	21,310.60	23,453.94	27,574.19	30,413.32
	6.78%	6.78%	6.78%	7.30%	7.30%	7.30%	7.74%	7.74%

ENDING BALANCE - COMMODITY

SEPTEMBER 2006	OCTOBER 2006	NOVEMBER 2006	DECEMBER 2006	TOTAL
4,955,580.52	5,394,731.43	5,767,755.99	4,720,464.96	4,468,674.58
745,646.36	768,324.77	871,062.97	835,373.88	(486,756.75)
(186,486.73)	(241,772.79)	(551,392.66)	(850,749.79)	9,393,415.22
(153,281.18)	(191,367.47)	(384,617.21)	(570,448.35)	(6,082,290.64)
-	-	(315,750.00)	(315,750.00)	(2,047,180.84)
-	-	-	-	(8,129,471.48)
-	-	-	-	(1,030,961.00)
-	-	-	-	-
-	-	90.00	(19,061.87)	(20,101.82)
-	-	(699,266.65)	-	(699,266.65)
5,361,458.97	5,729,885.94	4,684,882.44	3,796,828.83	3,495,532.10
33,272.45	37,870.05	35,582.52	28,994.29	330,291.02
5,394,731.43	5,767,755.99	4,720,464.96	3,825,823.12	3,825,823.12
4,920,046.64	3,633,571.61	3,202,232.99	4,464,573.23	
33,272.45	37,870.05	35,582.52	28,994.29	
7.74%	8.17%	8.17%	8.17%	

Docket No. 07-00174 – Steps for Audit Staff Review of Additional Information
(Audit Staff Document)

NGC

ACA

Steps for Audit Staff Review of Additional Information

1. In the spirit of good faith negotiations, Audit Staff agrees to review additional information to be provided by the Company with the following conditions:
 - a. The Company extends the Audit deadline as proposed by Audit Staff's counsel.
 - b. Prior to Audit Staff looking at the additional information, a conference call with Company personnel will be scheduled and held within two business days of Staff's receipt of the new information which is expected immediately.
 - c. Company personnel will identify the invoice(s) previously provided that support(s) their position, or in the alternative provide said invoice(s).
 - d. Company personnel shall then explain their rationale for their proposed adjustments to Audit Staff during the proposed conference call.
 - e. If Audit Staff understands and agrees with all or some of the Company's position, our response will be prepared stating the extent of our agreement with the new information.
 - f. If previously submitted invoices or new invoices clearly do not support the Company's position, negotiations will cease and we will proceed with a contested case indicating in our response that the new information was unsatisfactory.
 - g. Negotiations will also cease if Company personnel cannot clearly demonstrate that proposed adjustments have not been recovered in this or prior ACA periods.

Docket No. 07-00174 – Company is Requesting an Extension of the Audit Period
(April 16, 2008)

RECEIVED

2008 APR 16 AM 10:34

T.R.A. DOCKET ROOM

Moore & Van Allen

James H. Jeffries IV
Attorney at Law

T 704 331 1079
F 704 339 5879
jimjeffries@mvalaw.com

Moore & Van Allen PLLC

Suite 4700
100 North Tryon Street
Charlotte, NC 28202-4003

April 11, 2008

VIA UPS OVERNIGHT

Chairman Eddie Roberson
c/o Ms. Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Docket No. 07-00174; Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc., Actual Cost Adjustment Account Filing for the Twelve Months Ended December 31, 2006.

Dear Chairman Roberson:

On July 16, 2007, Nashville Gas Company, a division of Piedmont Natural Gas Company (now "Piedmont Natural Gas Company") (the "Company" or "Piedmont") made its Actual Cost Adjustment Account ("ACA") Filing for the twelve months ended December 31, 2006. On April 3, 2008, the Tennessee Regulatory Authority Audit Staff ("Audit Staff") filed its Compliance Audit Report in the above-captioned docket. This report was made after extensive interaction and discussions between the Company and Audit Staff over the preceding eight months and in the wake of issues raised in the Company's previous ACA filing regarding, among other things, the use of "accruals" by the Company in recording its commodity and demand gas costs in its ACA account. The filed version of the report indicates a substantial number of unresolved and disputed issues between Audit Staff and the Company.

Following the filing of this report, Ms. Darlene Standley, Chief of the Authority's Utilities Division, by letter dated April 8, 2008, requested that the Company respond to Audit Staff's report by 2:00 pm on April 21, 2008.

The process used to develop the Audit Staff's report in this proceeding involved the development and provision of draft findings by the Audit Staff to the Company, the Company's provision of responses to those draft findings, and then the filing of the report with the Authority. The filed version of the report also contained Audit Staff's rebuttal to the Company's responses and the ultimate recommendations of Audit Staff, neither of which were seen by the Company until the report was filed with the Authority.

Research Triangle, NC
Charleston, SC

The process described above resulted in the resolution of many issues identified by Audit Staff both before and after Audit Staff presented its draft findings to the Company. For example, in its response to Audit Staff's findings, the Company indicated outright agreement with 11 out of 18 findings by the Audit Staff, and partial agreement with several others. In its rebuttal to the Company's responses, the Audit Staff indicated agreement with the Company's position on several additional issues.

Notwithstanding the substantial progress that has been made between Audit Staff and the Company, it is clear that a number of significant issues remain unresolved based on the content of the Audit Staff's rebuttal of the Company's position and its ultimate recommendations. These issues include both discrete accounting issues relating to the proper level of costs reflected in the ACA account as well as issues of accounting/reporting methodology. While the Company was aware that some issues remained unresolved after its response to the draft report, it was frankly surprised by both the forcefulness and content of the Audit Staff's rebuttal and the ultimate recommendations of the report. It is Piedmont's strong desire to be compliant with all requirements of the Tennessee Regulatory Authority, including those relating to the accounting of its gas costs, and the obvious disputes evident from Audit Staff's report are troubling to the Company.

Since the Audit Staff's report was filed, Piedmont has carefully studied the comments and recommendations contained in the report and has reached two conclusions. First, the Company believes that with some additional work by the Company and the provision of additional information to Audit Staff, a number of the discrete accounting issues that remain outstanding can be resolved. Second, the Company believes that Audit Staff and the Company's gas cost accounting personnel may have been "talking past each other" for some time with respect to matters involving whether certain gas costs recorded by the Company represent "accruals" or "actual gas costs" and how those costs should be reported to Audit Staff. Based on these conclusions, Piedmont believes that additional discussions between Audit Staff and the Company may be helpful in resolving some or all of the outstanding matters reflected in Audit Staff's report.

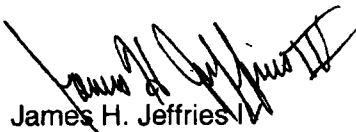
In the current procedural context of this docket, however, the time needed to undertake these discussions is not available inasmuch as the current audit period expires on April 21, 2008. In order to afford time for these discussions, Piedmont respectfully requests that the Authority and/or hearing officer assigned to this case enter an order extending the audit period for a period of not less than 60 days during which the Company and Audit Staff can meet in an effort to eliminate (or at least narrow) the contested matters at issue between them. Piedmont also requests that its obligation to formally respond to the Audit Staff's report, as reflected in the April 8, 2008 correspondence of Ms. Standley, be similarly extended until near the end of the audit extension period. Piedmont understands that Audit Staff will need to be provided sufficient time within the extended audit period to file any reply it may deem appropriate after receiving the Company's formal response. Piedmont acknowledges that allowing Audit Staff the opportunity to reply to the Company's response is essential to maintaining the integrity of the audit process.

The Honorable Eddie Roberson
April 11, 2008
Page 3

Piedmont has discussed the foregoing request with counsel for Audit Staff, Ms. Rebecca Montgomery, and it is undersigned counsel's understanding that Audit Staff has no objections to the requested extensions of time and is willing to engage in the discussions proposed by the Company.

Thank you for your consideration of this request. If you have any questions about this matter, you may reach me at the number shown above.

Sincerely,



James H. Jeffries

JHJ/bao

Enclosures

c: Ms. Rebecca Montgomery
Mr. R. Dale Grimes
Mr. David Carpenter

Docket No. 07-00174 – Request of Piedmont for Extension of Time to Provide
Additional Analysis to Audit Staff (May 20, 2008)

RECEIVED

2008 MAY 20 PM 3:53

T.R.A. DOCKET ROOM

Moore & Van Allen

James H. Jeffries IV
Attorney at Law

T 704 331 1079
F 704 339 5879
jimjeffries@mvalaw.com

Moore & Van Allen PLLC

Suite 4700
100 North Tryon Street
Charlotte, NC 28202-4003

May 20, 2008

VIA UPS OVERNIGHT

Chairman Eddie Roberson
c/o Ms. Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Docket No. 07-00174; Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc., Actual Cost Adjustment Account Filing for the Twelve Months Ended December 31, 2006.

Dear Chairman Roberson:

On April 16, 2008 Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company") filed a request with the Authority in the above-captioned docket seeking (1) an extension of the audit period in this case for the purpose of permitting time for the Company and Audit Staff to meet in an effort to eliminate (or at least narrow) the contested matters at issue between them, and (2) an extension of the Company's date to respond to the Audit Staff's report, as requested in data request issued by Ms. Standley of the Authority Advisory Staff on April 8, 2008. That request was granted by Order issued April 18, 2008 which established a response date for Piedmont to the Audit Staff's report of May 21, 2008 and an extension of the audit period until June 20, 2008.

Since the date of that Order, Piedmont and Audit Staff have met and exchanged additional information and documentation regarding Piedmont's review period ACA costs and accounting practices. As a result, substantial progress has been made on reaching consensus with respect to the form in which Piedmont will present information to Audit Staff in future ACA audits. In addition, a number of adjustments to Piedmont's ACA account for the period under review, which were previously disputed, have now been resolved.

Notwithstanding the substantial progress that has been made in the last several weeks, one significant accounting adjustment remains unresolved between the parties. Piedmont has conducted additional analysis of this adjustment in the last several days and believes that it would be productive to have a brief further extension of time to provide additional analysis to Audit Staff regarding this adjustment in the hope that the dispute over this matter might be resolved as well.

Research Triangle, NC
Charleston, SC

The Honorable Eddie Roberson
May 20, 2008
Page 2

Further, it is Piedmont's understanding that the Authority currently has no conferences scheduled prior to June 20, 2008 and, therefore, there is no ready opportunity for the Authority to consider this docket within the current audit extension period.

Based on the foregoing, and in order to promote the orderly and efficient disposition of this matter and allow additional time for discussions between the Company and Audit Staff, Piedmont respectfully requests that the Authority (1) extend the ACA audit period in this proceeding through and including July 31, 2008, (2) extend the date by which Piedmont must file its response to the Audit Staff's Report until June 3, 2008, and (3) extend the time by which Audit Staff may answer Piedmont's response until June 11, 2008.

Piedmont has discussed the foregoing request for additional extensions of time with counsel for Audit Staff, Ms. Rebecca Montgomery, and it is undersigned counsel's understanding that Audit Staff has no objections to the further extensions of time requested herein.

Thank you for your consideration of this request. If you have any questions about this matter, you may reach me at the number shown above.

Sincerely,



James H. Jeffries IV

JHJ/bao

Enclosures

c: Ms. Rebecca Montgomery
Mr. R. Dale Grimes
Mr. David Carpenter

Docket No. 07-00174 - Joint Final Report of Audit Staff and Piedmont Natural Gas
Company (June 10, 2008)

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

RECEIVED

2008 JUN 10 PM 1:09

IN RE:

T.R.A. DOCKET ROOM

NASHVILLE GAS COMPANY, A DIVISION OF)
PIEDMONT NATURAL GAS COMPANY, INC.,)
ACTUAL COST ADJUSTMENT ACCOUNT)
FILING FOR THE TWELVE MONTHS ENDED)
DECEMBER 31, 2006)

Docket No. 07-00174

JOINT FINAL REPORT OF AUDIT STAFF AND PIEDMONT NATURAL GAS COMPANY

Audit Staff of the Tennessee Regulatory Authority ("Audit Staff") and Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel, respectfully submit this Joint Final Report on Piedmont's Actual Cost Adjustment ("ACA") account for the twelve months ended December 31, 2006 ("Review Period"). This Joint Report resolves all pending issues between Audit Staff and Piedmont in this proceeding and sets forth, in Attachments 1 and 2 hereto, the final agreed ACA Account Summary for the twelve-month period ended December 31, 2006 and a Summary of Adjustments to the ACA account balance reflected in Audit Staff's April 3, 2008 Compliance Audit Report filing ("Compliance Report") in this proceeding. Piedmont and Audit Staff respectfully request that the Tennessee Regulatory Authority ("Authority") accept and approve this Joint Final Report as the final accounting of Piedmont's ACA account for the Review Period. In support of this request, Audit Staff and Piedmont respectfully show unto the Authority as follows:

1. On April 3, 2008, Audit Staff issued its initial Compliance Report in this proceeding in which it recommended Review Period adjustments to Piedmont's ACA account of (\$4,730,021.97). In its Compliance Report, Audit Staff also reflected substantial dissatisfaction with the methodology Piedmont used to record its gas costs during the Review Period, which Audit Staff characterized as a continuing problem with the Company's reporting of its gas costs.

2. In its Compliance Report, Audit Staff also reflected Piedmont's response to Audit Staff's findings and proposed ACA account adjustments. Those responses included agreement by Piedmont with the majority of Audit Staff's proposed adjustments but disagreement with a smaller number of proposed adjustments. In its response, Piedmont also disputed that it had recorded estimated rather than actual costs in its ACA account for the Review Period.

3. The Compliance Report contained Audit Staff's rebuttal of Piedmont's response. This rebuttal demonstrated substantial ongoing disagreement between the Company and Audit Staff with respect to Piedmont's Review Period reporting of gas costs and the proper ending balance in Piedmont's ACA account.

4. On April 8, 2008, the Authority Advisory Staff issued a data request to Piedmont asking the Company to respond to the matters set forth in Audit Staff's rebuttal.

5. On April 18, 2008, at the request of Piedmont and with the consent of Audit Staff, the Authority extended the time in which Piedmont was required to respond to Audit Staff's rebuttal and also extended the time by which the audit process must be completed. Piedmont's request for extension of time indicated that it believed that further discussions between Audit Staff and the Company could help narrow or eliminate disputed reporting issues and that Audit Staff had agreed to participate in such discussions. Piedmont's request also indicated the Company's belief that Audit Staff and Piedmont accounting personnel had been "talking past each other" with regard to the Company's regulatory reporting.

6. Following the Authority's approval of the requested extension, Piedmont and Audit Staff met to discuss Audit Staff's findings and proposed adjustments to Piedmont's ACA account and the issue of Audit Staff's dissatisfaction with Piedmont's regulatory reporting. Piedmont also provided additional information and documentation to Audit Staff (at this meeting and afterwards) regarding several of Audit Staff's adjustments.

7. This process was fruitful and resulted in the Company understanding the manner in which Audit Staff requires ACA account gas costs to be reported. This process also resulted in several agreed modifications to Audit Staff's Compliance Report ACA account adjustments

based on the provision of additional information by Piedmont and further review of that information by Audit Staff.

8. The modifications to Audit Staff's Compliance Report adjustments agreed to by Piedmont and Audit Staff as a result of this process are detailed on the schedule attached hereto as Attachment 1. The cumulative adjustments to Piedmont's Review Period ACA account agreed to by Piedmont and Audit Staff are shown on the schedule attached hereto as Attachment 2.

9. The agreements between Piedmont and Audit Staff reflected herein resolve all monetary matters in dispute between the parties with respect to Piedmont's ACA account for the twelve months ended December 31, 2006.

10. Based on the foregoing, Audit Staff and Piedmont respectfully request that the Authority accept the final agreed balance of Piedmont's Review Period ACA account as reflected herein and on Attachments 1 and 2 appended hereto as an amendment to the findings of the April 3, 2008 Compliance Report.

WHEREFORE, for the reasons set forth above, Audit Staff and Piedmont respectfully request that the Authority issue an order approving the Compliance Report, as amended herein, with the agreed upon balance of Piedmont's ACA account at December 31, 2006 reflected herein and in Attachments 1 and 2 hereto.

Respectfully submitted, this the 10th day of June, 2008.

Tennessee Regulatory Authority Audit Staff

Rebecca S. Montgomery

Piedmont Natural Gas Company, Inc.

James H. Jeffries IV (RSM by permission)

Piedmont Natural Gas
ACA Audit Results
January 2006 - December 2006
Docket No. 07-00174

Summary of Adjustments Resulting from Additional Documentation Supplied by Company

	<u>Amount</u>	<u>Reference</u>
Total Findings Issued by Audit Staff	(4,730,021.97)	Audit Report (April 3, 2008), page 7.
Adjustments Agreed to by Audit Staff:		
December 2006 Columbia invoice - Commodity	1,725.01	Finding #1, page 14. Company documentation number 32.
December 2006 Columbia invoice - Demand	31,449.50	Finding #12, page 28. Company documentation number 32.
October 2006 AP Adjustments for Nov./ Dec. 2005		
Merril Lynch Invoice	45,837.45	Finding #1, page 14. Company documentation number 15.
Coral Invoice	1,302,695.02	Finding #1, page 14. Company documentation number 15.
El Paso Invoice	(540,241.96)	Finding #1, page 14. Company documentation number 15.
El Paso Invoice	160,436.76	Finding #12, page 27.
El Paso Invoice	412,542.00	Finding #12, page 27.
Interest Effect of Above Adjustments	<u>103,347.56</u>	Finding #16, page 32. Staff recalculation of interest.
Subtotal of Adjustments made by Audit Staff	<u>1,517,791.34</u>	
Restated Audit Findings	<u>(3,212,230.63)</u>	
Audit Adjustments Requested by Company:		
Company Documentation No. 32	33,174.51	
Company Documentation No. 15	1,775,539.40	
Company Documentation No. 21, 24, 25	39,769.96	
Company Documentation No. 20	<u>-</u>	
	1,848,483.87	
Adjustments Accepted by Audit Staff	<u>1,517,791.34</u>	
Difference	<u>(330,692.53)</u>	

ATTACHMENT 1

Piedmont Natural Gas
ACA Audit
Docket No. 07-00174

Summary of the ACA Account:

	Company Filing	Staff	Difference (Findings)
Commodity Balance at 1/1/06	-18,934,743.47	-18,934,743.47	\$0.00
Plus Gas Costs	184,410,960.47	182,432,346.61	-1,978,613.86
Minus Recoveries	<u>162,472,648.03</u>	<u>162,440,217.86</u>	<u>-32,430.17</u>
Ending Balance before Interest	\$3,003,568.97	\$1,057,385.28	-1,946,183.69
Plus Interest	<u>-283,922.05</u>	<u>-320,578.05</u>	<u>-36,656.00</u>
Commodity Balance at 12/31/06	<u>\$2,719,646.92</u>	<u>\$736,807.23</u>	<u>-\$1,982,839.69</u>
Demand Balance at 1/1/06	\$3,981,917.83	\$3,981,917.83	\$0.00
Plus Gas Costs	8,755,212.87	7,556,711.57	-1,198,501.30
Minus Recoveries	<u>8,129,471.48</u>	<u>8,129,471.48</u>	<u>0</u>
Ending Balance before Interest	\$4,607,659.22	\$3,409,157.92	-1,198,501.30
Plus Interest	<u>355,658.11</u>	<u>324,768.47</u>	<u>-30,889.64</u>
Demand Balance at 12/31/06	<u>\$4,963,317.33</u>	<u>\$3,733,926.39</u>	<u>-\$1,229,390.94</u>
Total ACA Ending Balance at 12/31/06	<u>\$7,682,964.25</u>	<u>\$4,470,733.63</u>	<u>-\$3,212,230.62</u>

ATTACHMENT 2

Docket No. 07-00174 – Order Adopting ACA Audit Report of Tennessee
Regulatory Authority's Utilities Division (August 7, 2008)

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

August 7, 2008

IN RE:

**NASHVILLE GAS COMPANY, A DIVISION OF
PIEDMONT NATURAL GAS COMPANY, INC.
ACTUAL COST ADJUSTMENT (ACA) AUDIT
FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2006**

**DOCKET NO.
07-00174**

**ORDER ADOPTING ACA AUDIT REPORT OF
TENNESSEE REGULATORY AUTHORITY'S UTILITIES DIVISION**

This matter came before Chairman Tre Hargett, Director Sara Kyle, and Director Mary W. Freeman of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on July 28, 2008 for consideration of the report of the Authority's Utilities Division (the "Audit Staff") resulting from the Audit Staff's audit of Nashville Gas Company's ("Piedmont," "Nashville Gas," or the "Company") annual deferred gas cost account filing for the year ended December 31, 2006 and the subsequent Joint Final Report of Audit Staff and Piedmont Natural Gas Company ("Joint Final Report") filed on June 10, 2008. The Actual Cost Adjustment ("ACA") Compliance Audit Report (the "Report"), attached hereto as Exhibit A and incorporated by this reference, contains the audit findings of the Audit Staff, the responses thereto of the Company, the rebuttal of Audit Staff to Company responses, and the recommendations of the Audit Staff to the Company addressing the findings.

The Company submitted its ACA filing on July 16, 2007, and the Audit Staff completed its audit of the Company's filing on March 12, 2008. On March 14, 2008, the Audit Staff issued its preliminary ACA audit findings to the Company, and the Company responded to these findings on March 25, 2008. The Audit Staff filed the Report on April 3, 2008. The Report contains eighteen

findings which result in the net over-recovery of \$4,730,021.97.

On April 8, 2008, a data request was issued by Authority Advisory Staff asking the Company to respond to certain matters set forth in the Report. On April 18, 2008, the Hearing Officer issued an Order granting the Company's request for an extension of time to file its response so that further discussions could take place between the Company and Audit Staff. The Joint Final Report was filed on June 10, 2008 which set out agreed to modifications to the Report's account adjustments. These modifications lowered the Audit Staff's total adjustments by \$1,517,791.34, thereby resulting in a restated net audit finding of \$3,212,230.62 in over-recovered gas costs. The *Joint Final Report* stated the final agreed-upon balance as \$4,470,733.63 and requested that the Authority issue an order approving the Report, as amended.

After consideration of the entire record, the panel voted unanimously to approve and adopt the findings and Actual Cost Adjustment account balances contained in the April 3, 2008 Report, as amended by the Joint Final Report. The panel further voted unanimously to adopt the recommendations contained in the April 3, 2008 Report as set forth below.

1. The Company shall include actual bills or third party support documents for all amounts reflected on the ACA analysis schedule with its initial filing and that the Company use only tariffed rate codes on recovery schedules provided in the ACA filing.

2. The Company shall develop a comprehensive strategy to address the concerns noted in this audit.

3. The Company shall identify its asset management payments as a separate line item in its future ACA filings.

4. The Company shall provide third party invoices to support all volumes that are injected or withdrawn from storage each month, appropriately cross-referenced from inventory schedules to invoices.

5. The Company shall provide the calculations of injection rates for all injections each month appropriately cross-referenced from inventory schedules to invoices. All calculations should be provided electronically in an Excel spreadsheet with working formulas.

6. The Company shall provide the calculations of the Weighted Average Cost of Gas rates applied to all withdrawals each month. All calculations should be provided electronically in an Excel spreadsheet with working formulas.

7. The Company shall use the Audit Staff's ending commodity and demand balances as the beginning commodity and demand balances in the next reporting period.

8. The Company is put on notice that future non-compliant ACA filings will be subject to rejection, and the Company may, therefore, be subject to any and all remedies and sanctions available to the Authority.

IT IS THEREFORE ORDERED THAT:

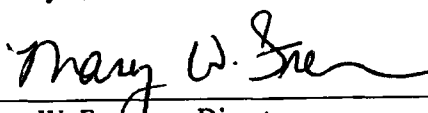
The Actual Cost Adjustment Compliance Audit Report of Nashville Gas Company's annual deferred gas cost account filing for the year ended December 31, 2006, a copy of which is attached to this Order as Exhibit A, is approved and adopted, as amended by the Joint Final Report attached to this Order as Exhibit B, and the findings and recommendations contained therein are incorporated in this Order as if fully rewritten herein.



Tre Hargett, Chairman



Sara Kyle, Director



Mary W. Freeman, Director

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

April 3, 2008

IN RE:

NASHVILLE GAS COMPANY
ACTUAL COST ADJUSTMENT (ACA) AUDIT

)
)
) **Docket No. 07-00174**
)

**NOTICE OF FILING BY THE UTILITIES DIVISION OF THE TENNESSEE
REGULATORY AUTHORITY**

Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Regulatory Authority hereby gives notice of its filing of the Compliance Audit Report of the Actual Cost Adjustment (hereafter "ACA") Component of the Purchased Gas Adjustment Rule ("PGA Rule") for Nashville Gas Company (hereafter the "Company") in this docket and would respectfully state as follows:

1. The present docket was opened by the Authority to hear matters arising out of the audit of the Company's ACA filing for the period January 2006 through December 2006.
2. The Company's ACA filing was received on July 16, 2007, and Audit Staff ("Staff") completed its audit of same on March 12, 2008
3. On March 14, 2008, the Utilities Division issued its preliminary ACA audit findings to the Company and on March 25, 2008, the Company responded thereto.
4. The preliminary ACA audit report was modified to reflect the Company's responses to the preliminary audit findings, Staff's rebuttal responses to eight (8) Company


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responses and a final ACA audit report (the "Report") resulted therefrom. The Report is attached hereto as Exhibit A and is fully incorporated herein by this reference. The Report contains the audit findings of the Utilities Division, the Company's responses thereto, Staff's rebuttal responses, and the conclusions and recommendations of the Utilities Division in connection therewith.

5. The original 180-days for completion of the audit of Nashville Gas Company was extended on several occasions, lastly to April 21, 2008, by mutual consent of the Company and the Staff as provided for in PGA Rule 1220-4-7-.03(2).

6. The Utilities Division hereby files its Report with the Tennessee Regulatory Authority for deposit as a public record and approval of the recommendations and findings contained therein.

Respectfully Submitted:

A handwritten signature in cursive script that reads "Paul D. Greene". The signature is written in dark ink and is positioned above a horizontal line.

Paul D. Greene
Utilities Division
Tennessee Regulatory Authority

CERTIFICATE OF SERVICE

I hereby certify that on this 3rd day of April, 2008, a true and exact copy of the foregoing has been either hand-delivered or delivered via U.S. Mail, postage pre-paid, to the following persons:

Eddie Roberson
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Mr. David Carpenter
Director - Rates
Piedmont Natural Gas Company
PO Box 33068
Charlotte, NC 28233

Ms. Jenny Furr
Manager – Regulatory Reporting
Piedmont Natural Gas Company
PO Box 33068
Charlotte, NC 28233

Ms. Kelly Choate
Piedmont Natural Gas Company
4720 Piedmont Row Drive
Charlotte, NC 28210

James H. Jefferies, IV Esq.
Moore & Van Allen, PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202

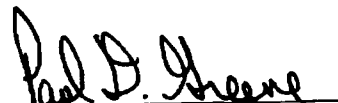

Paul D. Greene

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

Nashville Gas Company

ACTUAL COST ADJUSTMENT

DOCKET NO. 07-00174

PREPARED BY

TENNESSEE REGULATORY AUTHORITY

UTILITIES DIVISION

April 2008

COMPLIANCE AUDIT
NASHVILLE GAS COMPANY
ACTUAL COST ADJUSTMENT
DOCKET NO. 07-00174
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I. INTRODUCTION

The subject of this audit is Nashville Gas Company's ("Nashville Gas," "Company" or "NGC") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Regulatory Authority ("TRA" or the "Authority"). The objective of the audit was to determine whether the Purchased Gas Adjustments ("PGA"), which are encompassed by the Actual Cost Adjustment ("ACA")¹, for the twelve (12) months ended December 31, 2006, were calculated correctly and were supported by appropriate source documentation. **Staff also reviewed this filing to determine the Company's compliance with the Authority's order in Docket No. 06-00087.**

II. AUDIT OPINION

On July 16, 2007, the TRA Audit Staff (hereafter "Staff") received NGC's ACA filing supporting the activity in its deferred gas cost account ("ACA Account") for the period January 1, 2006 through December 31, 2006. Nashville Gas filed a PGA May 31, 2007 to surcharge the Company's unaudited February 28, 2007 balance in the ACA Account effective July 1, 2007.

Staff's audit resulted in eighteen (18) findings.² The net amount of these findings is **\$4,730,021.97 in overrecovered gas costs.** The Company's reported December 31, 2006 balance of **\$7,682,964.25 in underrecovered gas costs** is decreased by the \$4,730,021.97 overcollected gas costs determined in this audit. The corrected balance in the ACA Account at December 31, 2006 is **\$2,952,942.29 in underrecovered gas costs.** The amount of the Company's errors represent less than three percent of its total gas invoices, and is therefore immaterial by comparison. Staff concludes that except for the findings noted in this report, NGC is correctly implementing its Purchased Gas Adjustment Rider as calculated in the Actual Cost Adjustment, in accordance with TRA rules for Nashville Gas Company.

III. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Nashville Gas Company, with headquarters at 665 Mainstream Drive, Nashville, Tennessee, is an operating division of Piedmont Natural Gas Company, which has its headquarters at 4720 Piedmont Row Drive, Charlotte, North Carolina. On February 12, 2008, the Company notified the Authority of its intent to change the name under which it operates in Tennessee from Nashville Gas Company to its corporate name of Piedmont Natural Gas Company, Inc. The Authority issued an order on March 31, 2008 in Docket No. 08-00028 approving the change. Piedmont is a gas distributor that provides service to several communities in the Middle Tennessee area. The natural gas used to serve these areas is purchased from producers and marketers and transported to Piedmont's city gate through the interstate transmission facilities of Tennessee Gas Pipeline ("TGP"), Columbia Gas Transmission Corporation ("CGTC"), Texas Eastern Gas Pipeline ("TETCO") and Midwestern Gas Transmission Company ("MGT").

¹ The ACA is more fully described in Section V.

² Refer to Section VII for a description of the findings.

IV. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY

Tennessee Code Annotated ("T.C.A.") gave jurisdiction and control over public utilities to the Tennessee Regulatory Authority. T.C.A. §65-4-104 states that:

The [A]uthority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, T.C.A. §65-4-105 grants the same power to the Authority with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The Utilities Division Staff of the TRA is responsible for auditing those energy, water and wastewater utilities under the Authority's jurisdiction to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Authority. Paul Greene and Michelle Ramsey conducted this audit.

V. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

Actual Cost Adjustment Audits:

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Regulatory Authority. The PGA Rule permits a gas company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that a company does not over-collect or under-collect gas costs from its customers. The PGA consists of three major components:

1. **The Actual Cost Adjustment ("ACA")**
2. **The Gas Charge Adjustment ("GCA")**
3. **The Refund Adjustment ("RA")**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the TRA

in another docket) as reflected in the Deferred Gas Cost account. The ACA then "true-up" the difference between the actual gas costs and the gas costs recovered from customers through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A.

Section 1220-4-7-.03(2) of the PGA Rule requires:

Each year, the Company shall file with the [Authority] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Authority] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180-day notification period may be extended by mutual consent of the Company and the [Authority] Staff or by order of the [Authority].

Prudence Audit of Gas Purchases:

Section 1220-4-7-.05 of the PGA Rule requires, unless otherwise ordered by the Authority, an "Audit of Prudence of Gas Purchases" by a qualified consultant. This specialized audit evaluates and reports annually on the prudence of any gas costs included in the PGA. In Docket 96-00805, Nashville Gas was authorized to operate under a Performance-Based Ratemaking Mechanism ("PBR" or "Incentive Plan"), beginning July 1, 1998, and continuing each year unless terminated by the Company or the Authority. For each year that the mechanism was in effect, the requirements of Section 1220-4-7-.05 of the PGA Rule was waived. On December 14, 2007, the TRA issued an order in Docket 05-00165 approving a revised Incentive Plan for Nashville Gas, effective July 1, 2006. This revised Incentive Plan replaces the annual prudence review of the Company's gas purchasing activities.

VI. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of NGC's ACA Account. The audit goal is to verify that the Company's calculations of gas costs incurred and recovered are materially correct,³ and that the Company is following all Authority orders and directives with respect to its calculation of the ACA Account balance. Also included in this audit is the Company's PGA filing implementing a customer surcharge of the unaudited February 28, 2007 ACA Account balance filed May 31, 2007, effective July 1, 2007. **Staff also reviewed this filing to determine the Company's compliance with the Authority's order in Docket No. 06-00087.**

³ The audit goal is not to guarantee that the Company's results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review.

To accomplish the audit goal, Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by the Company. Where appropriate, Staff requested additional information to clarify the filing.

VII. ACA AUDIT FINDINGS

NOTE: In Docket No. 06-00087, the Authority approved and adopted the ACA Audit Report of NGC's annual deferred gas cost account filing for the year ended December 31, 2005. The Authority specifically adopted the findings and recommendations contained in the Audit Report, including the recommendation that the "accrual methodology the Company used in the ACA filing be rejected and the Company [be] directed to report actual amounts in the month incurred."⁴ Staff reviewed the Company's compliance with the Authority's June 14, 2007 Order in completing this Audit.

The result of the Staff's audit was a net overrecovery of \$4,730,021.97 which has the effect of decreasing the Company's underrecovered balance at December 31, 2006 by this amount. A summary of the account as filed by the Company and as adjusted by the Staff is shown below, followed by a detailed description of each finding. Staff sent its preliminary findings to Nashville Gas on March 14, 2008 and asked that the Company provide written responses to each one. Nashville Gas complied on March 25, 2008, and Staff has copied their responses verbatim into this final report. Staff then considered each response and adjusted our results as we deemed appropriate.

SUMMARY OF THE ACA ACCOUNT:

	Company	Staff (1)	Difference (Findings)
Commodity Balance at 1/1/06	\$ -18,934,743.47	\$ -18,934,743.47	\$ 0.00
Plus Gas Costs	184,410,960.47	181,622,331.09	-2,788,629.38
Minus Recoveries	<u>162,472,648.03</u>	<u>162,440,217.86</u>	<u>-32,430.17</u>
Ending Balance before Interest	\$ 3,003,568.97	\$ 247,369.76	\$ -2,756,199.21
Plus Interest	<u>-283,922.05</u>	<u>-380,873.12</u>	<u>-96,951.07</u>
Commodity Balance at 12/31/06	<u>\$ 2,719,646.92</u>	<u>\$ -133,503.35</u>	<u>\$ -2,853,150.28</u>
 Demand Balance at 1/1/06	 \$ 3,981,917.83	 \$ 3,981,917.83	 \$ 0.00
Plus Gas Costs	8,755,212.87	6,952,283.31	-1,802,929.56
Minus Recoveries	<u>8,129,471.48</u>	<u>8,129,471.48</u>	<u>0.00</u>
Ending Balance before Interest	\$ 4,607,659.22	\$2,804,729.66	\$ -1,802,929.56
Plus Interest	<u>355,658.11</u>	<u>281,715.98</u>	<u>-73,942.13</u>
Demand Balance at 12/31/06	<u>\$ 4,963,317.33</u>	<u>\$ 3,086,445.64</u>	<u>\$ -1,876,871.69</u>
 Total ACA Ending Balance at 12/31/06 (2)	 <u>\$ 7,682,964.25</u>	 <u>\$ 2,952,942.29</u>	 <u>\$ -4,730,021.97</u>

⁴ In re: Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. Actual Cost Adjustment (ACA) Audit for the Twelve Months Ended December 31, 2005, Docket No. 06-00087, Order Adopting ACA Audit Report of Tennessee Regulatory Authority's Utilities' Division, Exhibit A, p. 13 (June 14, 2007).

- (1) Staff's column and the Summary of Findings below contain the final audit results after Staff took into consideration the Company's responses to the preliminary findings.**
- (2) Nashville Gas filed a PGA May 31, 2007 to surcharge the Company's unaudited February 28, 2007 balance in the ACA Account of \$6,193,507, effective July 1, 2007.**

Note: A negative number indicates an overrecovery of gas costs.

SUMMARY OF FINDINGS:See page

FINDING #1	Accrual Adjustment	\$ (1,964,194.67)	Over-recovery	8
FINDING #2	Hedging Cost Adjustment	467,228.00	Under-recovery	15
FINDING #3	LNG Power Costs	(66,600.00)	Over-recovery	16
FINDING #4	Cash-out Adj.	400,792.77	Under-recovery	17
FINDING #5	Commodity Recoveries	32,430.17	Under-recovery	18
FINDING #6	Banked Gas Adjustment	(984,484.16)	Over-recovery	20
FINDING #7	Miscellaneous Adjustment	(966,432.32)	Over-recovery	21
FINDING #8	Miscellaneous Adjustment	(68,400.00)	Over-recovery	22
FINDING #9	Asset Management Misclassification	393,461.00	Under-recovery	23
FINDING #10	Interest – Commodity	(96,951.07)	Over-recovery	24
FINDING #11	Asset Management Misclassification	637,500.00	Under-recovery	25
FINDING #12	Accrual Adjustment	(708,364.31)	Over-recovery	26
FINDING #13	2004 Audit Finding	(1,837.60)	Over-recovery	29
FINDING #14	Asset Mgt. Misclassification	(1,030,961.00)	Over-recovery	30
FINDING #15	Miscellaneous Adjustment	(699,266.65)	Over-recovery	31
FINDING #16	Interest – Demand	(73,942.13)	Over-recovery	32
FINDING #17	Tariff Rate Codes	No \$\$ effect		33
FINDING #18	Accruals	<u>No \$\$ effect</u>		34

Net Result**\$ (4,730,021.97) Over-recovery**

FINDING #1:

Exception

The Company over-stated its commodity invoiced gas costs by including accrual adjustments in the ACA filing. This is a repeat finding from the prior audit.

Preliminary Discussion

The Purchased Gas Adjustment (PGA) Rules "are intended to permit the company to recover, in timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the Company does not over-collect or under-collect Gas Costs from its customers." TRA Rule (1220-4-7-.02)(1) ("PGA Rule") Gas Costs "shall mean the total delivered cost of gas paid or to be paid to Suppliers,..." PGA Rule (1220-4-7-.01(1). The intent is clear that the cost of gas to be recovered from customers should be based on actual invoiced gas costs. Therefore, Staff eliminated all accrual adjustments from the Company's reported gas costs and included only those amounts documented by actual invoiced amounts. The result of this finding is a **decrease in commodity gas costs of \$1,964,643.36.**

Company Response

The Company agrees, in part, and disagrees, in part, with Audit Staff's Finding #1. The Company has suggested, and believes that Audit Staff concurs, that data reflecting the Company's "actual" gas costs for each month should be reported to Staff for ACA audit purposes to ensure that actual gas costs are recovered from customers. The Company disagrees, however, with the Staff's finding that the adjustments to the Company's reported invoiced gas costs should be eliminated, resulting in a \$1,964,643.36 decrease of the Company's commodity gas costs.

The Audit Staff and the Company have differing understandings of the appropriate treatment of the Company's adjustments to invoices. Under the accrual accounting methodology, the Company records adjustments to invoices in the month that the adjustments are recognized, instead of recording the adjustments in the month to which an adjustment is related as Audit Staff would prefer. As a result, Audit Staff eliminated adjustments totaling (\$1,299,800.57) for the review period, based on the misunderstanding that various adjustments reflect accruals instead of actual costs. These amounts represent adjustments that have been recorded to the cost of gas in the periods presented and are valid actual adjustments, not accruals as the Audit Staff has presented. Accordingly, the Company disagrees with the Staff's elimination of the \$1,964,643.36 in adjustments from the commodity invoiced gas costs. The appropriate adjustment should be in the amount of (\$302,417.98) for commodity costs as presented on the attached schedule captioned Analysis of TRA Staff Adjustments. Additionally, the Audit Staff has included demand adjustments in February of \$4,294.64; in April of \$6,530.80; in October of \$6,791.63; in December of (\$31,449.50) and commodity adjustments in December of (\$157,925.85). The Company is unable to determine the basis for these additional demand and commodity adjustments and, therefore, cannot agree to them.

The Staff's Findings #1, #12, and #18 are based on the Staff's position that "accrual accounting has no place in the reporting of transactions in the ACA Account." The Staff's last audit addressed the Staff's preference that the Company use a cash accounting methodology instead of the Company's current methodology of accruing estimated gas costs in the current month, followed by reversals and booking actuals in the month that adjustments are realized. While the accrual methodology may make it slightly more complicated for Staff to conduct the ACA audit, the Company believes that its use of the GAAP approved methodology and the ability to assess the Company's actual costs are not mutually exclusive. In fact, the Company successfully uses this methodology for all jurisdictions that the Company serves and to change this methodology to account for Nashville Gas accounts in Tennessee in a separate manner would be onerous and result in an unnecessary increase in costs to the Company. The Company has worked with Audit Staff this year to provide Audit Staff with ACA schedules that meet the Audit Staff's needs. In fact, the Company withdrew its initial filing in an effort to provide Audit Staff with simplified schedules to assist in the audit process. The Company continues to desire to work with Audit Staff to reach a consensus on an ACA reporting structure that simplifies the audit process for future periods while also respecting the Company's current operating structure, accounting systems, internal reporting needs, and cost concerns.

Staff Rebuttal to Company Response

While the Company keeps saying they are not accruing costs in the ACA, by their own admission, they record "adjustments to invoices in the month that the adjustments are recognized, instead of recording the adjustments in the month to which an adjustment is related **as Audit Staff would prefer.**"⁵ [Emphasis added] Staff asserts that the Company is totally misrepresenting Staff's position.

To be perfectly clear, Staff gives the following illustrative examples of how costs should be recorded in the ACA filing.⁶ We clarify that we may not cover every situation. Should the Company have questions regarding situations not covered in the examples, they can contact Staff at anytime during the year to discuss.

Typical Gas Cost Invoices

1. The Company receives an invoice in February for gas purchased in January ("January invoice").
2. While the Company may pay the invoice in February (or later), the January invoice "amount paid"⁷ must be recorded in the ACA filing as a January gas cost.

⁵ Company response to Finding #1, 2nd paragraph, 2nd sentence.

⁶ For further clarification, when Staff refers to the ACA filing, we mean the ACA schedules that the Company submits for audit by the TRA Staff to determine the correct gas costs to be recovered from ratepayers. Staff is not referring to the Company's deferred gas cost account on their books that an outside auditor would audit to determine if it reconciles to the General Ledger each month. Staff is not interested in looking at the internal journal entries made to the General Ledger, only the invoices that support the gas costs that are recovered from ratepayers.

⁷ In some cases, the Company may or may not pay the total amount billed, such as when an amount is disputed, or a credit has been taken. The amount paid, however, is the amount to be recorded.

Invoice Gas Cost Adjustment Examples

Example 1 – The supplier omits a legitimate charge on the January invoice (for whatever reason) and bills the omitted charge in April. [Staff is not sure the method the supplier would use, whether sending a revised invoice or including the omitted charge as an adjustment to the April invoice.]

This adjustment is properly recorded in the ACA filing as an April gas cost, regardless of the fact that it relates to the January purchase.

Example 2 – The supplier makes an error in the volumes or rate billed and it is not recognized by the Company until March. [Staff assumes some communication takes place between the Company and its supplier by whatever method and the Company becomes aware of the error.]

This adjustment is properly recorded in the ACA filing as a March gas cost, regardless of the fact that it relates to the January purchase.

In paragraph 3 of its response, the Company reiterates its use of the accrual methodology for its accounting. It states that in the last audit, Staff's preference was that the Company use a cash accounting methodology. Staff has never advocated any accounting methodology for the Company to use in its books and records. Footnote 9 to the Staff's Audit Report in Docket No. 06-00087 states: "The Company is free to book transactions to its general ledger as it deems appropriate according to the Uniform System of Accounts (USOA). Staff is not responsible for the Company's general ledger and is therefore unconcerned with reconciliation of the general ledger to the audited ACA balance. Staff's charge relating to ACA audits is to determine if the Company's ACA filing is accurate." We do not see this as an accounting issue. This is an audit of the Company's gas invoices and the revenues billed to ratepayers via the PGA rates. In truth, if the calculation of interest on the monthly ACA balances was not required by the PGA Rule, then the timing differences generated by accrual accounting would not be a significant problem. But the fact is that timing differences can materially impact the calculation of interest.

The Company also states in paragraph 3 that it successfully uses the accrual methodology in its other jurisdictions. This statement by the Company is interesting in light of the Public Staff testimony in South Carolina in Docket No. 2007-4-G. (See *Attachment 8* for copy of the testimony.)

"However, the Parties further agree that: (i) Piedmont experienced significant issues with some aspects of the accounting and reporting of its gas costs during the Review Period; (ii) these issues resulted in numerous ORS adjustments including, but not limited to, the Company's commodity true-up, inventory accountability and deferred account-hedging program; (iii) several issues relating to the account entries applicable to the Company's commodity true-up calculation and inventory levels remain unresolved and, as a result, ORS is unable to verify the end-of-period balance in the deferred account #253.04..." The Office of Regulatory Staff Settlement Testimony of Carey M. Flynt (November 9, 2007), page 2.

Further, in an article titled State: Piedmont Gas too sloppy: Regulators say errors repeatedly found in company's accounting, found on Trading Markets.com, Jim Hoard, assistant director of the accounting division for the public staff of the North Carolina Utilities Commission says that sometimes the accounting errors appear to work to the advantage of the company's bottom line and sometimes to the advantage of consumers. "They're making lots of mistakes." (See Attachment 9)

Staff further refutes the Company's assertion that its accrual methodology may make it "slightly" more complicated for Staff to conduct the ACA audit. In fact, Staff asserts that the Company's use of accrual methodology for regulatory reporting purposes causes the auditing process to be unduly burdensome and therefore unacceptable to Staff. Further, Staff asserts that if the Company's ACA filing methodology was compliant with TRA requirements, it would greatly reduce the number of interrogatories, data requests, phone calls, emails, conference calls, etc. between Staff and the Company in order to trace all the unnecessary accrual adjustments included in the ACA filing.

Staff will now address each commodity audit adjustment refuted by the Company on its schedule titled Analysis of TRA Audit Staff Adjustments. This schedule is attached to this report as Attachment 1. We have addressed all adjustments with which the Company disagreed.

Commodity Gas Cost Adjustments:

February 2006

\$32,564.20

The Company states that the payment made in July 2005 was correct, but that the "postings" were not. The documentation supplied by the Company (see Attachment 2) indicates that this is an "accrual adjustment" of activity which occurred in the 2005 ACA audit period. Therefore, Staff contends that this is an accrual adjustment as stated by the Company. Again, Staff opines that accruals have no place in the ACA audit. Staff has made that clear to the Company and will not attempt to trace these adjustments back through multiple months, which in some cases go to a prior audit period. True adjustments should be recorded in the ACA filing in the month the adjustment is required due to revised supplier invoices. Staff will accept only those gas costs that are supported by supplier invoices and not internal Company journal entries.

March 2006

\$3,846.27

The El Paso invoice for \$3,846.27 was paid in March 2006 and charged to gas costs. The Merrill Lynch invoice included the same cost of \$3,846.27. The Company paid the total Merrill Lynch invoice amount and the invoice amount was charged to gas costs. At this point Merrill Lynch was overpaid by \$3,846.27. In April 2006, the Company applied the credit of \$3,846.27 against the Merrill Lynch invoice total and paid the balance. Staff contends that the credit adjustment of \$3,846.27 in March and the debit adjustment of \$3,846.27 in April was an attempt

by the Company to reconcile the ACA balance to its General Ledger. The adjustments were not necessary in order to correctly state the ACA balance which should only include "actual costs" paid. As shown in the scenario recounted above, the credit due against Merrill Lynch was appropriately taken and recorded in April 2006.

April 2006

\$(3,846.27)

See discussion in March 2006 above.

\$2,929.91

The Company indicates that this amount was paid on the April 2006 invoice, which was charged to the ACA. The Company then reversed this amount with the explanation that it was "paid in April, accrued in May." (See *Attachment 3*) On *Attachment 1*, the Company gives the additional explanation that it "paid this charge on the April invoice but did not record in COG until May." COG is the Cost of Gas Schedule. First of all, Staff does not understand how an amount can be "paid" in one month and "accrued" in a subsequent month, even for General Ledger purposes much less for ACA reporting purposes. Again, Staff contends that the invoice paid in April 2006 reflects the true cost of gas for April and the adjustments made in April 2006 and May 2006 are an attempt by the Company to reconcile the ACA balance to the activity in its General Ledger.

\$73,930.23

The Company states that this amount represents a reversal of withdrawal charges recorded in November 2005 through February 2006. According to the Company explanation on *Attachment 1*, the "corrected charges appear in the April 06 Commodity Invoice section" of the Merrill Lynch invoice. Staff took the actual Merrill Lynch invoice amount for April 2006 and included this amount in the cost of gas. Therefore, the adjustment made by the Company is not necessary and Staff reversed the entry.

(\$307.99)

Staff agrees with the Company that this is a reclassification adjustment from Commodity to Demand. Staff has changed its schedules eliminating Staff's adjustment.

May 2006

(\$2,929.91)

Refer to discussion in April 2006 above.

\$(5,092.89)

Company explanation states that this cashout credit was taken in May 2006 (actual) and credit accrued in June 2006. (See *Attachment 1*) Staff recorded the actual transaction. See discussion of \$2,929.91 adjustment in April 2006.

June 2006

\$5,092.89

See discussion in May 2006 above.

\$140.70

The Company states that it incorrectly recorded this amount as a demand charge. It was actually a commodity charge. The Company did not provide invoice references to support this claim. Staff will accept the Company's explanation. However, we point out that the Company in making this adjustment reversed the entries in error. The adjustment to demand should have been a negative \$140.70. And the adjustment to commodity should have been a positive \$140.70. We have made the correct adjustments to our schedule.

\$1,159.34

The Company states that they "recorded credit instead of debit" and made an adjustment to correct. (See *Attachment 1*) Staff believes that this was probably the case on their General Ledger. However, the supplier invoice provided to Staff states the "correct" invoice amount and Staff included the invoice amount in the gas costs. On the documentation provided in the ACA for June 2006, the Company states that "Supplier pd. Correctly – NOT ADJUSTED in accrual." (See *Attachment 4*) By the Company's own admission, the invoice amount was correct. Therefore, Staff included the correct amount in gas costs and appropriately reversed the Company's improper accrual adjustments.

July 2006

\$567.00

The Company states that the Merrill Lynch invoice charge was paid in July 2006 but not recorded (in General Ledger) until August 2006. (See *Attachment 1*) Therefore, the Company reversed out the paid out amount in July 2006 as an adjustment and made an adjustment in August 2006 to include it back in gas costs when posted to the General Ledger. Staff appropriately included the Merrill Lynch invoice amount paid in July 2006 as part of the July gas costs. Therefore, Staff appropriately reversed the Company's improper accrual adjustments.

August 2006

\$(567.00)

See discussion in July 2006 above.

October 2006

\$(235,160)

Through a data request, Staff ascertained the total amount of hedging costs, to which the Company agreed. (See Finding #2) Staff made the appropriate adjustments in the months in which the costs occurred. These were a \$140,880 positive adjustment in March 2006 and a \$94,280 positive adjustment in May 2006, for a total of \$235,160. The Company states they agree with these adjustments. To avoid *double collection* of these amounts, Staff reversed the

Company's AP (Accounts Payable) adjustment in October 2006 for the March 2006 and May 2006 ADM payments.

\$(3,194,812.86)

\$(397,577.38)

\$1,760,176.03

The Company states that these are AP accruals for 2006 winter period. The notation made on the "documentation" provided in the ACA was "Misc. adjustment of A/P. True up to TN G/L A/P balance." (See *Attachment 5*) This schedule was an internal schedule reconciling the gas cost account with Accounts Payable in the General Ledger. Staff first of all looked at the material magnitude of these adjustments. The Company provided no invoices or revised invoices to support the adjustments. Staff opines that the ACA is a mechanism for the Company to recover its invoiced gas costs. Unless there is an invoice(s) to support these adjustments, they cannot be recovered from ratepayers.

December 2006

\$301.14

The Company is accruing a credit in December 2006 that it states will be taken in January 2007. Staff opines that the Company cannot include an accrued credit that will be taken in the future.

\$165,468

The Company mischaracterized this adjustment, stating that Staff removed this amount from the December 2006 gas costs. Actually, Staff added this amount for hedging costs incurred in November 2006. We should have added this cost to the November gas costs instead of December 2006, so we have revised our schedules to reflect the change.

\$(1,725.01)

\$(5,817.14)

The Company accrued more than the actual invoiced amounts for two supplier invoices. Therefore, Staff reduced gas costs by these amounts. Since the Company does not recognize the adjustments, the \$(1,725.01) related to the Columbia invoice and the \$(5,817.14) related to the Merrill Lynch invoice. Once again the Company mischaracterized Staff's adjustments. Staff subtracted the adjustments rather than added them. (See *Attachment 6*)

After the appropriate Staff adjustments were made following our review of the Company's response to Finding #1, the result of this finding is a **decrease in commodity gas costs of \$1,964,194.67.**

FINDING #2:**Exception**

The Company understated its hedging costs.

Discussion

When comparing the Company's reported hedging costs against the ADM Investor monthly statements,⁸ Staff noted that of the \$1,288,408 invoiced amounts, the Company only included \$821,180 in the ACA filing. The Company responded that \$400,628 was actually paid, but not reported and \$66,600 was erroneously reported as an LNG Power Cost. The Company provided appropriate documentation to support its response. Therefore, Staff added \$467,228 difference in additional hedging costs and correspondingly reduced the amount of LNG Power Costs by \$66,600 (see Finding #3). The effect of this adjustment is an **increase in the cost of gas of \$467,228.**

Company Response

The Company agrees with Audit Staff's Finding #2 that the hedging costs are understated by \$467,228 (\$400,628 of which are to be added to the ACA account and \$66,600 to be reclassified from LNG Power Costs to hedging costs).

⁸ Staff receives these statements daily and monthly direct from ADM.

FINDING #3:

Exception

The Company overstated its LNG Power Costs.

Discussion

In September 2006, the Company erroneously included \$66,600 in hedging costs as part of the reported LNG Power Costs. Therefore, Staff removed \$66,600 of LNG Power Costs for September 2006 and appropriately reflected them in the cost of gas (see Finding #2). The result of this finding is a decrease in LNG Power Costs of \$66,600.00.

Company Response

The Company agrees with Audit Staff's Finding #3 that the \$66,600 of hedging costs be removed from LNG Power Costs and reclassified to hedging costs (see Finding #2).

FINDING #4:

Exception

For each month of the audit period, the Company reversed Transportation Long amounts that were included in the Cost of Gas.

Discussion

If a transportation customer buys more gas than it can use in a month, the Company purchases the excess gas back from the customer at a discount and includes that purchase in its cost of gas. This purchase amount is labeled as a "Transportation Long" amount and is appropriately treated as a cost of gas. The Company; however, reversed these entries each month as a "Cash-out," which Staff believes is in error.

Staff eliminated these reversals of the Transportation Long amounts in the Cost of Gas. The result of these adjustments effectively increases the Company's reported gas costs by \$400,792.77.

Company Response

The Company agrees with Audit Staff's Finding #4 that the Transportation Long amounts (\$400,792.77) are purchases and should be appropriately treated as a cost of gas and not reverse these costs on the ACA schedule.

FINDING #5:

Exception

The Company overstated its Commodity gas cost recoveries.

Preliminary Discussion

The only support originally filed in the ACA for Off-System Sales was "internal" schedules of sales volumes prepared by the Company. Recoveries were credited for the PGA amount of the reported volumes and the margin (premium) amount received was reported as a separate entry "Margin on Off System Sales." There were numerous "adjustments" made based on these schedules. Staff opines that internally developed schedules do not provide convincing evidence to support amounts reported in the ACA. Therefore, Staff requested and received actual bills for Off-System sales customers.

Transportation Short recoveries⁹ are supported by schedules provided by the Company; however, in its recovery calculations, the Company made some adjustments that relied on accounting adjustments that Staff could not document or understand.

In order to clarify gas cost recoveries and gain some assurance as to the proper amounts, Staff independently calculated recoveries from sales customers, added the actual amounts invoiced to off systems customers and added the amounts paid by transportation customers for additional volumes purchased. We then compared our amount against the total amount reported by the Company for "Cost Recovery" and "Margin on Off System Sales". The net effect (excluding interest) of Staff's adjustments is a **decrease in the Company reported Commodity gas cost recoveries of \$783,246.02.**

Company Response

The Company disagrees, in part, with Audit Staff's Finding #5. Audit Staff excluded all Rate 360 adjustments related to billing adjustments. Billing adjustments can occur many months after the original billing. The Company's practice is to recognize these billing adjustments in the month that they occur (when the customer is rebilled) consistent with standard accounting practice. Removing these adjustments misstates the cost recovery amounts. The Company has adjusted the Cost Recovery – Sales Customers line in the Audit Staff's ACA Commodity Schedule in the amount of \$750,815.85.

Staff Rebuttal to Company Response

According to a data response from the Company, Rate Code 360 is Transportation Longs/Shorts customers. (See *Attachment 7*) Staff used the Company supplied Transportation Short schedules showing the calculation of the recoveries, which did not tie to the Cost Recovery

⁹ If a transportation customer uses more gas than it buys in a month, the Company sells the excess needed gas to the customer at a premium and includes that sale in its gas cost recoveries.

schedules in every month. We asked for backup to support the differences. The Company supplied multiple "screen prints" from its billing system showing adjusting entries, which were impossible for Staff to follow. Staff does not disagree that the Company may need to make adjustments to customer billing in a subsequent month, but the appropriate support must be supplied to document these adjustments.

We will agree to accept the Company's recovery adjustments for this audit period for Rate Code 360 in the amount \$750,815.85 as suggested by the Company. However, in future audits, Staff will require that the Company supply us with the customer bills and re-bills to support any adjustments. Therefore, the net effect (excluding interest) of Staff's adjustments is an **increase in the Company's reported Commodity gas cost recoveries of \$32,430.17.**

FINDING #6:

Exception

The Company overstated the ACA balance due to a miscellaneous adjustment to Banked Gas in July 2006 in error.

Discussion

The Company made a Banked Gas adjustment in July 2006 to reverse an accrual for Banked Gas in June 2006. Upon inquiry by Staff and further review by the Company, Staff discovered that the actual Banked Gas entry for June 2006 was zero, and therefore, no adjustment was needed in July 2006. Staff eliminated this adjustment which had the effect of **reducing the ACA Commodity balance by \$984,484.16.**

Company Response

The Company agrees with Audit Staff's Finding #6 that the July 2006 Banked Gas adjustment for \$984,484.16 is not appropriate and should not be included in the ACA Schedule.

FINDING #7:

Exception

The Company overstated its inventory withdrawals in June 2006.

Discussion

The Company made a withdrawal adjustment to an inventory schedule in June 2006 in order to true up the storage balance. However, after an inquiry by Staff and upon further review, the Company determined that the adjustment was not needed since the adjustment had already been made. Staff removed this adjustment, which **reduced the ACA Commodity balance by \$966,432.32.**

Company Response

The Company agrees with Audit Staff's Finding #7 that the inventory withdrawal adjustment in June 2006 for the amount of \$966,432.32 had already been made and should be removed from the ACA schedule.

FINDING #8:

Exception

The Company failed to report hedging costs appropriately.

Discussion

The Company included a miscellaneous adjustment for hedging costs, stating that the amount had been posted to South Carolina instead of Tennessee. Through a data request, Staff determined the total hedging costs attributable to Tennessee that were paid by the Company. The total adjustment necessary was made in the Gas Costs (see Finding #2). The result of this adjustment is a **decrease in the Commodity ACA balance of \$68,400.00.**

Company Response

The Company agrees with Audit Staff's Finding #8 that hedging costs of \$68,400.00 should be removed from the Commodity ACA balance.

FINDING #9:**Exception**

The Company booked its April 2006 asset management payment as a Commodity Cost credit rather than as a Demand Cost credit.

Discussion

The Company booked the asset management payment for April 2006 as a miscellaneous Commodity adjustment. The amount should be booked as a Demand credit. Staff reversed the miscellaneous adjustment and reflected the asset management payment appropriately as a Demand credit. The effect of this adjustment is a **\$393,461.00 reduction in Demand costs** (included in Finding #14) and an **increase in Commodity costs of \$393,461.**

Company Response

The Company agrees with Audit Staff Finding #9 that the asset management payment should be booked as a Demand credit and not a Commodity credit; therefore, the Demand costs should be reduced (as detailed in Audit Finding #14) and the Commodity costs should be increased by \$393,461.00.

FINDING #10:

Exception

The Company understated the amount of interest due to customers in the Commodity component of the ACA filing.

Preliminary Discussion

Staff adjusted the Company reported Commodity ACA interest due to adjustments #1 - #9 above. The result of this finding is an **increase to reported interest due to customers of \$75,064.76.**

Company Response

Nashville Gas agrees that the reported Commodity ACA interest due to Findings #1 - #9 should be recalculated. The Company has recalculated the amount to be an increase to reported interest due to customers of \$5,351.06 instead of an increase to reported interest due to customers of \$75,064.76 based on the adjustments presented on the attached schedule titled Summary of ACA Account for 2006.

Staff Rebuttal to Company Response

Audit Staff recalculated the Commodity ACA interest due to changes made as a result of the Company's responses to Staff findings and Staff's restatement of certain finding amounts. Staff's revised Commodity ACA interest due to customers is \$380,873.12. Therefore, the result of this finding is an **increase to the reported interest due to customers of \$96,951.07.**

FINDING #11:

Exception

The Company inappropriately netted asset management payments against Demand Costs.

Discussion

The Company netted the asset management payments of \$318,750 due from Merrill Lynch as per contract against the demand costs invoiced from Merrill Lynch in November 2006 and December 2006. While Merrill Lynch may have agreed with the Company to handle the payments in this manner, Staff disagrees with the Company's reporting in the ACA. In this case the Company's actual demand costs are understated by \$637,500 in the filing and the asset management payments are buried in the invoice detail. Staff would prefer that Merrill Lynch make its contract payments to the Company and the Company pay its invoice total each month. If the remaining payments have already been accounted for in this manner, then for filing purposes, Staff would instruct the Company to report the asset management payment as a separate line item in the ACA and increase its demand costs accordingly in the Company's next ACA filing for January 2007 – December 2007. The effect of this adjustment is an increase in the Demand costs of \$637,500.

Company Response

The Company agrees, in part, and disagrees, in part, with Audit Staff's Finding # 11. The Company agrees that in the future it can report asset management payments as a separate line item in the ACA. However, the Company believes that it is not "inappropriate" to net asset management payments against Demand Costs. Asset Management payments routinely are credits against Demand Costs on invoices and the Company presented the information as detailed on the invoice. As a result, the Company disagrees that Demand costs are understated by \$637,500. The net effect on Total Demand Costs of increasing "Invoiced Demand Costs" and subtracting the "Asset Management Payments" is \$0.00. Therefore, no adjustment to Demand Costs is necessary.

Staff Rebuttal to Company Response

Staff appreciates the Company's agreement to report asset management payments as a separate line item in all future ACA filings. This methodology will properly show total Demand costs and total asset management payments. Staff does not assert that the netting process is inappropriate for Company internal accounting, but that it is inappropriate for ACA reporting purposes.

FINDING #12:

Exception

The Company understated its Demand costs by including accrual adjustments in the ACA Account. This is a repeat finding from the prior audit.

Discussion

The cost of gas should be based on actual invoiced costs. Staff eliminated the accrual adjustments from the Company's reported invoiced gas costs and used amounts from actual invoices only. The result of this finding is an **increase in gas costs of \$497,687.02.**

Company Response

The Company agrees, in part, and disagrees, in part, with Audit Staff's Finding #12 for the same reasons explained in detail in the Company's Response to Finding # 1. The \$513,466.49 of adjustments for demand costs as presented on the Company's attached ACA schedule are appropriate actual adjustments, not accruals. The Audit Staff should not have eliminated these adjustments from the Company's reported invoiced gas costs.

Additionally, the Audit Staff has included demand adjustments in February of \$4,294.64; in April of \$6,530.80; in October of \$6,791.63; in December of (\$31,449.50) and commodity adjustments in December of (\$157,925.85). The Company has not been able to determine the basis for these additional demand and commodity adjustments, therefore, the Company is unable to agree to them at this time.

Staff Rebuttal to Company Response

For the following detailed Staff response to the Company's analysis presented, please refer to the Analysis of TRA Audit Staff Adjustments, a Company provided schedule attached to this report as *Attachment 1*. We have addressed all adjustments with which the Company disagreed.

Demand Gas Cost Adjustments:

February 2006

\$(4,237.03)

With the additional explanation, Staff now understands and accepts this adjustment. Staff has added this amount back to gas costs.

\$4,294.64

This was not a Staff adjustment. This amount was part of the Company's original filing.

April 2006

\$27,743.04

Upon further review, Staff agrees that there is an invoice to support a supplier refund credit. The credit however applied to Tennessee per the payment stamp is \$36,161.85. Staff believes the credit should be applied in January 2006 when the invoice was received, rather than April 2006. Therefore, Staff has credited \$36,161.85 to January 2006 gas costs.

\$160,436.76

Upon further review, Staff agrees that there is an invoice page supporting this credit. However, it is impossible for Staff to follow an audit trail to determine whether the credit was actually taken against gas costs in January 2006. Since the Company wants to dispute Staff's reversal of the accrual adjustment in April 2006, Staff agrees to apply this credit to January 2006 gas costs *to the benefit of the ratepayer.*

\$412,542

Upon further review, Staff agrees that the company provided 3 separate invoice pages (2 of which go back to the prior audit period) with a total credit of \$412,542. However, it impossible for Staff to follow an audit trail to determine whether the credits were actually taken against gas costs in November and December 2005 and January 2006. Since the Company wants to dispute Staff's reversal of the accrual adjustment in April 2006, Staff agrees to apply this credit to January 2006 gas costs *to the benefit of the ratepayer.*

\$(77,176.40)

\$77,176.40

Staff notes that these are characterized as accrual adjustments recorded in April 2006. However, since the net effect is zero, Staff did not adjust these amounts.

\$(67,513)

Staff further reviewed the support provided for the \$67,513 additional gas cost adjustment that the Company reported in April 2006. Staff pulled the documentation from the last audit and reviewed the November and December 2005 invoices referenced in the Company's explanation for the adjustment. The two invoices in question do not support the scenario described by the Company, so the Staff cannot accept the adjustment made by the Company.

\$307.99

Staff agrees with the Company that this is a reclassification adjustment from Commodity to Demand. Staff has changed its schedules eliminating this adjustment.

\$6,530.80

This was not a Staff adjustment. This amount was part of the Company's original filing.

June 2006

\$(140.70)

See discussion in Commodity section for June 2006.

\$(12.74)

Because this was an immaterial difference in the May 2006 gas costs, Staff did not include an adjustment in May 2006. However, if the Company wants to adjust this amount in June 2006, Staff will agree to Company's adjustment.

June/July 2006

\$(2.04)

\$2.04

These are such immaterial amounts that if the Company wants to make its adjustments as they indicate, Staff does not object. We will adjust our schedules accordingly.

October 2006

\$6,791.63

This was not a Staff adjustment. This amount was part of the Company's original filing.

December 2006

\$(31,449.50)

The Company stated that its actual invoice amount for CGTC for December 2006 was \$62,898.50. The invoice amount for commodity was \$31,449.50. The Company's written comment on the invoice was that it accrued \$62,898.50, but paid \$31,449.50. (See *Attachment 6*) Therefore, Staff made an adjustment to remove the additional amount accrued.

After the appropriate Staff adjustments were made following our review of the Company's response to Finding #1, the result of this finding is a **decrease in demand gas costs of \$708,364.31.**

FINDING #13:

Exception

The Company inappropriately made an adjustment for an audit finding in the 2004 ACA audit.

Discussion

The Company made an adjustment for an audit finding in the 2004 audit; however, all audit adjustments were included the Company's adjustment to its beginning balance in the 2005 audit. Therefore, this is a duplicate adjustment and should be eliminated. The effect of this adjustment is to **reduce the ACA balance by \$1,837.60.**

Company Response

The Company agrees with Audit Staff's Finding #13 that the adjustment for \$1,837.60 should be eliminated.

FINDING #14:**Exception**

The Company inappropriately netted asset management payments against Demand Costs and booked an asset management payment to Commodity rather than to Demand.

Discussion

The Company booked the April 2006 asset management payment of \$393,461 as a miscellaneous Commodity adjustment (see Finding #9). The Company also netted its asset management payments for November 2006 and December 2006 with its Demand costs (see Finding #11). Therefore, Staff separated out the netted payments (\$637,500) and reclassified the April 2006 payment for a total adjustment of \$1,030,961. The effect of this adjustment is an **increase to reported asset management credits in the Demand portion of the ACA of \$1,030,961.00.**

Company Response

The Company agrees with Audit Staff's Finding #14.

FINDING #15:

Exception

The Company reversed a pipeline refund credit in error.

Discussion

In November 2006, Tennessee Gas Pipeline issued a refund to Piedmont which was credited to the ACA Account. In December 2006 the Company made a miscellaneous adjustment that reversed the credit in error. Staff removed the incorrect reversal of the credit, which **reduced the ACA Demand balance by \$699,266.65.**

Company Response

The Company agrees with Audit Staff's Finding #15 that the reversal of the November 2006 TGP refund in December 2006 was not necessary.

FINDING #16:

Exception

The Company understated the amount of interest due from customers in the Demand component of the ACA filing.

Preliminary Discussion

Staff recalculated interest based upon the audit findings #11 - #15 above. Demand interest due from the customers was understated by \$5,062.75. Staff made the adjustment to the ACA Account to reflect this amount.

Company Response

The Company agrees with Audit Staff Finding #16 that ACA interest will need to be adjusted due to Audit Staff's Findings #11 - #15. Nashville Gas has calculated the interest due from the customers to be understated by \$30,429.84.

Staff Rebuttal to Company Response

Staff recalculated the Demand ACA interest due to changes made as a result of the Company's responses to Staff findings and Staff's restatement of certain finding amounts. Staff's revised Demand ACA interest due from customers is \$281,715.98. Therefore, the result of this finding is a decrease to the reported interest due from customers of \$73,942.13.

FINDING #17:

Exception

The Company referenced rate schedules in its filing that are not supported by its tariff.

Preliminary Discussion

During this filing, Staff noted that the Company continues to use rate schedule numbers that are different than the rate schedule numbers that were approved by the TRA in its tariff. When Staff questioned the Company on this practice, the Company responded by providing Staff with a Rate Conversion schedule mapping the rate schedules used in the filing to the approved tariff rate schedules. (See *Attachment 7* to the report.) In addition, the Company has added other rate schedule numbers not found in the tariff. Staff opines that the Company must use its tarified rate schedules in future filings.

Company Response

The Company has explained to the Audit Staff that the Company's billing system uses different codes to represent tariff rate schedules. It is unavoidable that system generated supporting documents and other reports produced by the Company will contain codes that differ from the rate schedule numbers approved by the TRA in its tariff. The Company has provided Audit Staff with a schedule that details the appropriate conversion between the Company's billing system/supporting documents and the approved tariff rate schedules. It is not feasible for the Company to change the billing system's nomenclature.

Staff Rebuttal to Company Response

While Staff does not object to the Company using whatever internal codes it desires, the Company should use tarified rate codes on all information provided in the ACA documentation or any other reports provided to the TRA. Staff simply asks that the Company *change* internal codes to tariff rate codes (handwritten changes are fine) on system generated reports that use internal coding that differ from the approved tariff rate codes for all supporting documents provided in the ACA audit. That way Staff does not have the responsibility of interpreting Company documents, since the Company will clearly label documents with the correct tariff codes.

FINDING #18:

Exception

In each month, the Company continued its practice of including accruals and reversals as part of the reporting of the transactions in the ACA Account. This is a **repeat finding**.

Preliminary Discussion

In the last audit report (Docket 06-00087), Staff stated in Finding #2 that the accrual methodology used by the Company was unacceptable for ACA reporting purposes. In its recommendations, the Staff requested the Authority to reject the Company's methodology and direct the Company to report actual amounts in the month incurred. At the January 8, 2007 Authority Conference, the panel voted unanimously to approve the Staff's report, findings and recommendations.

On February 1, 2007, Staff met with representatives of Piedmont to discuss the Authority's decision and explain the problems Staff was encountering in auditing the Company's filing. Piedmont agreed to work closely with Staff to remedy the problem and present the filing in a manner acceptable to Staff. The Company initially filed the current ACA on June 7, 2007 (Docket 07-00147). After an initial review by Staff, the Company voluntarily withdrew the filing at Staff's request, since it was evident that the accrual method had not been discontinued. The Company re-filed the ACA on July 16, 2007 (Docket 07-00174). Staff's initial review showed that accruals were still present and that the Company had not presented its invoices as Staff had requested. At this time, Staff suggested that the filing be withdrawn a second time. However, the Company declined and stated that it would be flexible if deadline extensions were necessary.

Staff has attempted to the best of its ability to explain to Piedmont the corrective actions necessary to present its "actual" gas costs, through numerous phone calls, emails, data requests, etc. Despite these repeated communications, the Company has continued to show accrual adjustments in its documentation of the transactions in the ACA Account, both on the cost side and the recovery side. Therefore, Staff had no alternative but to strip out all accruals and restate the balance in the ACA Account based strictly on the third party invoices and customer bills supplied. The effect of some Staff adjustments was to the benefit of the consumer and some were to the benefit of the Company. Staff's objective is to properly state the ACA balance regardless of the effect on the Company or the consumers.

Staff again states that accrual accounting has no place in the reporting of transactions in the ACA filing. Several of the findings above were the result of Staff restating an amount after stripping out accruals.

Company Response

The Company appreciates and respects the continued efforts of Audit Staff to work with the Company to resolve the issues surrounding the completion of the ACA schedule that best meets the needs of the Audit Staff and the Company.

The Company has faced a variety of issues and challenges in the last several years with respect to its gas cost accounting. The Company has taken several steps to resolve the issues and challenges. In the spring of 2006, the Company hired new and additional gas cost personnel and moved the responsibility for this function to the rates and regulatory affairs department. In July 2006, a new manager of gas cost accounting was hired. As a result of audits by both the North Carolina Public Staff and the South Carolina Office of Regulatory Staff during the 2006 prudence reviews, it became apparent to the Company that the challenges faced by the existing gas cost accounting system were much more substantial than previously known. As the Company dealt with month end closings during the winter months of 2006 – 2007, it also became apparent that the newly assigned manager of gas cost accounting did not have enough experience in gas cost accounting to effectively deal with the more complex accounting issues that had become apparent through the previous audits. The Company hired a new and more experienced manager of cost accounting and hired new accounting analysts to assist in the process. The Company also retained an outside consultant to assist in redesigning and restructuring the gas cost accounting functions, which should be completed within the next twelve months. Subsequently, in March of 2008, the Company has hired a manager of regulatory reporting that will work more closely with the Audit Staff.

As stated in the Company Response to Audit Finding #12, the Company has made a number of adjustments (not accruals) to the gas costs reflected in its ACA filing. Adjustments to these gas costs were made in conjunction with the Company's efforts (undertaken in conjunction with its outside consultants) to review and confirm its gas costs in light of the difficulties identified above to ensure that its gas costs were stated properly. In this process, the Company has made every attempt to provide appropriate support to the Audit Staff for each adjustment required. The Company recognizes that the adjustments were reported in the period in which the adjustments were made (versus restating prior closed periods) but this is both standard accounting practice and consistent with the manner in which the adjustments were recorded on the Company's books.

The Company agrees with Audit Staff that future ACA filings should be based on "actual" gas accounting information, however, the Company will continue to recognize adjustments in current periods as these adjustments are recognized in the general ledger. Audit Staff has stated in Docket No. 06-00087 that since the ACA filing occurs after the months are closed that the Company should be able to apply all adjustments to the prior months and Audit Staff does not see this as a problem for the Company. The Company disagrees with this approach as to prepare the ACA schedule in this manner would require additional resources to comply and would essentially require the Company to completely restate its gas costs for the review period in a manner that is inconsistent with the way in which these costs are recorded on the Company's books. The Company is also concerned that Audit Staff's approach would not properly account

for adjustments that occur from prior ACA periods that have already been closed. Failure to include these adjustments would result in an improper accounting of the Company's gas costs and would directly impact the costs recovered from customers.

The Company has and will continue to make efforts to improve the ACA schedules in the 2007 audit year filing. The Company will work closely with the Audit Staff to provide ACA schedules based on "actual" closing data and workpapers to support the Audit Staff in their audit.

Staff Rebuttal to Company Response

Staff is fully aware of the requirements of GAAP and that the Company's books used to prepare external financial statements must follow those standards. Staff is not trying to interfere with the Company's accounting staff's responsibilities. However, Staff sees the Company's accounting process as separate from the ACA regulatory reporting process.

In order for the Company to recover its gas costs from ratepayers, all costs must be based on supplier invoices. (PGA Rule 1220-4-7-.02) Staff believes that it is not unduly burdensome for the Company's regulatory staff to prepare an annual schedule showing the amounts actually paid for a month supported by the actual supplier invoices. [No accruals, no adjustments to reconcile these amounts to the General Ledger.] All true adjustments to gas costs need to be supported by revised supplier invoices and recorded in the month the revised invoices are received or the Company becomes aware that a revision adjustment is necessary. [Again, no accruals or adjustments made for the purpose of reconciling the amounts to the General Ledger.] The regulatory staff is afforded with sufficient time after the year closes to be sure the Company's ACA filing reflects the actual amounts paid or adjusted and are reported in the appropriate months, regardless of when these costs or adjustments actually hit the General Ledger.

As we've communicated throughout these findings, Staff will not accept any accruals, nor will we accept adjustments without third party supporting invoices or other third party evidence. We also realize that sometimes an adjustment is not known until after an audit period has closed. In that case it is perfectly acceptable to make a legitimate prior year adjustment to the beginning balance of the current audit period. Again, the adjustment should be supported by revised invoices.

Staff appreciates the Company's statement that it will work closely with Audit Staff to provide proper ACA schedules.

VIII. CONCLUSIONS AND RECOMMENDATIONS

NOTE: In Docket No. 06-00087, the Authority approved and adopted the ACA Audit Report of NGC's annual deferred gas cost account filing for the year ended December 31, 2005. The Authority specifically adopted the findings and recommendations contained in the Audit Report, including the recommendation that the "accrual methodology the Company used in the ACA filing be rejected and the Company [be] directed to report actual amounts in the month incurred."¹⁰ Staff reviewed the Company's compliance with the Authority's June 14, 2007 Order in completing this Audit.

In this report, Staff was compelled to refute many Company misrepresentations regarding our position as to the proper methodology that must be used in the required regulatory reporting of gas costs incurred and recovered, and other related issues. Despite our numerous issues with the methodologies used by the Company in the ACA filing, Staff acknowledges a good professional working relationship with Company personnel. Staff stands ready to assist the Company with future regulatory filings as needed.

As was the case in the previous ACA, the Company failed to provide a significant number of documents necessary to support the amounts reported in the ACA filing at the time of filing. Staff, therefore, had to obtain this supporting documentation through phone calls, emails, and written requests. Staff also notes that the only supporting documentation provided for some items was Company internal accounting schedules. Such internal accounting schedules based on accrual accounting do not provide convincing evidence to support amounts reported in the ACA. Additionally, the Company uses untariffed rate schedules in the presentation of its recoveries. Staff acknowledges that the Company was cooperative in attempting to provide the supporting information requested. **Staff recommends that the Company include actual bills or third party support documents for all amounts reflected on the ACA analysis schedule with its initial filing and that the Company use only tariffed rate codes on recovery schedules provided in the ACA filing.**

The Company's improper methodology of reporting accrued estimated gas costs, cash outs and gas cost recoveries followed by reversals and booking of actuals in subsequent months continues to be unacceptable.¹¹ The Company stated many times that if actual costs are not available prior to the 8th working day of the following month then estimates are posted to the deferred gas account in the General Ledger. Staff understands the Company's financial reporting practices, since accruals are required for GAAP accounting. Staff does not, however, accept the Company's accrual method for reflecting transactions reported in the ACA since it is widely acknowledged that GAAP accounting and regulatory reporting are very different. An ACA filing is typically made 90 days after the end of the reporting period, which in Piedmont's case is 90 days following the end of the calendar year. Thus, in spite of the fact that the Company's accounting staff is required to accrue amounts to comply with GAAP reporting on its external

¹⁰ In re: Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. Actual Cost Adjustment (ACA) Audit for the Twelve Months Ended December 31, 2005, Docket No. 06-00087, Order Adopting ACA Audit Report of Tennessee Regulatory Authority's Utilities' Division, Exhibit A, p. 13 (June 14, 2007).

¹¹ See Finding #2.

financial statements, the Company's regulatory staff has ample time to assemble the required data and report the actual gas costs in its ACA filing.¹² **Staff recommends that the accrual methodology the Company used in the ACA filing once again be rejected and the Company be directed to report actual amounts in the month incurred or in the month to which they are attributable.**¹³

It appears that much of NGC's ACA reporting format is driven by the Company's accounting personnel who may not fully appreciate the differences between GAAP accounting and regulatory reporting. It is imperative that the upper management of the Company understand and address this issue. **Staff recommends that the Authority direct the Company to develop a comprehensive strategy to address the concerns noted in this audit.**

Staff noted in Finding #11 that the Company netted its asset management payments against its demand costs in the ACA filing. While the Company objected to the finding, since the asset management payments were a credit on the asset manager's invoices for gas purchases, Staff believes it is important for these payments to be shown as a separate line item in the ACA filing. The Company also operates under an Incentive Plan. The Incentive Plan allows the Company to surcharge customers for its share of any "savings" accruing under the plan. The asset management payments are included as part of those savings. Therefore, Staff believes that the asset management payments should be separately identified in the ACA filing, to document the amounts recognized in the Incentive Plan. They should not be "buried" in the detail of a supplier invoice. **Staff recommends that the Authority direct the Company to identify its asset management payments as a separate line item in its future ACA filings.**

Going forward, Staff would like to gain greater assurance that the injections and withdrawals reported in the inventory accounts for all companies be properly documented by supplier invoices. **To that end, Staff recommends that the Company provide the following support in its next ACA filing:**

- 1. Provide third party invoices to support all volumes that are injected or withdrawn from storage each month, appropriately cross referenced from inventory schedules to invoices;**
- 2. Provide the calculations of injection rates for all injections each month appropriately cross referenced from inventory schedules to invoices. All calculations should be provided electronically in an Excel spreadsheet with working formulas; and**
- 3. Provide the calculations of the WACOG rates applied to all withdrawals each month. All calculations should be provided electronically in an Excel spreadsheet with working formulas.**

¹² Staff is not precluding the occasional need for prior period adjustments when information has not been timely received to enable the Company's staff to include the adjustment in the appropriate reporting period.

¹³ The Company is free to book transactions to its General Ledger as it deems appropriate according to the Uniform System of Accounts (USOA). Staff is not responsible for the Company's general ledger and is therefore unconcerned with reconciliation of the general ledger to the audited ACA balance. Staff's charge relating to ACA audits is to determine if the Company's ACA filing is accurate. ACA filings are typically received by the Authority several months subsequent to the end of the current ACA period and must reflect actual monthly transactions in the period in which they occur.

Staff recommends that the Authority adopt this report in total and direct the Company to address each finding as well as all issues discussed in the Conclusions and Recommendations section of this report.

Staff recommends that the Authority instruct the Company to use the Staff's ending commodity and demand balances as the beginning commodity and demand balances in the next reporting period. By doing so, all monetary audit adjustments will be addressed.

Because the issues discussed in this audit are substantially the same issues the Authority directed the Company to correct in Docket No. 06-00087, Staff recommends the Authority put the Company on notice that future non-compliant ACA filings will be subject to rejection, and the Company may, therefore, be subject to any and all remedies and sanctions available to the Authority.

APPENDIX A

PGA FORMULA¹⁴

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + \text{DACA}}{\text{SF}} - \text{DB} + \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

$$\text{Non-Firm GCA} = \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

ST = Total Sales.

¹⁴ Pursuant to Docket 03-00209, the PGA Formula has been amended to include the gas cost portion of uncollectible accounts.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{\text{DR1} - \text{DR2}}{\text{SFR}} + \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

$$\text{Non-Firm RA} = \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

where

RA = The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

CR2 = A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR3 = The residual balance of an expired Refund Adjustment.

- i =** Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.
- SFR =** Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.
- STR =** Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

ATTACHMENT

1

	Adjustments Identified (TRA Added/Removed)	Company Disagreed (Reversed Staff Adj)	Company Agreed (Left Staff Adj)	Explanation
C indicates Commodity adjustment				
D indicates Demand adjustment				

**Adjustments
Identified (TRA
Added/Removed)**

Explanation

Company Disagreed	Company Agreed
(Reversed Staff Adj)	(Left Staff Adj)

[illegible]

833

APR

F-FT-24706-11/05 payment for Non-discounted Point Charge-Billed in Nov. Pd in past due amt in Dec but not recorded in COG	D	\$	(67,513.00)	Point charge Billed in Nov 05 and paid in Dec 05, not recorded in COG until April 06.	\$	67,513.00	
G-FT - A 237 - credit 11/05 for difference is amt. due vs. paid-remove from demand (s/b commodity)	D	\$	307.99	GCS vs bill difference. Paid per GCS then took the credit on April bill/COG. This adjustment of the appropriately negated below with the addition of the 307.99 in the commodity section of adjustments. Should just show net this one out. The credit is netted from the commodity amount on the invoice section.	\$	(307.99)	
- commodity charges K# 3650-pd in April, recorded in March	C	\$	(3,846.27)	See above.	\$	3,846.27	
TCO Storage FTS commodity -pd in April, recorded in May	C	\$	2,929.91	Paid this charge on the April invoice but did not record in COG until May.	\$	(2,929.91)	
l- - wd comm. chgs.reversed/credits applied above for swing on storage 11/05 - 2/06	C	\$	73,930.23	Reversal of W/D chgs recorded in 11/05 through 2/06. Corrected charges appear in the April 06 Commodity Invoice section. Net effect is the change to the dollars.	\$	(73,930.23)	
H- - 12/05 commodity on injections originally recorded to	C	\$	(5,027.33)	Recorded/Paid \$5,027.33 too much in Dec 05. Took a credit for this overpayment in Jan 06 bill. Overaccrual in COG for never adjusted. ML was paid/recorded \$5,027.33 too much in Dec 05.	\$		\$ (5,027.33)
Credit Accrued above in April should have been in commodity (pd as commodity)	C	\$	(307.99)	Used to net out the demand credit. Actual credit taken from the Commodity section of the Invoice.	\$	307.99	
Credit taken on bill in April but not recorded for in COG	C	\$	9,663.40	Credit represents the difference between a credit taken and a credit owed to (both of which were resolved). Adjustment not needed.	\$		\$ 9,663.40
Staff Adjustment - unknown	D	\$	6,530.80		\$	(6,530.80)	
TCO Storage FTS commodity -pd in April, accrued in May	C		(2,929.91)	See above.		2,929.91	
Cashout for April, taken in May and credit accrued in June	C		(5,092.89)	Cashout for the month of April, taken against bill in May, in COG in June.		5,092.89	
Staff Adjustment	C		94,280.00	for May-Ok to add to COG			\$ 94,280.00
\$140.70 was incorrectly categorized as demand. Moved to commodity.	D		(140.70)	Recorded \$142.74 in June in Demand. Adjustment made to move the \$140.70 to Commodity in Invoice section.		140.70	
May billing difference-credit adj June Bill	D		(12.74)	Billing difference. Recorded per GCS less than was invoiced. Adjustment made to correct invoice in June actual).		12.74	
June bill overstated-credit adj June Bill	D		(2.04)	Recorded too much for the June bill (found in the June actual). Took credit in July.		2.04	

MAY

JUN

ATTACHMENT

2

(C)

Demand
Commodity

\$
\$ 107,695.07 11a3
Total Invoice \$ 107,695.07

Demand
Commodity

\$
\$ 2,111,147.37 14a4
Total Invoice \$ 2,111,147.37

Demand
Commodity

\$ 133,870.46 4a2
\$ (9,875.80) 4a1
Total Invoice \$ 124,003.66

Transportation Billing (LONG)
Commodity

\$ 85,305.75 E2
Total Invoice \$ 85,305.75

Total Demand per AP Invoices \$ 903,818.55
Total Commodity per AP Invoices \$ 22,925,940.05
TOTAL \$ 23,829,758.59

Misc Demand Adjustments

- reversal 1/06 Refund Excess Deferred - transferred to NC/SC -
JE# 41780 - AHB

4,237.03 3

Misc Commodity Adjustments

7/05 MA Swing accrual adjmnt. ACA '06 audit - 500 Leg

\$ (32,564.20) 2/a1

Total Demand Accrued (B) 908,055.58 1
Total Commodity Accrued \$ 22,893,375.85
TOTAL \$ 23,801,431.42 2

(A)

2106-62

ATTACHMENT

3

(C)

Total Demand per AP Invoices	\$	746,401.04
Total Commodity per AP Invoices	\$	11,224,833.60
TOTAL	\$	11,971,234.64

Misc Demand Adjustments

A-K# 6815 - 12/05 Annual IS Credits -Pd in Dec 05 but not accrued in COG	\$	(27,743.04)
B-K# 60882 - 1/06 demand Cr- Cr taken on Jan Inv but not accrued in Jan COG	\$	(160,436.76)
C-FT - BH - #46715 - record 11/05,12/05, and 1/06 demand credits	\$	(412,542.00)
D-FT - A 60542 - 11/05 demand-Billed and Pd in Nov but not accrued in COG	\$	77,176.40
E-Dmd Cr for 11/05-Billed in Nov, Pd in past due amt in Dec, but not accrued in COG	\$	(77,176.40)
F-FT-24706 - 11/05 payment for Non-discounted Point Charge-Billed in Nov,Pd in past due amt in Dec but not accrued in COG	\$	67,513.00
G-FT - A 237 - credit 11/05 for difference is amt. due vs. paid-remove from demand (s/b commodity)	\$	(307.99)

Misc Commodity Adjustments

- commodity charges K# 3650-pd in April, accrued in March	\$	3,846.27
- Storage FTS commodity -pd in April, accrued in May		(2,929.91)
I- - wd comm.chgs.reversed/credits applied above for swing on storage 11/05 - 2/06	\$	(73,930.23)
H- - 12/05 commodity on injections originally accrued to	\$	5,027.33

Credit Accrued above in April should have been in commodity (pd as commodity)	\$	307.99
Credit taken on bill in April but not accrued for in COG	\$	(9,663.40)

Total Demand Accrued	\$	212,884.25
Total Commodity Accrued	\$	11,147,491.65
TOTAL	\$	11,360,375.90

ATTACHMENT

4

6/06 - 37

7c

G:\GasAccounting\JOHNSON\COG\con2006\con2006estimate.ppt

ATTACHMENT

5

Transportation Billing (LONG)
Commodity

	\$	16,117.94	E1a
Total Invoice	\$	16,117.94	

Total Demand per AP Invoices	\$	775,116.40
Total Commodity per AP Invoices	\$	8,389,593.06
TOTAL	\$	9,164,709.46

Misc Demand Adjustments

Misc Commodity Adjustments

██████████ - AP accrual for April and June 2006 payments	235,160.00	-C2d
██████████ - AP accrual for 2006 winter period	3,184,812.86	-C2c
██████████ - AP accrual for 2006 winter period	397,577.38	-C2b
██████████ - AP accrual for 2006 winter period	(1,780,176.03)	-C2a
Total Demand Accrued	\$	775,116.40 ✓ a
Total Commodity Accrued	\$	10,456,967.27 - b
TOTAL	\$	11,232,083.67

ATTACHMENT

6

(C)

Piedmont Natural Gas Company
ACA Audit-AP Invoices
DECEMBER 31, 2006

[REDACTED]
Demand
Commodity

\$ 1,260,531.20
Total Invoice \$ 1,260,531.20 1a1

[REDACTED]
Demand
Commodity

\$ 965,778.93
Total Invoice \$ 965,778.93 2a1

[REDACTED]
Demand
Commodity

\$ 1,140,066.48
Total Invoice \$ 1,140,066.48 3a1

[REDACTED]
Demand
Commodity

\$ 62,898.50
\$ 4,980.01
Total Invoice \$ 67,878.51 4a1
4a2

[REDACTED]
Demand
Commodity

\$ 6,518,976.13
Total Invoice \$ 6,518,976.13 5a1

[REDACTED]
Demand
Commodity

\$ 217,173.02
\$ 127,578.93
Total Invoice \$ 344,751.95 6a2
6a1

[REDACTED]
Demand
Commodity

\$ 3,435,761.93
Total Invoice \$ 3,435,761.93 7a1

[REDACTED]
Demand
Commodity

\$ 52,600.00
Total Invoice \$ 52,600.00 8a1

[REDACTED]
Demand
Commodity

\$ 56,094.18
Total Invoice \$ 56,094.18 9a1

[REDACTED]
Demand
Commodity

\$ 50,372.00
\$ 5,817.14
Total Invoice \$ 56,189.14 10a1
10e1

[REDACTED]
Demand
Commodity

\$ 880,080.92
Total Invoice \$ 880,080.92 11a1

[REDACTED]
Demand
Commodity

\$ 2,857,649.92
Total Invoice \$ 2,857,649.92 12a1

ATTACHMENT

7

Tariff to S2k Rate Conversion

<u>Tariff</u>		<u>S2k</u>
301	Residential Value	311
321	Residential Standard	313
302	Small General Standard	321
332	Small General Value 1st 2000	332
352	Medium General Standard	352
362	Medium General Value 1st 5000	366
303	Firm Industrial Peak	331
304	Interruptible Industrial	341
313	Firm Transportation Peak	371
314	Interruptible Transportation	372
310	ReSale Service/SMYRNA	381
	Rate 365 - Off System Sales	365
	Rate 361 - Emergency gas	361
	Rate 360 - Transportation Shorts/Longs	360

ATTACHMENT

8

**THE OFFICE OF REGULATORY STAFF
SETTLEMENT TESTIMONY
OF**

Carey M. Flynt

November 9, 2007



DOCKET NO. 2007-4-G

**Annual Review of Purchased Gas Adjustment and Gas
Purchasing Policies
of Piedmont Natural Gas, Inc.**

**SETTLEMENT TESTIMONY OF CAREY M. FLYNT
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2007-4-G**

- 1
2
3
4
5
6 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**
- 7 **A.** My name is Carey M. Flynt. My business address is 1441 Main Street, Suite 300,
8 Columbia, South Carolina 29201. I am employed by the State of South Carolina as
9 Manager of the Gas Department for the Office of Regulatory Staff ("ORS").
- 10 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
11 **EXPERIENCE.**
- 12 **A.** I received a Bachelor of Science Degree in Business Administration, with a major in
13 Accounting from the University of South Carolina in Columbia in 1975. I was
14 employed at that time in the electric and gas utility industry and gained twenty five
15 years experience in this field. In October 2004, I began my employment with ORS. I
16 have testified on numerous occasions before the Public Service Commission of South
17 Carolina ("Commission") in conjunction with natural gas issues.
- 18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**
- 19 The purpose of my testimony is to address the settlement agreement made by and
20 among the Office of Regulatory Staff of South Carolina ("ORS") and Piedmont
21 Natural Gas Company, Inc. ("Piedmont" or "Company") (collectively referred to as
22 the "Parties" or sometimes individually as a "Party").
- 23 **Q. PLEASE ADDRESS THE MAJOR COMPONENTS.**
- 24 **A.** ORS found that (i) Piedmont's gas purchasing policies and practices during the
25 Review Period were reasonable and prudent; (ii) Piedmont properly adhered to the gas

1 cost recovery provisions of its gas tariff during the Review Period; and (iii) Piedmont
2 managed its hedging program during the Review Period in a reasonable and prudent
3 manner.

4 However, the Parties further agree that: (i) Piedmont experienced significant issues
5 with some aspects of the accounting and reporting of its gas costs during the Review
6 Period; (ii) these issues resulted in numerous ORS adjustments including, but not
7 limited to, the Company's commodity true-up, inventory accountability and deferred
8 account-hedging program; (iii) several issues relating to the accounting entries
9 applicable to the Company's commodity true-up calculation and inventory levels
10 remain unresolved and, as a result, ORS is unable to verify the end-of-period balance
11 in deferred account #253.04 and (iv) in order to address the unresolved accounting
12 issues relating to Piedmont's commodity true-up and inventory levels and to permit a
13 final accounting of Piedmont's deferred account 253.04, Piedmont agrees to provide
14 revised and updated data to ORS for its review by not later than January 7, 2008.

15 The Parties further agree that a report regarding the aforesaid verification and
16 recommended adjustment(s) to the deferred account will be made and reported to the
17 Commission by the Parties no later than February 15, 2008.

18 Piedmont also agrees to exercise its best efforts to continue to correct deficiencies in
19 its accounting and reporting practices to conform with requirements of the
20 Commission, as stated in previous Orders of the Commission.

21 In addition, Piedmont further agrees to begin filing monthly hedging reports
22 beginning with the report for the month of November 2007 for a period of one year or

1 until otherwise adjusted by mutual agreement of the Parties or by Order of the
2 Commission in the next annual review.

3 Piedmont additionally agrees to report back to the Commission on the results of their
4 actions in restructuring their accounting practices and procedures on or before
5 February 15, 2008.

6 Although there were several problems with certain of Piedmont's accounting and
7 financial controls during the review period, ORS believes that Piedmont is making a
8 good faith effort to correct these shortcomings and should therefore be permitted the
9 additional time addressed in the settlement agreement to attempt to finalize their
10 corrective actions. ORS does not believe that it would serve the interests of any of the
11 parties or Piedmont's customers to impede the Company's progress to correct
12 problems identified by ORS and the Company itself.

13 Taking into consideration the above statements, ORS has determined that the public
14 interest and Piedmont has determined that their interests would be best served by
15 reaching this settlement agreement.

16 I respectfully request that the Commission approve this settlement agreement in its
17 entirety.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 **A. Yes, it does.**

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2007-4-G

IN RE:

Annual Review of Purchased Gas Adjustment)	
and Gas Purchasing Policies of Piedmont)	CERTIFICATE OF
Natural Gas Company, Incorporated)	SERVICE
)	
)	

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **SETTLEMENT TESTIMONY** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

David Carpenter
Tom Skains
Piedmont Natural Gas Company
PO Box 33068
Charlotte, NC 28233

James H. Jeffries IV, Esquire
Moore & Van Allen PLLC
Bank of America Corp Center
100 North Tryon Street, Ste 4700
Charlotte, NC 28202-4003


Chrystal L. Morgan

November 9, 2007
Columbia, South Carolina

ATTACHMENT

9

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Tuesday, Nov 27, 04:30 PM EDT

• How to Use TradingMarkets Tools Every Night to Find Tomorrow's Potential Trading Candidates
Monday, Nov 26, 12:30 PM EDT

• Learn How To Trade Our Best Performing System - Raptor II
Monday, Nov 26, 02:00 PM EDT

• PowerRatings (for Traders), the Tool Every Short-Term Trader Should Use Every Day to Gain a Short-Term Edge
Tuesday, Nov 27, 12:30 PM EDT

• Finding the Real Intraday Strength in the Forex Markets with FXrpm
Wednesday, Nov 28, 12:30 PM EDT

• Sign up to learn more about the 5x5x5 Portfolio Method in our Free online seminar
Tuesday, Nov 27, 04:30 PM EDT

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State: Piedmont Gas too sloppy: Regulators say errors repeatedly found in company's accounting

Tuesday, November 20, 2007; Posted: 05:12 AM

Nov 20, 2007 (The Charlotte Observer - McClatchy-Tribune Information Services via COMTEX) -- PNY | charts | news | PowerRating -- State regulators are complaining that Piedmont Natural Gas Co. routinely submits reports with accounting errors that if left unchecked could hurt ratepayers and the company's bottom line.

The utility, with more than 1 million customers in the Carolinas and Tennessee, submits expense reports so it can work with regulators to set future gas rates. The N.C. Utilities Commission's public staff, which looks out for consumers, reviews the figures annually and suggests rates.

In the latest example, the Charlotte-based utility reported business expenses for an annual rate review in May that were off by more than \$16 million -- in favor of ratepayers, said Jim Hoard, assistant director of the accounting division for the public staff. "They were hurting themselves."

The completed rate review with corrected figures took months and was submitted Nov. 5 for the seven-member commission to review. It approved the new rates Monday that will increase the average N.C. residential bill by about \$14 a year, starting next month.

Piedmont spokesman David Trusty said the company was improving and that buying natural gas has become much more complex since prices began fluctuating unpredictably several years ago.

Hoard said that sometimes the accounting errors appear to work to the advantage of the company's bottom line and sometimes to the advantage of consumers. "They're making lots of mistakes," he said.

He said that other companies, such as Gastonia-based PSNC Energy, aren't having the same troubles. He said the errors started popping up after Piedmont bought ENCNG from Progress Energy in 2003.

Hoard's division has told Piedmont it needs to improve its accounting performance because the extra months it takes to review the records is sapping resources, he said.

Bob Willett, publisher of Natural Gas and Electricity magazine, said that he had never heard of such an accounting issue. He said consistent errors could signal "reliability" issues with how the company is being run. In the business world, errors of more than 5 percent of a company's net income are considered serious, he said. Piedmont's annual net income has hovered around \$100 million.

Trusty said the company has been working with the state to better provide the correct information in the proper timeframe. Since hurricanes Katrina and Rita disrupted natural gas supply lines more than two years ago and sent rates skyrocketing, wholesale gas prices have been unpredictable, he said. And regulated companies, like Piedmont, have been increasingly required by state regulators to place hedges on buying natural gas, he said.

"Accounting for the costs of gas are much more complex than they used to be," Trusty said. "Changes took place very rapidly."

For the annual review in May, Piedmont at first said it needed to collect an extra \$20.3 million from N.C. customers to cover the cost of buying natural gas over the previous year. The correct figure turned out to be \$30.3 million, Hoard said. The company also said it needed to refund about \$22.2 million it overcharged customers for the cost of transporting and storing the gas. The correct figure was about \$15.5 million, Hoard said.

The company is not allowed to make a profit on the natural gas it supplies and passes on 100 percent of the wholesale price to customers. That accounts for 65 percent to 75 percent of a monthly bill. The company profits from delivering the gas to customers.

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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IN RE:

T.R.A. DOCKET ROOM

NASHVILLE GAS COMPANY, A DIVISION OF)
PIEDMONT NATURAL GAS COMPANY, INC.,)
ACTUAL COST ADJUSTMENT ACCOUNT)
FILING FOR THE TWELVE MONTHS ENDED)
DECEMBER 31, 2006)

Docket No. 07-00174

JOINT FINAL REPORT OF AUDIT STAFF AND PIEDMONT NATURAL GAS COMPANY

Audit Staff of the Tennessee Regulatory Authority ("Audit Staff") and Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel, respectfully submit this Joint Final Report on Piedmont's Actual Cost Adjustment ("ACA") account for the twelve months ended December 31, 2006 ("Review Period"). This Joint Report resolves all pending issues between Audit Staff and Piedmont in this proceeding and sets forth, in Attachments 1 and 2 hereto, the final agreed ACA Account Summary for the twelve-month period ended December 31, 2006 and a Summary of Adjustments to the ACA account balance reflected in Audit Staff's April 3, 2008 Compliance Audit Report filing ("Compliance Report") in this proceeding. Piedmont and Audit Staff respectfully request that the Tennessee Regulatory Authority ("Authority") accept and approve this Joint Final Report as the final accounting of Piedmont's ACA account for the Review Period. In support of this request, Audit Staff and Piedmont respectfully show unto the Authority as follows:

1. On April 3, 2008, Audit Staff issued its initial Compliance Report in this proceeding in which it recommended Review Period adjustments to Piedmont's ACA account of (\$4,730,021.97). In its Compliance Report, Audit Staff also reflected substantial dissatisfaction with the methodology Piedmont used to record its gas costs during the Review Period, which Audit Staff characterized as a continuing problem with the Company's reporting of its gas costs.

Exhibit B

2. In its Compliance Report, Audit Staff also reflected Piedmont's response to Audit Staff's findings and proposed ACA account adjustments. Those responses included agreement by Piedmont with the majority of Audit Staff's proposed adjustments but disagreement with a smaller number of proposed adjustments. In its response, Piedmont also disputed that it had recorded estimated rather than actual costs in its ACA account for the Review Period.

3. The Compliance Report contained Audit Staff's rebuttal of Piedmont's response. This rebuttal demonstrated substantial ongoing disagreement between the Company and Audit Staff with respect to Piedmont's Review Period reporting of gas costs and the proper ending balance in Piedmont's ACA account.

4. On April 8, 2008, the Authority Advisory Staff issued a data request to Piedmont asking the Company to respond to the matters set forth in Audit Staff's rebuttal.

5. On April 18, 2008, at the request of Piedmont and with the consent of Audit Staff, the Authority extended the time in which Piedmont was required to respond to Audit Staff's rebuttal and also extended the time by which the audit process must be completed. Piedmont's request for extension of time indicated that it believed that further discussions between Audit Staff and the Company could help narrow or eliminate disputed reporting issues and that Audit Staff had agreed to participate in such discussions. Piedmont's request also indicated the Company's belief that Audit Staff and Piedmont accounting personnel had been "talking past each other" with regard to the Company's regulatory reporting.

6. Following the Authority's approval of the requested extension, Piedmont and Audit Staff met to discuss Audit Staff's findings and proposed adjustments to Piedmont's ACA account and the issue of Audit Staff's dissatisfaction with Piedmont's regulatory reporting. Piedmont also provided additional information and documentation to Audit Staff (at this meeting and afterwards) regarding several of Audit Staff's adjustments.

7. This process was fruitful and resulted in the Company understanding the manner in which Audit Staff requires ACA account gas costs to be reported. This process also resulted in several agreed modifications to Audit Staff's Compliance Report ACA account adjustments

based on the provision of additional information by Piedmont and further review of that information by Audit Staff.

8. The modifications to Audit Staff's Compliance Report adjustments agreed to by Piedmont and Audit Staff as a result of this process are detailed on the schedule attached hereto as Attachment 1. The cumulative adjustments to Piedmont's Review Period ACA account agreed to by Piedmont and Audit Staff are shown on the schedule attached hereto as Attachment 2.

9. The agreements between Piedmont and Audit Staff reflected herein resolve all monetary matters in dispute between the parties with respect to Piedmont's ACA account for the twelve months ended December 31, 2006.

10. Based on the foregoing, Audit Staff and Piedmont respectfully request that the Authority accept the final agreed balance of Piedmont's Review Period ACA account as reflected herein and on Attachments 1 and 2 appended hereto as an amendment to the findings of the April 3, 2008 Compliance Report.

WHEREFORE, for the reasons set forth above, Audit Staff and Piedmont respectfully request that the Authority issue an order approving the Compliance Report, as amended herein, with the agreed upon balance of Piedmont's ACA account at December 31, 2006 reflected herein and in Attachments 1 and 2 hereto.

Respectfully submitted, this the 10th day of June, 2008.

Tennessee Regulatory Authority Audit Staff

Richard S. Montgomery

Piedmont Natural Gas Company, Inc.

James H. Jeffers IV (RSM by permission)

**Piedmont Natural Gas
ACA Audit Results
January 2006 - December 2006
Docket No. 07-00174**

Summary of Adjustments Resulting from Additional Documentation Supplied by Company

	<u>Amount</u>	<u>Reference</u>
Total Findings Issued by Audit Staff	(4,730,021.97)	Audit Report (April 3, 2008), page 7.
Adjustments Agreed to by Audit Staff:		
December 2006 Columbia invoice - Commodity	1,725.01	Finding #1, page 14. Company documentation number 32.
December 2006 Columbia invoice - Demand	31,449.50	Finding #12, page 28. Company documentation number 32.
October 2006 AP Adjustments for Nov./ Dec. 2005		
Merril Lynch Invoice	45,837.45	Finding #1, page 14. Company documentation number 15.
Coral Invoice	1,302,695.02	Finding #1, page 14. Company documentation number 15.
El Paso Invoice	(540,241.96)	Finding #1, page 14. Company documentation number 15.
El Paso Invoice	160,436.76	Finding #12, page 27.
El Paso Invoice	412,542.00	Finding #12, page 27.
Interest Effect of Above Adjustments	<u>103,347.56</u>	Finding #16, page 32. Staff recalculation of interest.
Subtotal of Adjustments made by Audit Staff	<u>1,517,791.34</u>	
Restated Audit Findings	<u>(3,212,230.63)</u>	
Audit Adjustments Requested by Company:		
Company Documentation No. 32	33,174.51	
Company Documentation No. 15	1,775,539.40	
Company Documentation No. 21, 24, 25	39,769.96	
Company Documentation No. 20	-	
	<u>1,848,483.87</u>	
Adjustments Accepted by Audit Staff	<u>1,517,791.34</u>	
Difference	<u>(330,692.53)</u>	

ATTACHMENT 1

**Piedmont Natural Gas
ACA Audit
Docket No. 07-00174**

Summary of the ACA Account:

	Company Filing	Staff	Difference (Findings)
Commodity Balance at 1/1/06	-18,934,743.47	-18,934,743.47	\$0.00
Plus Gas Costs	184,410,960.47	182,432,346.61	-1,978,613.86
Minus Recoveries	<u>162,472,648.03</u>	<u>162,440,217.86</u>	<u>-32,430.17</u>
Ending Balance before Interest	\$3,003,568.97	\$1,057,385.28	-1,946,183.69
Plus Interest	<u>-283,922.05</u>	<u>-320,578.05</u>	<u>-36,656.00</u>
Commodity Balance at 12/31/06	<u>\$2,719,646.92</u>	<u>\$736,807.23</u>	<u>-\$1,982,839.69</u>
Demand Balance at 1/1/06	\$3,981,917.83	\$3,981,917.83	\$0.00
Plus Gas Costs	8,755,212.87	7,556,711.57	-1,198,501.30
Minus Recoveries	<u>8,129,471.48</u>	<u>8,129,471.48</u>	<u>0</u>
Ending Balance before Interest	\$4,607,659.22	\$3,409,157.92	-1,198,501.30
Plus Interest	<u>355,658.11</u>	<u>324,768.47</u>	<u>-30,889.64</u>
Demand Balance at 12/31/06	<u>\$4,963,317.33</u>	<u>\$3,733,926.39</u>	<u>-\$1,229,390.94</u>
Total ACA Ending Balance at 12/31/06	<u>\$7,682,964.25</u>	<u>\$4,470,733.63</u>	<u>-\$3,212,230.62</u>

ATTACHMENT 2

**RESPONSE TO PIEDMONT NATURAL GAS
DATA REQUEST NO. 3e**

EXHIBIT 2

Pat Murphy

From: Michelle Ramsey
Sent: Wednesday, February 13, 2013 10:36 AM
To: Pat Murphy
Subject: FW: ACA Adjustments Summary
Attachments: TRA Coverpage -Summary.docx

-----Original Message-----

From: Robert.Thornton@piedmontng.com [<mailto:Robert.Thornton@piedmontng.com>]
Sent: Wednesday, February 13, 2013 9:54 AM
To: Michelle Ramsey
Subject: ACA Adjustments Summary

Hi Michelle,

Attached in Word format is the summary we discussed. Mandi and Jenny are working on getting you the extensive support and backup in both hard-copy and electronic files. We will send these out to you as soon as possible.
Thanks.

(See attached file: TRA Coverpage -Summary.docx)

Rob Thornton
704-731-4148

**RESPONSE TO PIEDMONT NATURAL GAS
DATA REQUEST NO. 6**

EXHIBIT 3

PIEDMONT NATURAL GAS COMPANY

Docket No. 13-00119

Question #6

Docket No.	Nature of Adjustment	Audit Staff position	Accepted by Authority?
12-00120	Change in transportation rates	Accepted	Yes
	Incorrect withdrawal and injection rates	Finding	No
07-00198	Change in transportation volumes	Accepted	Yes
	Change in transportation rates	Accepted	Yes
12-00010	Change in demand charges	Accepted	Yes
	Change in purchase volumes	Accepted	Yes
	Change in transportation rates	Accepted	Yes
	Change in transportation volumes	Accepted	Yes
08-00206	Pipeline cashout refund	Accepted	Yes
	Pipeline IS credit	Accepted	Yes
09-00093	Storage true-up	Finding	No