AMOS, JEFFRIES & ROBINSON, L.L.P.
ATTORNEYS AND COUNSELLORS AT LAW
1230 RENAISSANCE PLAZA
230 NORTH ELM STREET
GREENSBORO, NORTH CAROLINA 27401

TELEPHONE: (336) 273-5569
FACSIMILE: (336) 273-2435

MAILING ADDRESS:
P. O. BOX 787
GREENSBORO, N.C. 27402

00 JAN 28 PM 1 58

January 25, 2000

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Docket No. 99-00994

Dear Mr. Waddell:

I am enclosing for filing the following responses to the Staff's Data Requests dated January 4, 2000: 3, 4, 5, 6, 7, 11, 12, 13, 14, 17, 18, 19, 20, 22, 25, 26, 27, 29, 30, 34, 35, 36, 37, 39, 40, 41, 43, 44, 45, 46, 48, 49, 50, 51 and 54.

Responses to the remaining Staff Data Requests will be provided as soon as possible.

Sincerely,

Jerry W. Amos

JWA:kam
Encl.

FILE

Nashville Gas Company
Docket No. 99-00994
Tennessee Regulatory Authority
Staff Data Request

Volume 1

TENNESSEE REGULATORY AUTHORITY

Lynn Greer, Chairman
Sara Kyle, Director
Melvin Malone, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

January 4, 2000

Mr. Ware F. Schiefer
President
Piedmont Natural Gas Company, Inc.
P. O. Box 33068
Charlotte, NC 28233

Dear Mr. Schiefer:

To further the Staff's analysis of the reasonableness of the rates filed December 30, 1999 by Nashville Gas Company, we request that you furnish five copies of the information itemized in the attachment to this letter titled, Staff Request January 4, 2000.

Please comply with the following instructions for compiling the data requested:

1. Each copy of the data requested should be placed in a loose-leaf binder with each item tabbed. Each response should begin by restating the item(s) requested.

2. Where a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6.

3. Careful attention should be given to copied material to insure that it is legible.

If there is a need for clarification of any of the attached requests, please contact Michael Horne at (615) 741-2904, extension 174 before furnishing the response. Please furnish the requested information by January 18, 2000

Sincerely,

David Waddell
Executive Secretary

Pm99-84

Attachment
cc: Ted G. Pappas
Jerry W. Amos
Michael Horne
Legal Division

NASHVILLE GAS COMPANY

STAFF REQUEST

January 4, 2000

GENERAL

1. Provide a comprehensive discussion of all abnormal conditions or changes in conditions that occurred between September 1, 1997, and the present such as changes in accounting treatment, etc. Your discussion should include, but not be limited to:

   (a) Management changes.
   (b) Operational changes.
   (c) Administrative changes.
   (d) Any recent or pending mergers, consolidations or acquisitions.
   (e) Major changes in sales volumes.
   (f) Changes in pipeline allocations.
   (g) Labor contracts.
   (h) Pending negotiations for any major change in sales volumes to any current or prospective commercial or industrial customer.

2. State the effect that each of the applicable changes discussed in Item 1 will have on the Company's revenues, expenses, rate base, and capital structure, as well as the Company's method of allocating each change among its regulated, unregulated, and jurisdictional operations.

3. Provide a current organizational chart for Nashville and Piedmont, showing Company officers and other key personnel, the departments they head, and to whom they report, from department level or office up.

4. Provide copies of the annual stockholders reports of Piedmont for the years 1997 and 1998. Also, provide the 10K reports for 1997 and 1998, and the 10Q's for each quarter of 1999.

5. Provide a current chart of accounts.

6. Provide copies of any Rate Orders issued by other states in which Piedmont operates since September 1, 1997.

7. Provide copies of any employment and termination, etc. contracts Piedmont and Nashville currently have or have had with management personnel since September

1, 1998. Indicate if any of these contracts call for separation payments. Also indicate any separation payments paid for each individual terminated from Nashville or Piedmont's management since September 1, 1993.

8. Provide a fiscal and calendar year end 1998 balance sheet and income statement and a fiscal year end 1999 balance sheet and income statement for each of the three states the Company operates in. Provide an explanation of the differences of these reports to the stockholder's annual report, and the Company's internal financial statements for Tennessee.

REVENUES AND PURCHASED GAS (Excluding M&J)

9. Provide the following information regarding the Company's 25 largest customers:

   (a) Sales by month for 1997, 1998, and 1999. If possible, please provide this information on diskette.

   (b) Any correspondence with these Companies as to their anticipated usage in 2000 and 2001.

10. Provide the number of customers added by customer classification by month for the 24 month period ended August, 1999.

11. Provide the gas sales summaries by month, for the 24 month period ended August, 1999. Include the step volume information for the appropriate rate classifications.

12. Provide the number of billing cycles per month, the identity of any specific groups of customers billed on a particular cycle, and the normal read and bill dates during the month for each cycle.

13. Provide a copy of all weather normalization workpapers.

14. Provide a copy of any usage and growth trends and any other adjustments used to project revenues.

15. Provide a comparative analysis of heating costs for a residential customer using current electric and gas rates. For purposes of this comparison, assume a 2,400 square foot house. For the gas furnace analysis, assume an AFUE of 78%. For the electric heat pump, assume an HSPF of 6.8. If you believe these assumptions are unrealistic, please state your reasons, and provide a further analysis with the Company's own assumptions. Provide backup for any additional assumptions used in the analysis.

EXPENSES (Excluding M&J, Taxes, and Purchased Gas)

16. For accounts 700 through 932, show the gross and net expense after deducting salaries and wages, by month from September 1, 1997, through August 31, 1999.

17. Provide a schedule of employees for the 12 months ended August 31, 1999, identifying them as part or full time, and the account to which their compensation is charged. Also, indicate whether the employees are salaried or hourly. Identify the regular, overtime and total hours worked during the test period. Also identify the regular and total earnings during the test period. For those employees working only a partial year, give dates of employment. Identify pay rates at August 31, 1999 and the projected amount and date of raises through the attrition year. Where appropriate, show the allocation of compensation between states and non-regulated operations. Also indicate any anticipated changes in employment levels during 2000 and 2001.

18. Provide a schedule showing by month, from September 1, 1997, through August 31, 1999, identifying the amount and the percentage of total payroll capitalized on a total Company and Tennessee only basis.

19. Provide a description of each type of service that employees of Piedmont perform for Nashville operations.

20. Provide detailed workpapers supporting the calculation of the Life Insurance expense, Long-Term Disability, Hospitalization expenses, and other miscellaneous employee insurance expenses. For the attrition period show the total and capitalized amount.

21. Does the Company have a written policy regarding bonuses or Stock Options? If so, please provide a copy of this policy. Were any bonuses or options actually paid or redeemed in the 12 months ended August 31, 1999? If so, please provide a schedule of employees, showing the amount paid and the basis of the calculation.

22. Provide an insurance schedule for the 12 months ended August 31, 1999, identifying the policies in effect, the type of coverage, the coverage period, the annual premiums, the amount included as an expense, the account charged, the beneficiaries, and the allocation used. Also provide the above information for those policies currently in effect and any anticipated changes in policies in 2000 and 2001.

23. Provide a detailed analysis of advertising expense for the 12 months ended August 31, 1999. Provide and discuss the Company's projected advertising expense for 2000 and 2001. Identify for the test period and attrition period, the amount of advertising as follows:

    (a) Institutional

(b) Conservation
(c) Promotional
(d) Informational
(e) Promotional for the sale of appliance.

24. Provide the following items concerning the rental of any equipment or other property:

(a) Lease Agreements.
(b) Amount of expense for 12 months ended August 31, 1998 and 1999.

25. Provide a schedule identifying all directors, meetings attended, and the amount of director's fees attributable to each for September 1, 1997, through August 31, 1999.

26. Provide a copy of the Company's cost allocation study.

27. Explain the calculation and provide workpapers concerning the Company's expense growth factor. Please break this down between inflation and customer growth components.

28. Provide a schedule showing by employee the number of trips made from/to Nashville and Charlotte for the 12 months ended August 31, 1999. Also show the date, cost of each trip and the nature of each trip.

29. Provide the amount of direct and allocated charges to Nashville Gas Company from Piedmont Natural Gas by account for the 12 months ended August 31, 1998 and 1999. Also, show the total amount of charges incurred by Piedmont Natural Gas for the same periods.

TAXES

30. Provide copies of the following tax returns or tax statements:

(a) Tennessee Gross Receipts tax returns for 1996-97, 1997-98 and 1998-99.
(b) Tennessee Franchise and Excise for 1997, 1998 and 1999.
(c) Property tax statements for 1997, 1998 and 1999.
(d) Employer's Quarterly federal Tax Returns (Form 941), for each quarter of 1998 and 1999.
(e) Employer's Annual Federal Unemployment Tax Return (Form 941), for 1997, 1998 and 1999.
(f) Employer's Quarterly Contribution Report to the Tennessee Department of Employment Security for each quarter of September 1997 through August 1999.

31. Provide the following Federal Income Tax data for Tennessee operations for the 12 months ended December 31, 1997, 1998 and 1999:

(a) Operating federal income taxes deferred-accelerated depreciation.
(b) Federal income taxes-operating.
(c) Income credits resulting from prior deferrals of federal income taxes.
(d) The amount of Investment Tax Credits realized and the amount amortized split between Pre-1971 and Post-1970.

32. Provide a reconciliation of book to taxable income and calculation of the federal income tax expense on a total company and Tennessee only basis for the 12 months ended December 31, 1997 and 1998.

RATE BASE (Excluding Working Capital)

33. Provide by account number for the 12 months ended August 31, 1996, 1997, 1998, and 1999, monthly plant additions and retirements. Please break down plant additions into normal or special projects defined as follows:

Normal construction requirements should be considered to include the needs created through normal system expansion such as serving residential areas, shopping areas, old home conversions, replacements of tool and work equipment, transportation equipment, etc.

Special construction requirements should be considered to arise from extensive replacement of old facilities which cannot be foreseen, major expansion projects such as industrial parks, system improvements such as change from low pressure to high pressure required because of changing delivery patterns, and changes required by governmental action such as street improvements and relocation's, community and neighborhood development, bridge replacements, etc. These requirements should be considered to be outside the control of the Company.

34. Identify by account for the 12 months ended August 31, 1996, 1997, 1998, and 1999 the salvage and cost of removal for retirements.

35. Break down 1999, 2000 and 2001 budgeted plant additions between normal and special project using the criteria defined in Item 32 above. Provide sufficient details of individual projects as to date of inception and completion, and methods of financing. Also, identify those plant additions for 1999 which have already been incurred. Basic assumptions underlying budgets should also be submitted including the assumptions for sales volumes.

36. Identify all special projects for 1999, 2000 and 2001 using the criteria defined in Item 32 above by work order number and estimated cost. Please provide a signed authorization for each special project and identify the planned staring and completion dates.

37. For the 12 months ended August 31, 1996, 1997, 1998, and 1999, identify any contributions in aid of construction resulting from special projects.

38. Describe the Company's budgeting process including, but not limited to the following:

    (a) How far in advance are operating and construction budgets prepared?

    (b) How many views or updates of the same budget year are made before a final view is adopted?

    (c) Are budgets prepared on a monthly, quarterly, or annual basis?

(d) Which individual or department has overall responsibility for budgets?

(e) Once a final budget has been adopted, are budget to actual comparisons routinely made on a monthly or annual basis?

(f) Provide copies of budget to actual comparisons for 12 months ended August 31, 1998 and 1999 on a total Company and Tennessee only basis.

39. Provide a trial balance at August 31, 1998, and 1999, along with the adjusting entries and post-closing balances. Also provide a trial balance at the fiscal year end in 1999.

40. Provide schedules showing the development of the average Tennessee account balances listed below for 12 months ended August 31, 1999.

(a) Gas plant in service.
(b) Construction work in progress.
(c) Inventories.
(d) Deferred debits.
(e) Reserves.
(f) Customer Deposits
(g) Interest on customer Deposits.
(h) Contributions in aid of construction.
(I) Pre-1971 Unamortized Investment Tax Credit.
(j) Accumulated Deferred FIT.
(k) Accumulated Depreciation.
(l) Accounts payable applicable to CWIP.
(m) Accounts payable applicable to Materials & Supplies.
(n) Customer Advances.
(o) Materials and Supplies.
(p) Accounts Receivable - Other
(q) Prepaids.

41. Provide an explanation and calculation of the method used to allocate to Tennessee, the Piedmont General Office portions included in Item 39 above.

42. Provide the investment, accumulated depreciation, and deferred FIT on all property that is owned by Piedmont and leased or allocated to Nashville.

WORKING CAPITAL

43. Provide a copy of the lead-lag study workpapers.

44. Provide a description of Company policy with respect to maintaining minimum cash balances.

45. Provide the percentage of the sample tested to the total test period dollar amount for each account in the lead-lag study.

46. Provide a comparison of the lead-lag study used in this case with the study used in the previous case and explain any major changes.

MERCHANDISE & JOBBING AND OTHER UNREGULATED OPERATIONS

47. Explain the nature and extent of each of the Company's non-regulated operations including M&J, CNG and Flamegas activities.

48. Provide an income statement and balance sheet for all non-regulated operations. For each year, identify each class of revenue separately (appliance, propane sales, etc.). The information should include the following data for the 12 months ended August 31, 1998 and 1999:

    (a) The direct expense incurred by each operation.
    (b) The general office expense (Nashville and Charlotte) allocated to each operation.

49. Provide a complete explanation and calculation of how costs were allocated to non-utility operations in the test year and attrition period.

COST OF CAPITAL

50. Provide a calculation of total Company and Parent only debt, equity capital and the debt and equity ratios for 1998 and 1999. Show long and short term debt, preferred stock, and common equity separately.

51. Provide a calculation of the average composite interest cost for the long-term debt and short-term debt for 1998 and 1999.

52. Provide a schedule identifying the following for the Company and the Parent from September 1, 1997 through August 31, 1999, and adjust for any stock splits:

    (a) Primary earnings per share.
    (b) Fully diluted earnings per share.
    (c) Dividends per share.
    (d) Book value per share.
    (e) High market price for the year.
    (f) Low market price for the year.
    (g) Average market price for the year.

53. Provide a schedule identifying the date and amount of each common stock dividend paid since September 1, 1997. Include any announced future dividend payments and adjust for any stock splits.

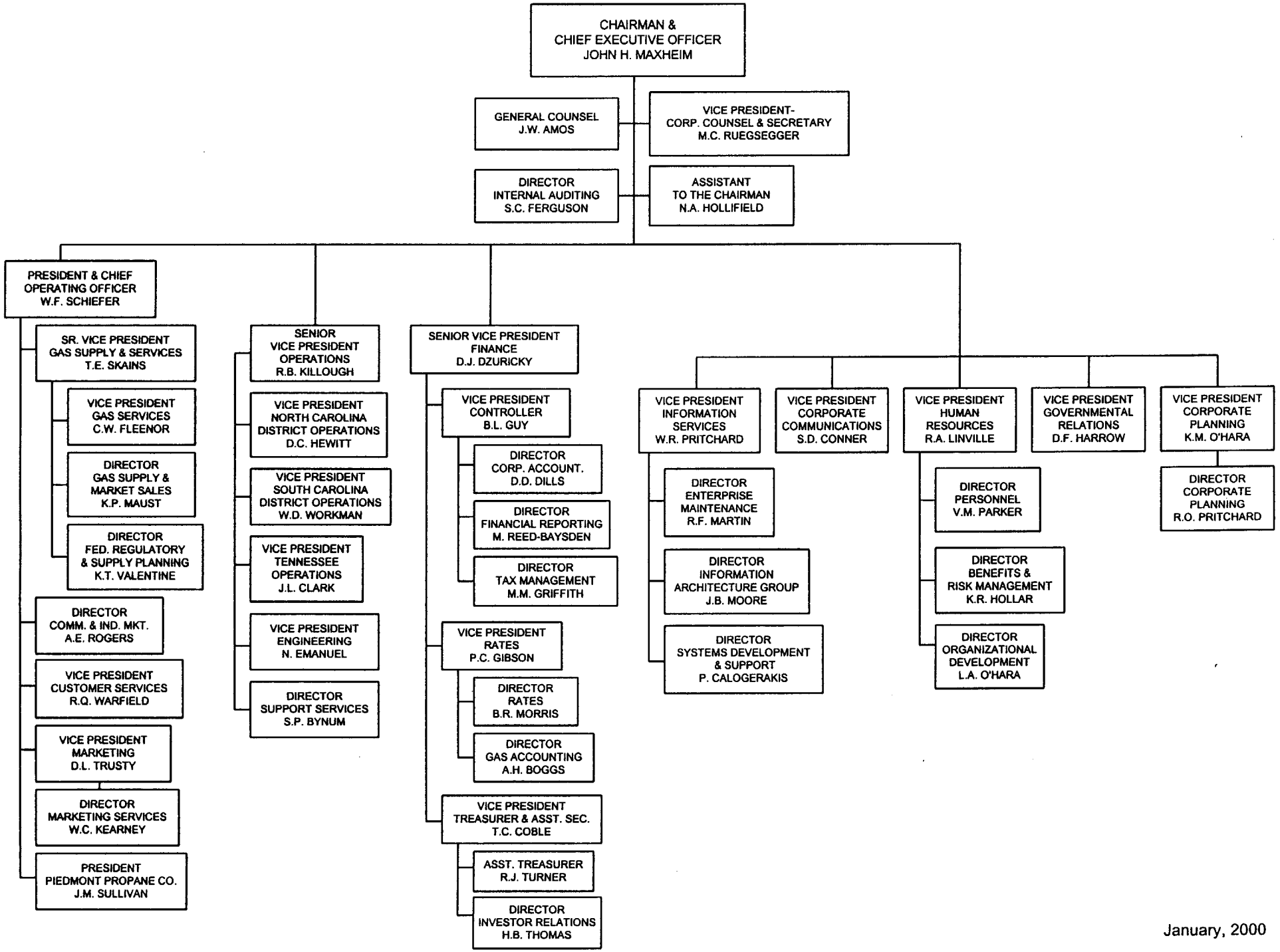
54. Provide the following data for any stock issued by the Company or the Parent that have occurred since August 31, 1997.

    (a) Date of issues.
    (b) Number of shares.
    (c) Proceeds per share.
    (d) Price per share to public.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 3

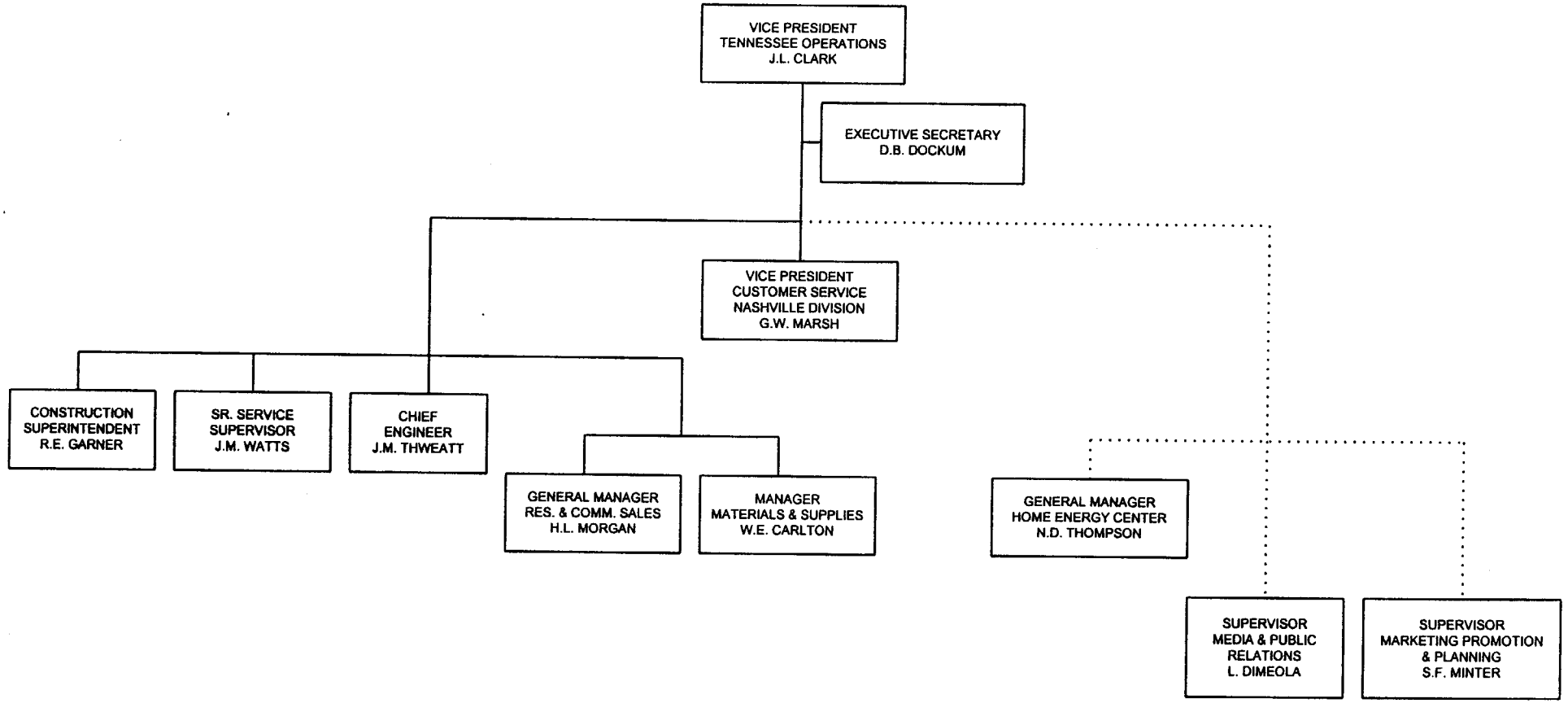
3. Provide a current organizational chart for Nashville and Piedmont, showing company officers and other key personnel, the departments they head, and to whom they report, from department level or office up.

PIEDMONT NATURAL GAS COMPANY, INC.
MANAGEMENT ORGANIZATION



January, 2000

TENNESSEE DIVISION
MANAGEMENT ORGANIZATION



January, 2000

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

4. Provide copies of the annual stockholders reports of Piedmont for the years 1997 and 1998. Also, provide the 10K reports for 1997 and 1998, and the 10Q's for each quarter of 1999.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1999

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-6196

PIEDMONT NATURAL GAS COMPANY, INC.
(Exact name of registrant as specified in its charter)

North Carolina	56-0556998
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1915 Rexford Road, Charlotte, North Carolina	28211
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 704-364-3120

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 5, 1999
Common Stock, no par value	30,924,595

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands)

	January 31, 1999 Unaudited	October 31, 1998 Audited
ASSETS		
Utility Plant, at original cost	$1,367,212	$1,345,925
Less accumulated depreciation	391,518	381,585
Utility plant, net	975,694	964,340
Other Physical Property (net of accumulated depreciation of $17,729 in 1999 and $17,406 in 1998)	26,078	26,300
Current Assets:		
Cash and cash equivalents	8,755	9,720
Restricted cash	31,758	27,484
Receivables (less allowance for doubtful accounts of $2,225 in 1999 and $2,314 in 1998)	110,533	24,459
Gas in storage	42,317	42,465
Deferred cost of gas	14,585	5,217
Refundable income taxes	13,897	13,897
Other	9,719	19,300
Total current assets	231,564	142,542
Deferred Charges and Other Assets	28,412	29,662
Total	$1,261,748	$1,162,844
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity:		
Common stock	$285,084	$279,709
Retained earnings	209,109	178,559
Total common stock equity	494,193	458,268
Long-term debt	371,000	371,000
Total capitalization	865,193	829,268
Current Liabilities:		
Current maturities of long-term debt and sinking fund requirements	10,000	10,000
Notes payable	64,000	32,000
Accounts payable	68,389	67,296
Deferred income taxes	22,841	15,367
Taxes accrued	24,847	12,893
Refunds due customers	38,073	28,408
Other	14,873	19,884
Total current liabilities	242,823	185,848
Deferred Credits and Other Liabilities	153,732	147,728
Total	$1,261,748	$1,162,844

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Income (Unaudited)
(in thousands except per share amounts)

	Three Months Ended January 31		Twelve Months Ended January 31	
	1999	1998	1999	1998
Operating Revenues	$255,742	$313,255	$707,763	$776,239
Cost of Gas	134,186	190,162	386,445	456,664
Margin	121,556	123,093	321,318	319,575
Other Operating Expenses:				
Operations	24,678	25,565	104,046	109,279
Maintenance	3,621	3,372	14,957	15,195
Depreciation	10,712	10,491	42,397	39,950
General taxes	9,496	11,489	30,640	32,949
Income taxes	25,543	25,182	37,614	34,617
Total other operating expenses	74,050	76,099	229,654	231,990
Operating Income	47,506	46,994	91,664	87,585
Other Income, Net	1,343	2,525	1,153	4,036
Income Before Utility Interest Charges	48,849	49,519	92,817	91,621
Utility Interest Charges	8,285	8,270	33,189	33,610
Net Income	$40,564	$41,249	$59,628	$58,011
Average Shares of Common Stock:				
Basic	30,822	30,274	30,610	30,041
Diluted	31,054	30,580	30,878	30,332
Earnings Per Share of Common Stock:				
Basic	$1.32	$1.36	$1.95	$1.93
Diluted	$1.31	$1.35	$1.93	$1.91
Cash Dividends Per Share of Common Stock	$0.325	$0.305	$1.30	$1.22

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Cash Flows (Unaudited)
(in thousands)

	Three Months Ended January 31		Twelve Months Ended January 31	
	1999	1998	1999	1998
Cash Flows from Operating Activities:				
Net income	$40,564	$41,249	$59,628	$58,011
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	11,713	11,539	46,318	44,150
Other, net	1,883	1,922	2,395	9,633
Change in operating assets and liabilities	(58,963)	(27,248)	(17,218)	10,984
Net cash provided by (used in) operating activities	(4,803)	27,462	91,123	122,778
Cash Flows from Investing Activities:				
Utility construction expenditures	(21,478)	(16,558)	(95,818)	(87,677)
Other	(345)	(310)	(1,147)	(1,768)
Net cash used in investing activities	(21,823)	(16,868)	(96,965)	(89,445)
Cash Flows from Financing Activities:				
Increase in bank loans, net	32,000	5,000	34,000	4,000
Retirement of long-term debt	-	-	(10,000)	(10,000)
Issuance of common stock through dividend reinvestment and employee stock plans	3,675	3,688	15,123	14,608
Dividends paid	(10,014)	(9,238)	(39,780)	(36,649)
Net cash provided by (used in) financing activities	25,661	(550)	(657)	(28,041)
Net Increase (Decrease) in Cash and Cash Equivalents	(965)	10,044	(6,499)	5,292
Cash and Cash Equivalents at Beginning of Period	9,720	5,210	15,254	9,962
Cash and Cash Equivalents at End of Period	$8,755	$15,254	$8,755	$15,254
Cash Paid During the Period for:				
Interest	$11,343	$11,492	$33,077	$34,136
Income taxes	$1,733	$2,514	$46,357	$36,612

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Independent auditors have not audited the condensed consolidated financial statements. These financial statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the our 1998 Annual Report.

2. In our opinion, the unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair statement of financial position at January 31, 1999, and October 31, 1998, and the results of operations and cash flows for the three months and twelve months ended January 31, 1999 and 1998.

   We make estimates and assumptions when preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from our estimates.

3. Our business is seasonal in nature. The results of operations for the three-month period ended January 31, 1999, do not necessarily reflect the results to be expected for the full year.

4. Basic earnings per share are computed by dividing income available to shareholders by the weighted average number of shares of Common Stock outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur when common stock equivalents are added to common shares outstanding. Shares that may be issued under the long-term incentive plan are our only common stock equivalents. A reconciliation of basic and diluted earnings per share is shown below:

	Three Months Ended January 31		Twelve Months Ended January 31	
	1999	1998	1999	1998
	(in thousands except per share amounts)			
Net Income	$40,564	$41,249	$59,628	$58,011
Average shares of Common Stock outstanding for basic earnings per share	30,822	30,274	30,610	30,041
Contingently issuable shares under the long-term incentive plan	232	306	268	291
Average shares of dilutive stock	31,054	30,580	30,878	30,332
Earnings Per Share:				
Basic	$1.32	$1.36	$1.95	$1.93
Diluted	$1.31	$1.35	$1.93	$1.91

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Our discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements concerning plans, objectives, proposed capital expenditures and future events or performance are some of the items included in forward-looking statements. Our statements reflect our current expectations and involve a number of risks and uncertainties. Although we believe that our expectations are based on reasonable assumptions, we can give no assurances that these expectations will be achieved. Important factors that could cause actual results to differ include:

- regulatory issues, including those that affect allowed rates of return, rate structure and financings,
- industrial, commercial and residential growth in the service territories,
- deregulation, unanticipated impacts of restructuring and increased competition in the energy industry,
- the potential loss of large-volume industrial customers due to bypass or the shift by such customers to special competitive contracts at lower per unit margins,
- economic and capital market conditions,
- ability to meet internal performance goals,
- the capital intensive nature of our business, including development project delays or changes in project costs,
- changes in the availability and price of natural gas,
- changes in demographic patterns and weather conditions,
- changes in environmental requirements and cost of compliance, and
- unexpected problems related to our internal Year 2000 initiative as well as potential adverse consequences related to third-party Year 2000 compliance.

Financial Condition

We finance current cash requirements through operating cash flows, the issuance of new common stock through dividend reinvestment and employee stock purchase plans and short-term borrowings. Various banks provide lines of credit totaling $75 million for these direct short-term borrowings. We sell common stock and long-term debt to cover cash requirements when market or other conditions require such long-term financing.

Our natural gas business is seasonal in nature causing fluctuations in balances in accounts receivable from customers, inventories of stored natural gas and accounts payable to suppliers. From April 1 to October 31, we build up natural gas inventories by injecting gas into storage for sales in the colder months. Inventory of stored gas decreased and accounts receivable and accounts payable increased from October 31, 1998, to January 31, 1999, due to this seasonality

and the demand for gas during the winter season . Most of our annual earnings are realized in the winter period, which is the first five months of the fiscal year.

We have a substantial capital expansion program for construction of distribution facilities, purchase of equipment and other general improvements funded through sources noted above and short-term debt. The capital expansion program supports our approximately 4% current annual growth in customer base. Utility construction expenditures for the three months ended January 31, 1999, were $22.3 million, compared with $17 million for the same period in 1998. Utility construction expenditures for the twelve-month period ended January 31, 1999, were $98.8 million, compared with $89.2 million for the same period in 1998.

At January 31, 1999, our capitalization consisted of 43% in long-term debt and 57% in common equity.

Results of Operations

We will discuss the results of operations for the three months and twelve months ended January 31, 1999, compared with the same periods of 1998.

Margin

Margin (operating revenues less cost of gas) for the three months ended January 31, 1999, decreased $1.5 million compared with the same period in 1998 primarily for the reasons listed below.

- Delivered volumes of natural gas, which we refer to as system throughput, decreased from the same period in 1998 by 6.4 million dekatherms, a 13% decrease.
- Weather was 18% warmer than the same period in 1998, and 19% warmer than normal.

Decreases in margin for the three-month period were partially offset by the following increases.

- Volumes from secondary market sales increased over the same period in 1998 by 4 million dekatherms, a 4% increase. Secondary market sales include sales for resale, off-system sales, capacity release and other interstate transactions.
- The warmer weather generated operating revenues of $10.8 million from the weather normalization adjustment (WNA). The WNA is designed to offset the impact of unusually cold or warm weather on customer billings and operating margin. The same period in 1998 reflected decreased operating revenues from the WNA by $781,000 as the weather was only 2% warmer than normal.

Margin for the twelve months ended January 31, 1999, increased $1.7 million compared with the same period in 1998 primarily for the reasons listed below.

- The state commissions approved rate changes affecting margin.
- Secondary market sales volumes increased over the same period in 1998 by 7.5 million dekatherms, a 25% increase.
- Weather was 17% warmer than normal and 13% warmer than the same period in 1998 and generated $16.5 million in operating revenues from the WNA. The same period in 1998 increased operating revenues from the WNA by $8.1 million from 5% warmer-than-normal weather.

Decreased system throughput offset the margin increase for the twelve months ended January 31, 1999, compared with the same period in 1998. These sales and transportation volumes for the current twelve-month period decreased from the 1998 period by 1.3 million dekatherms, a 1% decrease.

Our rate schedules include provisions permitting the recovery of prudently incurred gas costs. Regulatory commissions in North Carolina and South Carolina require annual prudence reviews covering a historical twelve-month period; however, such review is not required in Tennessee. We revise rates in all three states periodically without formal rate proceedings to reflect changes in the cost of gas. Charges to cost of gas are based on the amount recoverable under approved rate schedules. The net of any over- or under-recoveries of gas costs are added to or deducted from cost of gas and included in refunds due customers in the financial statements.

Operations and Maintenance Expenses

Operations and maintenance expenses for the three months ended January 31, 1999, compared with the same period in 1998 decreased by $638,000 primarily for the reasons listed below.

- Decrease in provision for uncollectibles,
- Decrease in advertising expenses and
- Decrease in office supplies expenses.

Increases in payroll and outside labor partially offset these decreases for the three months ended January 31, 1999, compared with the same period in 1998.

Operations and maintenance expenses for the twelve months ended January 31, 1999, compared with the same period in 1998 decreased by $5.5 million primarily for the reasons listed below.

- Decrease in payroll,
- Decrease in transportation expenses,
- Decrease in rental payments,
- Decrease in provision for uncollectibles,
- Decrease in risk insurance expenses,
- Decrease in advertising expenses and
- Decrease in outside consultants expenses.

An increase in outside labor expenses partially offset these decreases for the twelve months ended January 31, 1999, compared with the same period in 1998.

General Taxes

General taxes for the three months ended January 31, 1999, compared with the same period in 1998 decreased by $2 million primarily for the reasons listed below.

- Decrease in gross receipts taxes from lower sales to customers,
- Decrease in franchise taxes,
- Decrease in property taxes and
- Decrease in payroll taxes.

General taxes for the twelve months ended January 31, 1999, compared with the same period in 1998 decreased by $2.3 million primarily for the reasons listed below.

- Decrease in gross receipts taxes from lower sales to customers,
- Decrease in franchise taxes and
- Decrease in payroll taxes.

An increase in property taxes partially offset these decreases for the twelve months ended January 31, 1999, compared with the same period in 1998.

Other Income

Other income for the three months ended January 31, 1999, compared with the same period in 1998 decreased by $1.2 million. Other income for the twelve months ended January 31, 1999, compared with the same period in 1998 decreased by $2.9 million. The primary reasons for these decreases are listed below.

- Decrease in earnings from propane operations due to warmer weather and
- Decrease in earnings from energy marketing services.

An increase in the allowance for funds used during construction partially offset these decreases.

Utility Interest Charges

Utility interest charges for the three months ended January 31, 1999, compared with the same period in 1998 increased by only $15,000 primarily due to an increase in interest on short-term debt due to higher amounts outstanding at lower interest rates. A decrease in interest on long-term debt from lower amounts of debt outstanding partially offset this increase.

Utility interest charges for the twelve months ended January 31, 1999, compared with the same period in 1998 increased slightly by $421,000. The primary reasons for the increase are listed below.

- Increase in interest on short-term debt due to higher amounts outstanding but at slightly lower interest rates and
- Increase in interest on refunds due customers due to higher amounts outstanding.

A decrease in interest on long-term debt from lower amounts of debt outstanding partially offset these increases.

Year 2000

Overview

In 1996, we formed a Year 2000 Project Team and selected a consulting firm to help us. Since that time, we have undertaken a comprehensive company-wide project to inventory, assess, remediate and test hardware, software and embedded systems intended to make them Year 2000 ready. In December 1997, we formed a Year 2000 Sub-Committee composed of senior-level executives to monitor Year 2000 efforts and assure that our core systems would be Year 2000 ready prior to the turn of the century.

In support of Year 2000 efforts, we also formed a Test Management Group that has established specific testing processes and procedures that are being used with both Information Technology (IT) and non-IT systems. The testing methodology includes the use of various testing techniques such as regression, system, parallel, interface and stress testing. Test plans include additional testing scenarios to demonstrate Year 2000 readiness. The Test Management Group reviews the results of these tests to ensure that a particular system's functional and Year 2000 readiness testing matches the testing methodology.

Although extensive testing is being completed prior to the system implementations, we will perform additional testing during 1999. During the third calendar quarter of 1999, we intend to conduct a final Year 2000 company-wide review to verify that all issues have been adequately addressed.

Readiness of Systems, Applications and Embedded Devices

We have completed an inventory and assessment of the entire portfolio of hardware, software and embedded systems. The compliance or non-compliance of systems was based on written responses or Internet web site information from vendors. Based on those findings, we developed a Year 2000 Master Plan that outlined a remediation strategy to either repair, replace, upgrade or retire each system, application or device that was deemed non-compliant. In an effort to prioritize the Year 2000 efforts, we classified each system, application or device as either mission critical, support intensive or low impact based on certain factors that describe its relative importance to the business. The Year 2000 Sub-Committee reviewed and approved these classifications and strategies.

The four criteria used to classify a system, application or device as mission critical are as follows, listed in order of importance:

- provide for public or employee safety,
- provide for gas supply or service to customers,
- provide the ability to comply with regulatory or legal requirements and
- provide a sustained level of business and income.

Support-intensive systems are described as "systems providing a major part of the business operation but an alternative solution could be formulated and executed." Low-impact applications are defined as "systems that assist with operations but whose failure would cause only minor inconvenience."

We completed the implementation of Year 2000 ready solutions for our mission-critical applications by December 31, 1998. Examples of these applications are SCADA (real-time system pressure and flow monitoring), Customer Information, Telemetering, Materials Management, Gas Management, Accounts Payable, General Ledger and Asset Management. Many of our support-intensive and low-impact applications were also Year 2000 ready by the end of December 1998. We expect all remaining applications to be complete by September 30, 1999.

We completed the inventory and assessment of embedded systems and found that approximately 4% of the devices have a Year 2000 impact. We developed a remediation strategy for each of the impacted devices and implementation of those strategies will be complete by April 30, 1999. In many cases, the current availability of hardware or software comoponents from the vendor affects our ability to implement Year 2000 ready solutions in a more timely manner.

Suppliers and Vendors

We are currently evaluating the status of Year 2000 compliance efforts of critical suppliers and vendors. Following the mailing of Year 2000 inquiries and surveys to approximately 700 critical suppliers and vendors, we received some level of written response from approximately 80% of the companies. We are analyzing these responses to determine which, if any, supplier relationships may require further attention based on our anticipated risks and business impacts. We will identify alternative vendor sources and develop contingency plans for any critical vendors considered at risk if necessary. We anticipate this work effort will be complete by June 30, 1999.

Risks

The Year 2000 Sub-Committee reviewed and approved ten specific "worst case" scenarios. We designated plan owners for each scenario and they are developing contingency plans to address each of the items. Worst case scenarios are as follows:

- Electrical Outages
- Natural Gas Shortages
- Vehicle Fuel Shortages
- Postal Service Outages
- Emergency Response Impacts
- Telecommunication Outages
- Water Outages
- Staff Shortages
- Data Center Services Outages
- Financial Institution Impacts

We currently have in place the following that can be used to mitigate risks, minimize potential impacts and provide safe uninterrupted service to customers:

- a territory-wide radio system to overcome telecommunication outages,
- natural gas-powered backup electrical generators at regional operations centers,
- liquefied natural gas facilities that can provide short-term gas supply,
- a hot-site disaster recovery provider for computer services and
- warehouse facilities that allow stockpiling of critical supplies.

Contingency Planning

We are currently analyzing and evaluating the existing disaster recovery plans as they relate to Year 2000 issues. Based on certain unique conditions or assumptions that are made, we will alter or update our plans as dictated by business requirements. We follow the guidelines outlined by the General Accounting Office for Year 2000 Business Continuity and Contingency Planning. The contingency planning process takes into account facilities, suppliers, vendors, embedded technologies and critical business processes and their interdependencies. The planning process assumes that there will be multiple concurrent failures of systems, thus requiring an additional level of planning to compensate for any assumptions that are made within a particular contingency plan. We anticipate the development of contingency plans will be complete by June 30, 1999. During the third calendar quarter of 1999, we intend to test selected contingency plans based on potential risks.

In an effort to reduce our risk from staff shortages, we established a new policy regarding the vacation schedules of personnel before and after January 1, 2000. The policy states that employee vacations will be suspended during the last two weeks of December 1999 and the month of January 2000. The policy provides for certain exceptions and reserves the right for management to determine final work or vacation schedules based on the needs of our business and customers.

Although we have not yet completed the contingency planning process, it is reasonable to assume that any combination of worst case scenarios, coupled with application or system failures, would result in a material adverse effect on financial position or results of operations.

Financial Impact

We estimate our total costs for Year 2000 readiness, including inventory, assessment, replacements, upgrades, repairs and testing to be between $23 million and $25 million, of which

$17.8 million has been incurred as of January 31, 1999. Total operating costs are estimated to be between $4 million and $5 million. By order of the North Carolina Utilities Commission (NCUC), we defer and amortize over a three-year period the portion of the operating costs attributable to North Carolina (57% based on utility plant in service). Of the total estimated costs, we will capitalize costs of $19 million to $20 million to replace certain existing applications with new systems that will be Year 2000 operational and provide additional business management information and functionality. Until we have completed further analysis of the Year 2000 impacts on our supplier and vendor relationships and contingency planning, an estimate of any additional costs to be incurred as a result of these efforts cannot be determined. We have not had to defer or cancel any planned IT projects due to Year 2000 issues.

At January 31, 1999, we have expensed $3.9 million, deferred $1.5 million and capitalized $12.4 million. We expect that these Year 2000 costs will be funded by revenue generated from operations or through borrowings under existing credit agreements. The projected Year 2000 costs for fiscal 1999 comprise approximately 33% of the IT budget.

We expect that all necessary systems will be Year 2000 ready by late September 1999. As progress is made, we continually revise the master plan to address the risks of Year 2000 issues, including contingency plans as appropriate to address worst case scenarios. We do not expect the total capital and operating costs associated with Year 2000 readiness, including assessment, replacement and remediation, to significantly impact financial position or results of operations.

Disclaimer

The Year 2000 statements in this document are Year 2000 Readiness Disclosures under the Year 2000 Information and Readiness Disclosure Act and are made to the best of our knowledge and belief.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

We held our Annual Meeting of Shareholders on February 26, 1999, to elect four directors and to ratify the selection of independent auditors. The record date for determining the shareholders entitled to receive notice of and to vote at the meeting was January 14, 1999. We solicited proxies for the meeting according to section 14(a) of the Securities and Exchange Act of 1934. There was no solicitation in opposition to management's solicitations.

Shareholders elected all of management's nominees for director as listed in the proxy statement for terms expiring in 2002 by the following votes:

	Shares Voted **FOR**	Shares Voted **WITHHELD**	Shares **NOT VOTED**
Muriel W. Helms	25,518,710	257,008	5,045,010
Ned R. McWherter	25,529,337	246,381	5,045,010
Donald S. Russell, Jr.	25,551,215	224,503	5,045,010
John E. Simkins, Jr.	25,518,544	257,174	5,045,010

Directors C. M. Butler III, Sam J. DiGiovanni, John W. Harris and John F. McNair III continue to hold office until 2000. Directors Jerry W. Amos, John H. Maxheim and Walter S. Montgomery, Jr., continue to hold office until 2001.

Shareholders approved the selection by the Board of Directors of the firm of Deloitte & Touche LLP as our independent auditors for the fiscal year ending October 31, 1999, by the following vote:

Shares Voted **FOR**	Shares Voted **AGAINST**	Shares Voted **ABSTAINING**	Shares **NOT VOTED**
25,552,561	70,475	152,682	5,045,010

Item 5. Other Information

Expansion Funds

As previously reported, the NCUC ordered the establishment of an expansion fund for us and approved initial funding with supplier refunds due customers to enable the expansion of natural gas service into unserved areas of the state. At January 31, 1999, the North Carolina State Treasurer held $27.7 million in our expansion fund account. This amount along with other supplier refunds, including interest earned to date, is included in restricted cash in the consolidated balance sheet. The NCUC decides the use of these funds as we file individual project applications for unserved areas.

In June 1998, we filed a petition with the NCUC for approval of an expansion project that would extend natural gas service to the counties of Avery, Mitchell and Yancey. In that petition, we also requested authority to use $26.3 million in expansion fund money to pay a portion of the estimated cost of the project of $31.9 million. In November 1998, the NCUC issued an order approving our requests.

On January 26, 1999, we filed an affidavit with the NCUC proposing an alternate route of the pipeline at the direction of the National Forest Service at an additional cost of $1.5 million. On February 5, the Carolinas Utilities Customers Association (CUCA) filed a motion for an evidentiary hearing on the approval of the increased costs, and on February 18, the NCUC scheduled a hearing for March 16. The outcome of this proceeding cannot be determined at this time.

Corporate Organization

The Board of Directors elected Ware F. Schiefer, former Executive Vice President and Chief Operating Officer of the Company on February 26, 1999. John H. Maxheim, former President retains the title of Chairman of the Board and Chief Executive Officer.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits –

12 Computation of Ratio of Earnings to Fixed Charges.

27 Financial Data Schedule (for Securities and Exchange Commission use only).

(b) Reports on Form 8-K –

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PIEDMONT NATURAL GAS COMPANY, INC.
(Registrant)

Date March 12, 1999

/s/ David J. Dzuricky
David J. Dzuricky
Senior Vice President-Finance
(Principal Financial Officer)

Date March 12, 1999

/s/ Barry L. Guy
Barry L. Guy
Vice President and Controller
(Principal Accounting Officer)

Exhibit 12

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
For Fiscal Years Ended October 31, 1994 through 1998
and Twelve Months Ended January 31, 1999
(in thousands except ratio amounts)

	January 31, 1999	1998	1997	1996	1995	1994
Earnings:						
Net income from continuing operations	$ 59,628	$ 60,313	$ 54,074	$ 48,562	$40,310	$35,506
Income taxes	38,393	38,807	34,650	30,928	25,442	21,407
Fixed charges	37,883	38,415	39,263	37,009	35,651	29,736
Total Adjusted Earnings	$135,904	$137,535	$127,987	$116,499	$101,403	$86,649
Fixed Charges:						
Interest	$36,423	$36,453	$36,949	$34,511	$33,224	$27,671
Amortization of debt expense	304	304	346	345	336	334
One-third of rental expense	1,156	1,658	1,968	2,153	2,091	1,731
Total Fixed Charges	$37,883	$38,415	$39,263	$37,009	$35,651	$29,736
Ratio of Earnings to Fixed Charges	3.59	3.58	3.26	3.15	2.84	2.91

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 1999

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from_____ to _____

Commission file number 1-6196

Piedmont Natural Gas Company, Inc.
(Exact name of registrant as specified in its charter)

North Carolina	56-0556998
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1915 Rexford Road, Charlotte, North Carolina	28211
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 704-364-3120

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 2, 1999
Common Stock, no par value	31,181,309

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands)

	July 31, 1999 Unaudited	October 31, 1998 Audited
ASSETS		
Utility Plant, at original cost	$1,416,493	$1,345,925
Less accumulated depreciation	412,233	381,585
Utility plant, net	1,004,260	964,340
Other Physical Property (net of accumulated depreciation of $18,885 in 1999 and $17,406 in 1998)	25,764	26,300
Current Assets:		
Cash and cash equivalents	9,705	9,720
Restricted cash	39,711	27,484
Receivables (less allowance for doubtful accounts of $1,849 in 1999 and $2,314 in 1998)	45,516	24,459
Gas in storage	37,499	42,465
Deferred cost of gas	2,693	5,217
Refundable income taxes	0	13,897
Other	16,970	19,300
Total current assets	152,094	142,542
Deferred Charges and Other Assets	43,350	29,662
Total	$1,225,468	$1,162,844
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity:		
Common stock	$293,286	$279,709
Retained earnings	214,168	178,559
Total common stock equity	507,454	458,268
Long-term debt	333,000	371,000
Total capitalization	840,454	829,268
Current Liabilities:		
Current maturities of long-term debt and sinking fund requirements	46,000	10,000
Notes payable	59,000	32,000
Accounts payable	46,482	67,296
Deferred income taxes	19,328	15,367
Taxes accrued	7,132	12,893
Refunds due customers	36,715	28,408
Other	13,970	19,884
Total current liabilities	228,627	185,848
Deferred Credits and Other Liabilities	156,387	147,728
Total	$1,225,468	$1,162,844

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Income (Unaudited)
(in thousands except per share amounts)

	Three Months Ended July 31		Nine Months Ended July 31		Twelve Months Ended July 31	
	1999	1998	1999	1998	1999	1998
Operating Revenues	$96,728	$103,026	$591,717	$677,758	$679,235	$777,440
Cost of Gas	52,303	57,527	311,962	395,185	359,198	454,646
Margin	44,425	45,499	279,755	282,573	320,037	322,794
Other Operating Expenses:						
Operations	25,520	25,713	76,027	77,236	103,724	107,680
Maintenance	3,846	3,702	11,399	10,463	15,643	14,366
Depreciation	11,100	10,490	32,615	31,472	43,318	41,529
General taxes	6,276	6,166	24,517	26,467	30,684	32,362
Income taxes	(4,177)	(3,655)	43,630	43,933	36,958	36,593
Total other operating expenses	42,565	42,416	188,188	189,571	230,327	232,530
Operating Income	1,860	3,083	91,567	93,002	89,710	90,264
Other Income, Net	(2,036)	(917)	(243)	2,560	(483)	3,769
Income Before Utility Interest Charges	(176)	2,166	91,324	95,562	89,227	94,033
Utility Interest Charges	8,040	8,419	24,309	25,103	32,357	33,308
Net Income	($8,216)	($6,253)	$67,015	$70,459	$56,870	$60,725
Average Shares of Common Stock:						
Basic	31,076	30,535	30,948	30,408	30,876	30,333
Diluted	31,076	30,535	31,178	30,695	31,118	30,635
Earnings Per Share of Common Stock:						
Basic	($0.26)	($0.20)	$2.17	$2.32	$1.84	$2.00
Diluted	($0.26)	($0.20)	$2.15	$2.30	$1.83	$1.98
Cash Dividends Per Share of Common Stock	$0.345	$0.325	$1.015	$0.955	$1.34	$1.26

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Cash Flows (Unaudited)
(in thousands)

	Three Months Ended July 31		Nine Months Ended July 31		Twelve Months Ended July 31	
	1999	1998	1999	1998	1999	1998
Cash Flows from Operating Activities:						
Net income	($8,216)	($6,253)	$67,015	$70,459	$56,870	$60,725
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	12,077	11,550	35,685	34,639	47,255	45,681
Other, net	134	(486)	20	1,524	929	3,216
Change in operating assets and liabilities	(40,892)	(17,237)	(36,844)	8,779	(31,148)	(8,999)
Net cash provided by (used in) operating activities	(36,897)	(12,426)	65,876	115,401	73,906	100,623
Cash Flows from Investing Activities:						
Utility construction expenditures	(25,011)	(24,113)	(70,234)	(57,908)	(103,266)	(79,714)
Other	(322)	(166)	(1,127)	(502)	(1,737)	(1,036)
Net cash used in investing activities	(25,333)	(24,279)	(71,361)	(58,410)	(105,003)	(80,750)
Cash Flows from Financing Activities:						
Increase (Decrease) in bank loans, net	59,000	-	27,000	(25,000)	59,000	-
Retirement of long-term debt	(2,000)	(2,000)	(2,000)	(2,000)	(10,000)	(10,000)
Issuance of common stock through dividend reinvestment and employee stock plans	4,111	4,002	11,877	11,500	15,513	14,848
Dividends paid	(10,719)	(9,920)	(31,407)	(29,042)	(41,370)	(38,225)
Net cash provided by (used in) financing activities	50,392	(7,918)	5,470	(44,542)	23,143	(33,377)
Net Increase (Decrease) in Cash and Cash Equivalents	(11,838)	(44,623)	(15)	12,449	(7,954)	(13,504)
Cash and Cash Equivalents at Beginning of Period	21,543	62,282	9,720	5,210	17,659	31,163
Cash and Cash Equivalents at End of Period	$9,705	$17,659	$9,705	$17,659	$9,705	$17,659
Cash Paid During the Period for:						
Interest	$11,314	$11,426	$27,441	$28,041	$32,625	$33,781
Income taxes	$199	$299	$38,259	$46,875	$38,525	$47,051

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Independent auditors have not audited the condensed consolidated financial statements. These financial statements should be read in conjunction with the Notes to Consolidated Financial Statements included in our 1998 Annual Report.

2. In our opinion, the unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair statement of financial position at July 31, 1999, and October 31, 1998, and the results of operations and cash flows for the three months, nine months and twelve months ended July 31, 1999 and 1998.

   We make estimates and assumptions when preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from our estimates.

3. Our business is seasonal in nature. The results of operations for the three-month and nine-month periods ended July 31, 1999, do not necessarily reflect the results to be expected for the full year.

4. Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur when common stock equivalents are added to common shares outstanding. Shares that may be issued under the long-term incentive plan are our only common stock equivalents. A reconciliation of basic and diluted earnings per share is shown below:

	Three Months Ended July 31		Nine Months Ended July 31		Twelve Months Ended July 31	
	(in thousands except per share amounts)					
	1999	1998	1999	1998	1999	1998
Net Income	$(8,216)	$(6,253)	$67,015	$70,459	$56,870	$60,725
Average shares of common stock outstanding for basic earnings per share	31,076	30,535	30,948	30,408	30,876	30,333
Contingently issuable shares under the long-term incentive plan (a)	-	-	230	287	242	302
Average shares of dilutive stock	31,076	30,535	31,178	30,695	31,118	30,635
Earnings Per Share:						
Basic	$(.26)	$(.20)	$2.17	$2.32	$1.84	$2.00
Diluted	$(.26)	$(.20)	$2.15	$2.30	$1.83	$1.98

(a) For the three months ended July 31, 1999 and 1998, the inclusion of 229 and 280 contingently issuable shares, respectively, would be antidilutive.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Our discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements concerning plans, objectives, proposed capital expenditures and future events or performance are some of the items included in forward-looking statements. Our statements reflect our current expectations and involve a number of risks and uncertainties. Although we believe that our expectations are based on reasonable assumptions, we can give no assurances that these expectations will be achieved. Important factors that could cause actual results to differ include:

- regulatory issues, including those that affect allowed rates of return, rate structure and financings,
- industrial, commercial and residential growth in the service territories,
- deregulation, unanticipated impacts of restructuring and increased competition in the energy industry,
- the potential loss of large-volume industrial customers due to bypass or the shift by such customers to special competitive contracts at lower per unit margins,
- economic and capital market conditions,
- the ability to meet internal performance goals,
- the capital intensive nature of our business, including development project delays or changes in project costs,
- changes in the availability and price of natural gas,
- changes in demographic patterns and weather conditions,
- changes in environmental requirements and cost of compliance and
- unexpected problems related to our internal Year 2000 initiative as well as potential adverse consequences related to third-party Year 2000 compliance.

Financial Condition

We finance current cash requirements primarily from operating cash flows and short-term borrowings. Various banks provide lines of credit totaling $75 million for these direct short-term borrowings. We sell common stock and long-term debt to cover cash requirements when market and other conditions favor such long-term financing. Our dividend reinvestment and stock purchase plan is also a source of capital.

Our natural gas business is seasonal in nature causing fluctuations in balances in accounts receivable from customers, inventories of stored natural gas and accounts payable to suppliers. From April 1 to October 31, we build up natural gas inventories by injecting gas into storage for sale in the colder months. Inventory of stored gas and accounts payable decreased and accounts receivable increased from October 31, 1998, to July 31, 1999, due to this seasonality and the

demand for gas during the winter season. Most of our annual earnings are realized in the winter period, which is the first five months of our fiscal year.

We have a substantial capital expansion program for construction of distribution facilities, purchase of equipment and other general improvements funded through sources noted above. The capital expansion program supports our approximately 5% current annual growth in customer base. Utility construction expenditures for the three months ended July 31, 1999, were $25.9 million, compared with $24.5 million for the same period in 1998. Utility construction expenditures for the nine months ended July 31, 1999, were $72.7 million, compared with $59.2 million for the same period in 1998. Utility construction expenditures for the twelve-month period ended July 31, 1999, were $107 million, compared with $81.2 million for the same period in 1998.

We have given notice of intent to prepay on September 15, 1999, our 10.02% and 10.11% Senior Notes due in 2003 and 2004, respectively, in the amount of $36 million, plus accrued interest plus an early payment premium of $1.1 million. To fund this prepayment, we have the option of issuing medium-term notes under a shelf registration statement for $150 million of debt securities that was filed with the Securities and Exchange Commission in 1997 or drawing on existing lines of credit. The amount and timing of any debt to be issued will depend on several factors, including capital requirements and financial market conditions.

At July 31, 1999, our capitalization consisted of 40% in long-term debt and 60% in common equity.

Results of Operations

We will discuss the results of operations for the three months, nine months and twelve months ended July 31, 1999, compared with similar periods in 1998.

Margin

Margin (operating revenues less cost of gas) for the three months ended July 31, 1999, decreased $1.1 million compared with the same period in 1998 primarily for the reasons listed below.

- Margin was reduced in North Carolina, effective for bills rendered after August 1, 1999 (which included volumes delivered in July), due to the elimination of the gross receipts tax which was previously included in rates billed to customers. Gross receipts tax expense in the same amount was also included in general taxes. For a further explanation of the tax change, see Item 5 in Part II of this report.
- Margin was reduced in South Carolina, effective November 1, 1998, as ordered by the Public Service Commission of South Carolina (PSCSC), to eliminate the recovery of demand side management (DSM) costs included in rates.

- Adjustments required by regulatory authorities resulted in margin decreases from the same period in 1998.

An increase of 130,000 dekatherms in delivered volumes of natural gas, which we refer to as system throughput, partially offset these decreases from the same period in 1998.

Margin for the nine months ended July 31, 1999, decreased $2.8 million compared with the same period in 1998 primarily for the reasons listed below.

- Margin was reduced due to elimination of the gross receipts tax as noted above.
- Delivered volumes of natural gas decreased from the same period in 1998 by 6.2 million dekatherms, a 5% decrease, due primarily to weather which was 10% warmer than the same period in 1998.
- We changed rates in South Carolina to eliminate the recovery of DSM costs as noted above.

Weather which was 14% warmer than normal generated operating revenues of $19.7 million from the weather normalization adjustment (WNA) for a partial offset of these decreases in margin for the nine-month period. The same period in 1998 reflected operating revenues of $5 million from the WNA from 5% warmer-than-normal weather.

Margin for the twelve months ended July 31, 1999, decreased $2.8 million compared with the same period in 1998 primarily for the reasons listed below.

- Margin was reduced due to the elimination of the gross receipts tax as noted above.
- Delivered volumes of natural gas decreased from the same period in 1998 by 3.6 million dekatherms, a 3% decrease, due primarily to weather which was 11% warmer than the same period in 1998.
- We changed rates in South Carolina to eliminate the recovery of DSM costs as noted above.

Weather which was 16% warmer than normal generated operating revenues of $19.7 million from the WNA for a partial offset of these decreases in margin for the twelve-month period. The same period in 1998 reflected operating revenues of $5 million from the WNA from 5% warmer-than-normal weather.

Our rate schedules include provisions permitting the recovery of prudently incurred gas costs. Regulatory commissions in North Carolina and South Carolina require annual prudence reviews covering a historical twelve-month period; however, such review is not required in Tennessee.

We revise rates in all three states periodically without formal rate proceedings to reflect changes in the cost of gas. Charges to cost of gas are based on the amount recoverable under approved rate schedules. The net of any over- or under-recoveries of gas costs are added to or deducted from cost of gas and included in refunds due customers in the financial statements.

Operations and Maintenance Expenses

Operations and maintenance expenses for the three months ended July 31, 1999, compared with the same period in 1998 decreased by $49,000 primarily for the reasons listed below.

- Decrease in office supplies expense,
- Decrease in risk insurance expense and
- Decrease in employee benefits expense.

An increase in outside labor expense partially offset these decreases for the three months ended July 31, 1999, compared with the same period in 1998.

Operations and maintenance expenses for the nine months ended July 31, 1999, compared with the same period in 1998 decreased by $273,000 primarily for the reasons listed below.

- Decrease in the provision for uncollectibles,
- Decrease in risk insurance expense,
- Decrease in advertising expense and
- Decrease in employee benefits expense.

An increase in outside labor expense partially offset these decreases for the nine months ended July 31, 1999, compared with the same period in 1998.

Operations and maintenance expenses for the twelve months ended July 31, 1999, compared with the same period in 1998 decreased by $2.7 million primarily for the reasons listed below.

- Decrease in payroll expense,
- Decrease in the provision for uncollectibles and
- Decrease in advertising expense.

An increase in outside labor expense partially offset these decreases for the twelve months ended July 31, 1999, compared with the same period in 1998.

General Taxes

General taxes for the three months ended July 31, 1999, compared with the same period in 1998 increased slightly by $110,000 primarily for the reasons listed below.

- Increase in franchise taxes and
- Increase in payroll taxes.

A decrease in gross receipts tax expense partially offset these increases for the three months ended July 31, 1999, compared with the same period in 1998 primarily due to the elimination of the tax as noted above. For a further explanation of the tax change, see Item 5 in Part II of this report.

General taxes for the nine months ended July 31, 1999, compared with the same period in 1998 decreased by $1.9 million primarily for the reasons listed below.

- Decrease in gross receipts tax expense as noted above,
- Decrease in property taxes and
- Decrease in payroll taxes.

An increase in franchise taxes partially offset these decreases for the nine months ended July 31, 1999, compared with the same period in 1998.

General taxes for the twelve months ended July 31, 1999, compared with the same period in 1998 decreased by $1.7 million primarily for the reasons listed below.

- Decrease in gross receipts tax expense as noted above and
- Decrease in payroll taxes.

Increases in property taxes and franchise taxes partially offset these decreases for the twelve months ended July 31, 1999, compared with the same period in 1998.

Other Income

Other income for the three months ended July 31, 1999, compared with the same period in 1998 decreased by $1.1 million. The primary reasons for these decreases are listed below.

- Decrease in earnings from unregulated retail energy marketing services and
- Decrease in interest income.

These decreases in other income for the three-month period were partially offset by the following increases.

- Increase in earnings from jobbing operations,
- Increase in earnings from non-utility LNG operations and
- Increase in the allowance for funds used during construction.

Other income for the nine months and twelve months ended July 31, 1999, compared with the same periods in 1998 decreased by $2.8 million and $4.3 million, respectively. The primary reasons for these decreases are listed below.

- Decrease in earnings from propane operations due to warmer weather,
- Decrease in earnings from unregulated retail energy marketing services and
- Decrease in interest income.

These decreases in other income for the nine-month and twelve-month periods were partially offset by the following increases.

- Increase in earnings from merchandise operations,
- Increase in earnings from non-utility LNG operations and
- Increase in the allowance for funds used during construction.

Decreases in earnings from unregulated retail energy marketing services result from start-up costs incurred by our retail marketing joint venture, SouthStar Energy Services LLC (SouthStar), associated with its entry into the unregulated retail gas market in Georgia. Due to its marketing efforts, SouthStar will be serving over 450,000 new gas customers in Georgia as of October 1, 1999.

Utility Interest Charges

Utility interest charges for the three months and nine months ended July 31, 1999, compared with the same periods in 1998 decreased by $379,000 and $794,000, respectively. The primary reasons for these decreases are listed below.

- Decrease in interest on long-term debt from lower amounts of debt outstanding and
- Decrease in interest on refunds due customers.

Increases in interest on short-term debt due to higher amounts outstanding but at slightly lower interest rates partially offset these decreases for the three-month and nine-month periods ended July 31, 1999, compared with the same periods in 1998.

Utility interest charges for the twelve months ended July 31, 1999, compared with the same period in 1998 decreased by $951,000 primarily due to a decrease in interest on long-term debt from lower amounts of debt outstanding. Increases in interest on refunds due customers due to higher amounts outstanding and in interest on short-term debt at higher amounts outstanding but at slightly lower interest rates partially offset this decrease.

Year 2000

Overview

In 1996, we formed a Year 2000 Project Team and selected a consulting firm to help us. Since that time, we have undertaken a comprehensive company-wide project to inventory, assess, remediate and test hardware, software and embedded systems intended to make them Year 2000 ready. In December 1997, we formed a Year 2000 Sub-Committee composed of senior-level executives to monitor Year 2000 efforts and assure that our core systems would be Year 2000 ready prior to the turn of the century.

In support of Year 2000 efforts, we also formed a Test Management Group who established specific testing processes and procedures that are being used with both Information Technology (IT) and non-IT systems. The testing methodology includes the use of various testing techniques such as regression, system, parallel, interface and stress testing. Test plans include additional

testing scenarios to demonstrate Year 2000 readiness. The Test Management Group reviews the results of these tests to ensure that a particular system's functional and Year 2000 readiness testing matches the testing methodology.

Although extensive testing is completed prior to system implementations, we are performing additional testing during 1999. During the third calendar quarter of 1999, we are conducting a final Year 2000 company-wide review to verify that all issues have been adequately addressed.

Readiness of Systems, Applications and Embedded Devices

We have completed an inventory and assessment of the entire portfolio of hardware, software and embedded systems. The compliance or non-compliance of systems was based on written responses or Internet web site information from vendors. Based on those findings, we developed a Year 2000 Master Plan that outlined a remediation strategy to either repair, replace, upgrade or retire each system, application or device that was deemed non-compliant. In an effort to prioritize the Year 2000 efforts, we classified each system, application or device as either mission critical, support intensive or low impact based on certain factors that describe its relative importance to the business. The Year 2000 Sub-Committee reviewed and approved these classifications and strategies.

The four criteria used to classify a system, application or device as mission critical are as follows, listed in order of importance:

- provide for public or employee safety,
- provide for gas supply or service to customers,
- provide the ability to comply with regulatory or legal requirements and
- provide a sustained level of business and income.

Support-intensive systems are described as "systems providing a major part of the business operation but an alternative solution could be formulated and executed." Low-impact applications are defined as "systems that assist with operations but whose failure would cause only minor inconvenience."

We completed the implementation of Year 2000 ready solutions for our mission-critical applications by December 31, 1998. Examples of these applications are SCADA (real-time system pressure and flow monitoring), Customer Information, Telemetering, Materials Management, Gas Management, Accounts Payable, General Ledger and Asset Management. Many of our support-intensive and low-impact applications were also Year 2000 ready by the end of December 1998. We have one remaining application to implement and it is scheduled to be completed by September 30, 1999.

We completed the inventory and assessment of embedded systems and found that approximately 4% of the devices had a Year 2000 impact. We developed a remediation strategy for each of the impacted devices and have completed the upgrades of all of those systems.

Suppliers and Vendors

During our efforts, it became clearly evident that we are dependent on a variety of vendors and suppliers to provide essential equipment, materials and services. In many ways, our ability to continue normal business operations is dependent on the timely delivery of these goods and services. We have committed significant resources to contacting our critical suppliers and assessing their readiness. In cases where suppliers are non-responsive or demonstrate a significant risk of being non-compliant, we have identified alternative sources. In other cases, we are planning to increase our inventory levels of specific critical items. Our intent is to avoid or minimize the impact of any disruptions associated with the inability of a given supplier to respond to our business needs.

Risks

The Year 2000 Sub-Committee reviewed and approved ten specific "worst case" scenarios. We designated plan owners for each scenario and they developed contingency plans to address each of the items. Our worst case scenarios are as follows:

- electrical outages
- telecommunications outages
- natural gas shortages
- water outages
- vehicle fuel shortages
- staff shortages
- postal service outages
- data center services outages
- emergency response impacts and
- financial institution impacts.

To mitigate risks, minimize potential impacts and provide safe uninterrupted service to customers, we currently have in place the following:

- a territory-wide radio system to overcome telecommunications outages,
- natural gas-powered backup electrical generators at regional operations centers,
- liquefied natural gas facilities that can provide short-term gas supply,
- a hot-site disaster recovery provider for computer services and
- warehouse facilities that allow stockpiling of critical supplies.

Contingency Planning

We have completed the development of contingency plans in the areas of facilities, applications, suppliers, embedded technologies and worst case scenarios. We followed a standard template that was developed based on guidelines outlined by the General Accounting Office for Year 2000 Business Continuity and Contingency Planning. The contingency planning process assumed that there will be multiple concurrent failures of systems, thus requiring an additional

level of planning to compensate for any assumptions that are made within a particular contingency plan. During the third calendar quarter of 1999, we are testing selected contingency plans based on potential risks. Further drills will be conducted nearer the end of 1999 to reinforce the processes and procedures outlined in the plans.

In an effort to reduce our risk from staff shortages, we established a new policy regarding the vacation schedules of personnel before and after January 1, 2000. The policy states that employee vacations will be suspended during the last two weeks of December 1999 and the month of January 2000. The policy provides for certain exceptions and reserves the right for management to determine final work or vacation schedules based on the needs of our business and customers.

It is reasonable to assume that any combination of worst case scenarios, coupled with application or system failures, would result in a material adverse effect on financial position or results of operations.

Financial Impact

We estimate our total costs for Year 2000 readiness, including inventory, assessment, replacements, upgrades, repairs and testing, to be between $23.5 million and $24.5 million, of which $23.1 million had been incurred as of July 31, 1999. Total operating costs are estimated to be between $4 million and $4.5 million. By order of the North Carolina Utilities Commission, we defer and amortize over a three-year period the portion of the operating costs attributable to North Carolina (57% based on utility plant in service). Of the total estimated costs, we will capitalize costs of $19.5 million to $20 million to replace certain existing applications with new systems that are Year 2000 operational and provide additional business management information and functionality. We have not had to defer or cancel any planned IT projects due to Year 2000 issues.

At July 31, 1999, we have expensed $2.7 million, deferred $1.5 million and capitalized $18.9 million. Year 2000 costs are being funded by internally generated cash and borrowings under existing credit agreements. The projected Year 2000 costs for fiscal 1999 comprise approximately 33% of the IT budget.

We expect that all necessary systems will be Year 2000 ready by September 30, 1999. As progress is made, we continually revise the master plan to address potential risks associated with Year 2000 issues. We do not expect the total capital and operating costs associated with Year 2000 readiness, including assessment, replacement and remediation, to significantly impact financial position or results of operations.

Disclaimer

The Year 2000 statements in this document are Year 2000 Readiness Disclosures under the Year 2000 Information and Readiness Disclosure Act and are made to the best of our knowledge and belief.

PART II. OTHER INFORMATION

Item 5. Other Information

Excise Tax on Gas Consumption

Effective July 1, 1999, for bills rendered after August 1, 1999, we began charging a new excise tax on piped natural gas used in North Carolina which replaced the sales and use tax and gross receipts tax that were previously applicable to piped natural gas. The excise tax is calculated using a declining block rate structure applied to the number of therms delivered each month. The intent of the excise tax is not to increase or decrease taxes, but to replace the combination of the sales and use tax and gross receipts tax.

The gross receipts tax was included in our gas rates billed to customers and therefore was in our operating revenues. Gross receipts tax expense in the same amount was also included in general taxes. The sales and use tax was not included in rates but was collected as a surcharge and remitted to the state with no impact on the income statement. The excise tax will follow the previous sales and use tax treatment and will not be included in our revenues or expenses. This change will impact the comparability of revenues and thus margin (revenues less cost of gas) and general taxes for all periods prior to the change.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits –

12 Computation of Ratio of Earnings to Fixed Charges.

27 Financial Data Schedule (for Securities and Exchange Commission use only).

(b) Reports on Form 8-K –

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Piedmont Natural Gas Company, Inc.
(Registrant)

Date September 7, 1999

/s/ David J. Dzuricky
David J. Dzuricky
Senior Vice President-Finance
(Principal Financial Officer)

Date September 7, 1999

/s/ Barry L. Guy
Barry L. Guy
Vice President and Controller
(Principal Accounting Officer)

Exhibit 12

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Fixed Charges
For Fiscal Years Ended October 31, 1994 through 1998
and Twelve Months Ended July 31, 1999
(in thousands except ratio amounts)

	July 31, 1999	1998	1997	1996	1995	1994
Earnings:						
Net income from continuing operations	$56,870	$60,313	$54,074	$48,562	$40,310	$35,506
Income taxes	36,672	38,807	34,650	30,928	25,442	21,407
Fixed charges	37,559	38,415	39,263	37,009	35,651	29,736
Total Adjusted Earnings	$131,101	$137,535	$127,987	$116,499	$101,403	$86,649
Fixed Charges:						
Interest	$35,749	$36,453	$36,949	$34,511	$33,224	$27,671
Amortization of debt expense	304	304	346	345	336	334
One-third of rental expense	1,506	1,658	1,968	2,153	2,091	1,731
Total Fixed Charges	$37,559	$38,415	$39,263	$37,009	$35,651	$29,736
Ratio of Earnings to Fixed Charges	3.49	3.58	3.26	3.15	2.84	2.91

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 1999

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-6196

Piedmont Natural Gas Company, Inc.
(Exact name of registrant as specified in its charter)

North Carolina	56-0556998
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1915 Rexford Road, Charlotte, North Carolina	28211
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 704-364-3120

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 3, 1999
Common Stock, no par value	31,053,437

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands)

	April 30, 1999 Unaudited	October 31, 1998 Audited
ASSETS		
Utility Plant, at original cost	$1,391,764	$1,345,925
Less accumulated depreciation	402,237	381,585
Utility plant, net	989,527	964,340
Other Physical Property (net of accumulated depreciation of $18,285 in 1999 and $17,406 in 1998)	25,932	26,300
Current Assets:		
Cash and cash equivalents	21,543	9,720
Restricted cash	36,924	27,484
Receivables (less allowance for doubtful accounts of $2,412 in 1999 and $2,314 in 1998)	54,744	24,459
Gas in storage	22,296	42,465
Deferred cost of gas	7,325	5,217
Refundable income taxes	593	13,897
Other	6,643	19,300
Total current assets	150,068	142,542
Deferred Charges and Other Assets	26,313	29,662
Total	$1,191,840	$1,162,844
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock equity:		
Common stock	$289,175	$279,709
Retained earnings	233,102	178,559
Total common stock equity	522,277	458,268
Long-term debt	371,000	371,000
Total capitalization	893,277	829,268
Current Liabilities:		
Current maturities of long-term debt and sinking fund requirements	10,000	10,000
Notes payable	-	32,000
Accounts payable	47,089	67,296
Deferred income taxes	16,986	15,367
Taxes accrued	3,365	12,893
Refunds due customers	48,856	28,408
Other	18,114	19,884
Total current liabilities	144,410	185,848
Deferred Credits and Other Liabilities	154,153	147,728
Total	$1,191,840	$1,162,844

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES

Condensed Statements of Consolidated Income (Unaudited)
(in thousands except per share amounts)

	Three Months Ended April 30		Six Months Ended April 30		Twelve Months Ended April 30	
	1999	1998	1999	1998	1999	1998
Operating Revenues	$239,247	$261,477	$494,989	$574,732	$685,534	$778,411
Cost of Gas	125,473	147,496	259,659	337,658	364,422	453,974
Margin	113,774	113,981	235,330	237,074	321,112	324,437
Other Operating Expenses:						
Operations	25,829	25,958	50,507	51,523	103,917	109,005
Maintenance	3,932	3,389	7,553	6,761	15,500	14,421
Depreciation	10,803	10,491	21,515	20,981	42,710	40,777
General taxes	8,745	8,811	18,241	20,301	30,574	32,531
Income taxes	22,264	22,406	47,806	47,588	37,476	36,823
Total other operating expenses	71,573	71,055	145,622	147,154	230,177	233,557
Operating Income	42,201	42,926	89,708	89,920	90,935	90,880
Other Income, Net	449	951	1,791	3,476	643	3,864
Income Before Utility Interest Charges	42,650	43,877	91,499	93,396	91,578	94,744
Utility Interest Charges	7,983	8,414	16,268	16,684	32,746	33,543
Net Income	$34,667	$35,463	$75,231	$76,712	$58,832	$61,201
Average Shares of Common Stock:						
Basic	30,946	30,414	30,883	30,343	30,740	30,189
Diluted	31,175	30,696	31,113	30,637	30,995	30,465
Earnings Per Share of Common Stock:						
Basic	$1.12	$1.17	$2.44	$2.53	$1.91	$2.03
Diluted	$1.11	$1.16	$2.42	$2.50	$1.90	$2.01
Cash Dividends Per Share of Common Stock	$0.345	$0.325	$0.67	$0.63	$1.32	$1.24

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES
Condensed Statements of Consolidated Cash Flows (Unaudited)
(in thousands)

	Three Months Ended April 30		Six Months Ended April 30		Twelve Months Ended April 30	
	1999	1998	1999	1998	1999	1998
Cash Flows from Operating Activities:						
Net income	$34,667	$35,463	$75,231	$76,712	$58,832	$61,201
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	11,895	11,549	23,608	23,089	46,697	44,950
Other, net	(1,997)	88	(114)	2,010	309	6,876
Change in operating assets and liabilities	63,011	53,265	4,048	26,016	(7,504)	5,275
Net cash provided by operating activities	107,576	100,365	102,773	127,827	98,334	118,302
Cash Flows from Investing Activities:						
Utility construction expenditures	(23,745)	(17,237)	(45,223)	(33,795)	(102,326)	(81,891)
Other	(460)	(26)	(805)	(336)	(1,581)	(1,520)
Net cash used in investing activities	(24,205)	(17,263)	(46,028)	(34,131)	(103,907)	(83,411)
Cash Flows from Financing Activities:						
Decrease in bank loans, net	(64,000)	(30,000)	(32,000)	(25,000)	-	-
Retirement of long-term debt	-	-	-	-	(10,000)	(10,000)
Issuance of common stock through dividend reinvestment and employee stock plans	4,091	3,809	7,766	7,497	15,405	14,701
Dividends paid	(10,674)	(9,883)	(20,688)	(19,121)	(40,571)	(37,441)
Net cash used in financing activities	(70,583)	(36,074)	(44,922)	(36,624)	(35,166)	(32,740)
Net Increase (Decrease) in Cash and Cash Equivalents	12,788	47,028	11,823	57,072	(40,739)	2,151
Cash and Cash Equivalents at Beginning of Period	8,755	15,254	9,720	5,210	62,282	60,131
Cash and Cash Equivalents at End of Period	$21,543	$62,282	$21,543	$62,282	$21,543	$62,282
Cash Paid During the Period for:						
Interest	$4,783	$5,123	$16,126	$16,615	$32,737	$33,821
Income taxes	$36,327	$44,061	$38,060	$46,576	$38,623	$46,933

See notes to condensed consolidated financial statements.

PIEDMONT NATURAL GAS COMPANY, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Independent auditors have not audited the condensed consolidated financial statements. These financial statements should be read in conjunction with the Notes to Consolidated Financial Statements included in our 1998 Annual Report.

2. In our opinion, the unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair statement of financial position at April 30, 1999, and October 31, 1998, and the results of operations and cash flows for the three months, six months and twelve months ended April 30, 1999 and 1998.

   We make estimates and assumptions when preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from our estimates.

3. Our business is seasonal in nature. The results of operations for the three-month and six-month periods ended April 30, 1999, do not necessarily reflect the results to be expected for the full year.

4. Basic earnings per share are computed by dividing net income by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur when common stock equivalents are added to common shares outstanding. Shares that may be issued under the long-term incentive plan are our only common stock equivalents. A reconciliation of basic and diluted earnings per share is shown below:

	Three Months Ended April 30		Six Months Ended April 30		Twelve Months Ended April 30	
	(in thousands except per share amounts)					
	1999	1998	1999	1998	1999	1998
Net Income	$34,667	$35,463	$75,231	$76,712	$58,832	$61,201
Average shares of common stock outstanding for basic earnings per share	30,946	30,414	30,883	30,343	30,740	30,189
Contingently issuable shares under the long-term incentive plan	229	282	230	294	255	276
Average shares of dilutive stock	31,175	30,696	31,113	30,637	30,995	30,465
Earnings Per Share:						
Basic	$1.12	$1.17	$2.44	$2.53	$1.91	$2.03
Diluted	$1.11	$1.16	$2.42	$2.50	$1.90	$2.01

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Our discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements concerning plans, objectives, proposed capital expenditures and future events or performance are some of the items included in forward-looking statements. Our statements reflect our current expectations and involve a number of risks and uncertainties. Although we believe that our expectations are based on reasonable assumptions, we can give no assurances that these expectations will be achieved. Important factors that could cause actual results to differ include:

- regulatory issues, including those that affect allowed rates of return, rate structure and financings,
- industrial, commercial and residential growth in the service territories,
- deregulation, unanticipated impacts of restructuring and increased competition in the energy industry,
- the potential loss of large-volume industrial customers due to bypass or the shift by such customers to special competitive contracts at lower per unit margins,
- economic and capital market conditions,
- ability to meet internal performance goals,
- the capital intensive nature of our business, including development project delays or changes in project costs,
- changes in the availability and price of natural gas,
- changes in demographic patterns and weather conditions,
- changes in environmental requirements and cost of compliance and
- unexpected problems related to our internal Year 2000 initiative as well as potential adverse consequences related to third-party Year 2000 compliance.

Financial Condition

We finance current cash requirements through operating cash flows, the issuance of new common stock through dividend reinvestment and employee stock purchase plans and short-term borrowings. Various banks provide lines of credit totaling $75 million for these direct short-term borrowings. We sell common stock and long-term debt to cover cash requirements when market or other conditions require such long-term financing.

Our natural gas business is seasonal in nature causing fluctuations in balances in accounts receivable from customers, inventories of stored natural gas and accounts payable to suppliers. From April 1 to October 31, we build up natural gas inventories by injecting gas into storage for sale in the colder months. Inventory of stored gas and accounts payable decreased and accounts receivable increased from October 31, 1998, to April 30, 1999, due to this seasonality and the

demand for gas during the winter season. Most of our annual earnings are realized in the winter period, which is the first five months of our fiscal year.

We have a substantial capital expansion program for construction of distribution facilities, purchase of equipment and other general improvements funded through sources noted above and short-term debt. The capital expansion program supports our approximately 5% current annual growth in customer base. Utility construction expenditures for the three months ended April 30, 1999, were $24.5 million, compared with $17.7 million for the same period in 1998. Utility construction expenditures for the six months ended April 30, 1999, were $46.8 million, compared with $34.8 million for the same period in 1998. Utility construction expenditures for the twelve-month period ended April 30, 1999, were $105.6 million, compared with $83.4 million for the same period in 1998.

At April 30, 1999, our capitalization consisted of 42% in long-term debt and 58% in common equity.

Results of Operations

We will discuss the results of operations for the three months, six months and twelve months ended April 30, 1999, compared with the same periods in 1998.

Margin

Margin (operating revenues less cost of gas) for the three months ended April 30, 1999, decreased $207,000 compared with the same period in 1998 primarily for the reasons listed below.

- Margin was reduced in South Carolina, effective November 1, 1998, as ordered by the Public Service Commission of South Carolina (PSCSC), to eliminate the recovery of demand side management (DSM) costs included in rates.
- Adjustments required by regulatory authorities resulted in margin decreases from the same period in 1998.

Decreases in margin for the three-month period were partially offset by the following increases.

- Weather was 3% colder than the same period in 1998.
- Delivered volumes of natural gas, which we refer to as system throughput, increased over the same period in 1998 by 151,000 dekatherms.
- Volumes from secondary market sales increased over the same period in 1998 by 749,000 dekatherms, a 6% increase. Secondary market sales include sales for resale, off-system sales, capacity release and other interstate transactions.

- Weather was 5% warmer than normal. The warmer-than-normal weather generated operating revenues of $8.9 million from the weather normalization adjustment (WNA). The WNA is designed to offset the impact of unusually cold or warm weather, compared with normal, on customer billings and operating margin. The same period in 1998 reflected increased operating revenues of $5.8 million from the WNA.

Margin for the six months ended April 30, 1999, decreased $1.7 million compared with the same period in 1998 primarily for the reasons listed below.

- Delivered volumes of natural gas decreased from the same period in 1998 by 6.3 million dekatherms, a 7% decrease.
- We changed rates in South Carolina to eliminate the recovery of DSM costs as noted above.

Decreases in margin for the six-month period were partially offset by the following increases.

- Volumes from secondary market sales increased over the same period in 1998 by 4.8 million dekatherms, a 22% increase.
- Weather was 10% warmer than the same period in 1998, and 14% warmer than normal. The warmer-than-normal weather generated operating revenues of $19.7 million from the WNA. The same period in 1998 reflected increased operating revenues of $5 million from the WNA.

Margin for the twelve months ended April 30, 1999, decreased $3.3 million compared with the same period in 1998 primarily for the reasons listed below.

- Delivered volumes of natural gas decreased from the same period in 1998 by 3.9 million dekatherms, a 3% decrease.
- We changed rates in South Carolina to eliminate the recovery of DSM costs as noted above.

Decreases in margin for the twelve-month period were partially offset by the following increases.

- Volumes from secondary market sales increased over the same period in 1998 by 6.5 million dekatherms, a 21% increase.
- Weather was 16% warmer than normal and 14% warmer than the same period in 1998 and generated $19.7 million in operating revenues from the WNA. The same period in 1998 reflected increased operating revenues of $5 million from the WNA from 3% warmer-than-normal weather.

Our rate schedules include provisions permitting the recovery of prudently incurred gas costs. Regulatory commissions in North Carolina and South Carolina require annual prudence reviews covering a historical twelve-month period; however, such review is not required in Tennessee.

We revise rates in all three states periodically without formal rate proceedings to reflect changes in the cost of gas. Charges to cost of gas are based on the amount recoverable under approved rate schedules. The net of any over- or under-recoveries of gas costs are added to or deducted from cost of gas and included in refunds due customers in the financial statements.

Operations and Maintenance Expenses

Operations and maintenance expenses for the three months ended April 30, 1999, compared with the same period in 1998 increased by $414,000 primarily for the reasons listed below.

- Increase in outside labor,
- Increase in consultants fees and
- Increase in office supplies expenses.

Decreases in payroll, advertising expenses and employee benefits partially offset these increases for the three months ended April 30, 1999, compared with the same period in 1998.

Operations and maintenance expenses for the six months ended April 30, 1999, compared with the same period in 1998 decreased by $224,000 primarily for the reasons listed below.

- Decrease in provision for uncollectibles,
- Decrease in advertising expenses and
- Decrease in employee benefits.

An increase in outside labor partially offset these decreases for the six months ended April 30, 1999, compared with the same period in 1998.

Operations and maintenance expenses for the twelve months ended April 30, 1999, compared with the same period in 1998 decreased by $4 million primarily for the reasons listed below.

- Decrease in payroll,
- Decrease in transportation expenses,
- Decrease in provision for uncollectibles,
- Decrease in risk insurance expenses and
- Decrease in advertising expenses.

Increases in outside labor expenses and materials and office supplies expenses partially offset these decreases for the twelve months ended April 30, 1999, compared with the same period in 1998.

General Taxes

General taxes for the three months ended April 30, 1999, compared with the same period in 1998 decreased slightly by $66,000 primarily for the reasons listed below.

- Decrease in gross receipts taxes from lower sales to customers of volumes on which gross receipts taxes are charged and
- Decrease in payroll taxes.

An increase in franchise tax payments partially offset these decreases for the three months ended April 30, 1999, compared with the same period in 1998.

General taxes for the six months ended April 30, 1999, compared with the same period in 1998 decreased by $2.1 million primarily for the reasons listed below.

- Decrease in gross receipts taxes from lower sales to customers and
- Decrease in payroll taxes.

General taxes for the twelve months ended April 30, 1999, compared with the same period in 1998 decreased by $2 million primarily for the reasons listed below.

- Decrease in gross receipts taxes from lower sales to customers and
- Decrease in payroll taxes.

Increases in property taxes and franchise taxes partially offset these decreases for the twelve months ended April 30, 1999, compared with the same period in 1998.

Other Income

Other income for the three months ended April 30, 1999, compared with the same period in 1998 decreased by $502,000. The primary reasons for these decreases are listed below.

- Decrease in earnings from jobbing operations,
- Decrease in earnings from energy marketing services and
- Decrease in interest income.

These decreases in other income were partially offset by the following increases.

- Increase in earnings from propane operations,
- Increase in earnings from merchandise operations and
- Increase in the allowance for funds used during construction.

Other income for the six months ended April 30, 1999, compared with the same period in 1998 decreased by $1.7 million. Other income for the twelve months ended April 30, 1999, compared with the same period in 1998 decreased by $3.2 million. The primary reasons for these decreases are listed below.

- Decrease in earnings from propane operations due to warmer weather,
- Decrease in earnings from energy marketing services,

- Decrease in earnings from jobbing operations and
- Decrease in interest income.

Increases in earnings from merchandise operations and in the allowance for funds used during construction partially offset these decreases in other income for the six-month and twelve-month periods ended April 30, 1999, compared with the same periods in 1998.

Utility Interest Charges

Utility interest charges for the three months ended April 30, 1999, compared with the same period in 1998 decreased by $431,000. Utility interest charges for the six months ended April 30, 1999, compared with the same period in 1998 decreased by $416,000. The primary reasons for these decreases are listed below.

- Decrease in interest in long-term debt from lower amounts of debt outstanding and
- Decrease in interest incurred on refunds due customers.

An increase in interest on short-term debt due to higher amounts outstanding but at slightly lower interest rates partially offset these increases in utility interest charges for the three-month and six-month periods ended April 30, 1999, compared with the same periods in 1998.

Utility interest charges for the twelve months ended April 30, 1999, compared with the same period in 1998 decreased by $797,000 primarily due to a decrease in interest in long-term debt from lower amounts of debt outstanding. Increases in interest on refunds due customers due to higher amounts outstanding and in interest on short-term debt at higher amounts outstanding but at slightly lower interest rates partially offset this decrease.

Year 2000

Overview

In 1996, we formed a Year 2000 Project Team and selected a consulting firm to help us. Since that time, we have undertaken a comprehensive company-wide project to inventory, assess, remediate and test hardware, software and embedded systems intended to make them Year 2000 ready. In December 1997, we formed a Year 2000 Sub-Committee composed of senior-level executives to monitor Year 2000 efforts and assure that our core systems would be Year 2000 ready prior to the turn of the century.

In support of Year 2000 efforts, we also formed a Test Management Group that has established specific testing processes and procedures that are being used with both Information Technology (IT) and non-IT systems. The testing methodology includes the use of various testing techniques

such as regression, system, parallel, interface and stress testing. Test plans include additional testing scenarios to demonstrate Year 2000 readiness. The Test Management Group reviews the results of these tests to ensure that a particular system's functional and Year 2000 readiness testing matches the testing methodology.

Although extensive testing is being completed prior to the system implementations, we will perform additional testing during 1999. During the third calendar quarter of 1999, we intend to conduct a final Year 2000 company-wide review to verify that all issues have been adequately addressed.

Readiness of Systems, Applications and Embedded Devices

We have completed an inventory and assessment of the entire portfolio of hardware, software and embedded systems. The compliance or non-compliance of systems was based on written responses or Internet web site information from vendors. Based on those findings, we developed a Year 2000 Master Plan that outlined a remediation strategy to either repair, replace, upgrade or retire each system, application or device that was deemed non-compliant. In an effort to prioritize the Year 2000 efforts, we classified each system, application or device as either mission critical, support intensive or low impact based on certain factors that describe its relative importance to the business. The Year 2000 Sub-Committee reviewed and approved these classifications and strategies.

The four criteria used to classify a system, application or device as mission critical are as follows, listed in order of importance:

- provide for public or employee safety,
- provide for gas supply or service to customers,
- provide the ability to comply with regulatory or legal requirements and
- provide a sustained level of business and income.

Support-intensive systems are described as "systems providing a major part of the business operation but an alternative solution could be formulated and executed." Low-impact applications are defined as "systems that assist with operations but whose failure would cause only minor inconvenience."

We completed the implementation of Year 2000 ready solutions for our mission-critical applications by December 31, 1998. Examples of these applications are SCADA (real-time system pressure and flow monitoring), Customer Information, Telemetering, Materials Management, Gas Management, Accounts Payable, General Ledger and Asset Management. Many of our support-intensive and low-impact applications were also Year 2000 ready by the end of December 1998. We expect all remaining applications to be complete by September 30, 1999.

We completed the inventory and assessment of embedded systems and found that approximately 4% of the devices have a Year 2000 impact. We developed a remediation strategy for each of the impacted devices and have completed the upgrades on 93% of the impacted systems. In a few cases, the current availability of hardware or software components or scheduling conflicts with vendors have affected our ability to implement a Year 2000 ready solution by our target date of April 30, 1999. The upgrades to these remaining devices should be completed by June 30, 1999.

Suppliers and Vendors

During our efforts, it became clearly evident that we are dependent on a variety of vendors and suppliers to provide essential equipment, materials and services. In many ways, our ability to continue normal business operations is dependent on the timely delivery of these goods and services. We have committed significant resources to contacting our critical suppliers and assessing their readiness. In cases where suppliers are non-responsive or demonstrate a significant risk of being non-compliant, we are identifying alternative sources. In other cases, we are planning to increase our inventory levels of specific critical items. We anticipate this work effort will be complete by June 30, 1999. Our intent is to avoid or minimize the impact of any disruptions associated with the inability of a given supplier to respond to our business needs.

Risks

The Year 2000 Sub-Committee reviewed and approved ten specific "worst case" scenarios. We designated plan owners for each scenario and they are developing contingency plans to address each of the items. We anticipate the development of these plans will be complete by June 30, 1999. Worst case scenarios are as follows:

- electrical outages
- telecommunication outages
- natural gas shortages
- water outages
- vehicle fuel shortages
- staff shortages
- postal service outages
- data center services outages
- emergency response impacts and
- financial institution impacts.

We currently have in place the following that can be used to mitigate risks, minimize potential impacts and provide safe uninterrupted service to customers:

- a territory-wide radio system to overcome telecommunication outages,
- natural gas-powered backup electrical generators at regional operations centers,

- liquefied natural gas facilities that can provide short-term gas supply,
- a hot-site disaster recovery provider for computer services and
- warehouse facilities that allow stockpiling of critical supplies.

Contingency Planning

We are currently developing contingency plans in the areas of facilities, applications, suppliers, embedded technologies and worst case scenarios. We are following a standard template that was developed based on guidelines outlined by the General Accounting Office for Year 2000 Business Continuity and Contingency Planning. The contingency planning process assumes that there will be multiple concurrent failures of systems, thus requiring an additional level of planning to compensate for any assumptions that are made within a particular contingency plan. We anticipate the development of contingency plans will be complete by June 30, 1999. During the third calendar quarter of 1999, we intend to test selected contingency plans based on potential risks.

In an effort to reduce our risk from staff shortages, we established a new policy regarding the vacation schedules of personnel before and after January 1, 2000. The policy states that employee vacations will be suspended during the last two weeks of December 1999 and the month of January 2000. The policy provides for certain exceptions and reserves the right for management to determine final work or vacation schedules based on the needs of our business and customers.

Although we have not yet completed the contingency planning process, it is reasonable to assume that any combination of worst case scenarios, coupled with application or system failures, would result in a material adverse effect on financial position or results of operations.

Financial Impact

We estimate our total costs for Year 2000 readiness, including inventory, assessment, replacements, upgrades, repairs and testing, to be between $23 million and $25 million, of which $20.8 million has been incurred as of April 30, 1999. Total operating costs are estimated to be between $4 million and $5 million. By order of the North Carolina Utilities Commission, we defer and amortize over a three-year period the portion of the operating costs attributable to North Carolina (57% based on utility plant in service). Of the total estimated costs, we will capitalize costs of $19 million to $20 million to replace certain existing applications with new systems that will be Year 2000 operational and provide additional business management information and functionality. Until we have completed further analysis of Year 2000 impacts on our supplier and vendor relationships and contingency planning, an estimate of any additional costs to be incurred as a result of these efforts cannot be determined. We have not had to defer or cancel any planned IT projects due to Year 2000 issues.

At April 30, 1999, we have expensed $2.5 million, deferred $1.5 million and capitalized $16.8 million. We expect that these Year 2000 costs will be funded by revenues generated from operations or through borrowings under existing credit agreements. The projected Year 2000 costs for fiscal 1999 comprise approximately 33% of the IT budget.

We expect that all necessary systems will be Year 2000 ready by late September 1999. As progress is made, we continually revise the master plan to address the risks of Year 2000 issues, including contingency plans as appropriate to address worst case scenarios. We do not expect the total capital and operating costs associated with Year 2000 readiness, including assessment, replacement and remediation, to significantly impact financial position or results of operations.

Disclaimer

The Year 2000 statements in this document are Year 2000 Readiness Disclosures under the Year 2000 Information and Readiness Disclosure Act and are made to the best of our knowledge and belief.

PART II. OTHER INFORMATION

Item 5. Other Information

Expansion Funds

As previously reported, the North Carolina Utilities Commission (NCUC) ordered the establishment of an expansion fund for us and approved initial funding with supplier refunds due customers to enable the expansion of natural gas service into unserved areas of the state. At April 30, 1999, the North Carolina State Treasurer held $28.1 million in our expansion fund account. This amount along with other supplier refunds, including interest earned to date, is included in restricted cash in the consolidated balance sheet. The NCUC decides the use of these funds as we file individual project applications for unserved areas.

In June 1998, we filed a petition with the NCUC for approval of an expansion project that would extend natural gas service to the counties of Avery, Mitchell and Yancey. In that petition, we also requested authority to use $26.3 million in expansion fund money to pay a portion of the estimated cost of the project of $31.9 million. In November 1998, the NCUC issued an order approving our requests.

On January 26, 1999, we filed an affidavit with the NCUC proposing an alternate route of the pipeline to these counties at the direction of the National Forest Service at an additional cost of $1.5 million. On May 20, the NCUC approved the transfer of an additional $1.5 million in supplier refunds to our expansion fund held by the state. This provides funding of $27.8 million for the project, now estimated to cost $33.4 million.

Tennessee Incentive Plan

As previously reported, the Tennessee Regulatory Authority (TRA) approved a two-year experimental performance incentive plan effective July 1, 1996. The plan eliminated annual prudence reviews and established an incentive-sharing mechanism based on differences in the actual cost of gas purchased and benchmark rates, together with income from marketing transportation and storage capacity in the secondary market, subject to an overall annual cap of $1.6 million on gains or losses by us. The benefits of the incentive plan are the elimination of annual gas purchase prudence reviews, reduction of gas costs for ratepayers and potential earnings to shareholders by sharing in gas cost reductions. On August 18, 1998, the TRA orally approved our application to automatically renew the performance incentive plan each year. On March 11, 1999, the TRA issued its written order authorizing the continuance of the incentive plan each July 1 until we notify the TRA of termination 90 days before the end of a plan year or until the plan is modified, amended or terminated by the TRA. An independent review of the incentive plan is eliminated by the order.

Pine Needle LNG Company, L.L.C. (Pine Needle)

On May 1, 1999, the liquified natural gas (LNG) peak-demand facility located in North Carolina began operations. We own 35% of the project through a subsidiary, Piedmont Interstate Pipeline Company. Storage capacity is four billion cubic feet with vaporization capability of 400 million cubic feet per day.

We have subscribed to one-half of this capacity to provide gas for peak-use periods in winter when demand is the highest. As previously reported, Pine Needle financed the construction of the facility through construction loans, with permanent financing at the end of the construction period. On May 3, we made an equity contribution of $18.7 million to Pine Needle to cover our portion of the permanent financing.

Corporate Organization

On June 4, 1999, the Board of Directors elected Ware F. Schiefer, President and Chief Operating Officer, to the Company's Board of Directors.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits –

12 Computation of Ratio of Earnings to Fixed Charges.

27 Financial Data Schedule (for Securities and Exchange Commission use only).

(b) Reports on Form 8-K –

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Piedmont Natural Gas Company, Inc.
(Registrant)

Date June 10, 1999

/s/ David J. Dzuricky
David J. Dzuricky
Senior Vice President-Finance
(Principal Financial Officer)

Date June 10, 1999

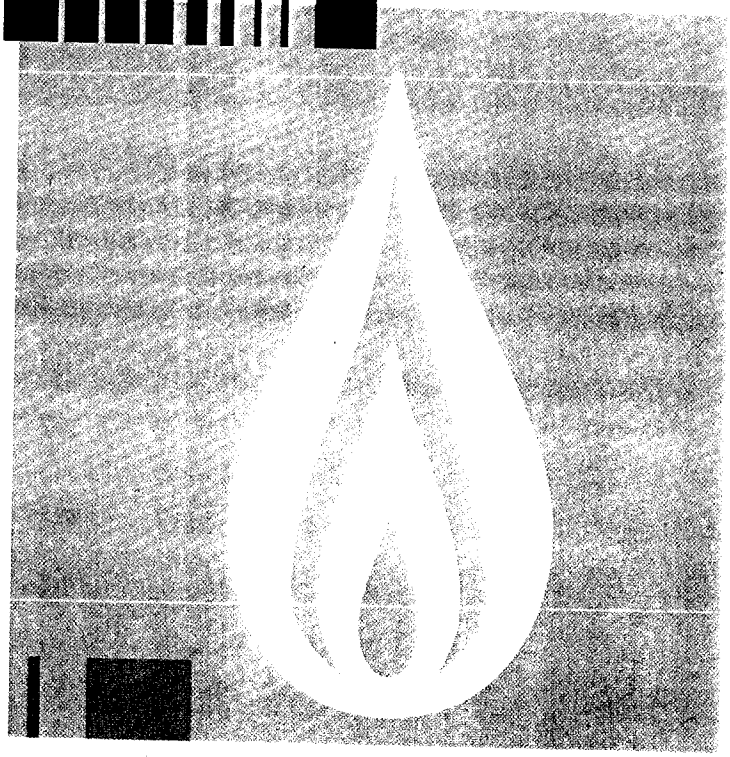
/s/ Barry L. Guy
Barry L. Guy
Vice President and Controller
(Principal Accounting Officer)

Exhibit 12

Piedmont Natural Gas Company, Inc. And Subsidiaries
Computation of Ratio of Earnings to Fixed Charges
For Fiscal Years Ended October 31, 1994 through 1998
and Twelve Months Ended April 30, 1999
(in thousands except ratio amounts)

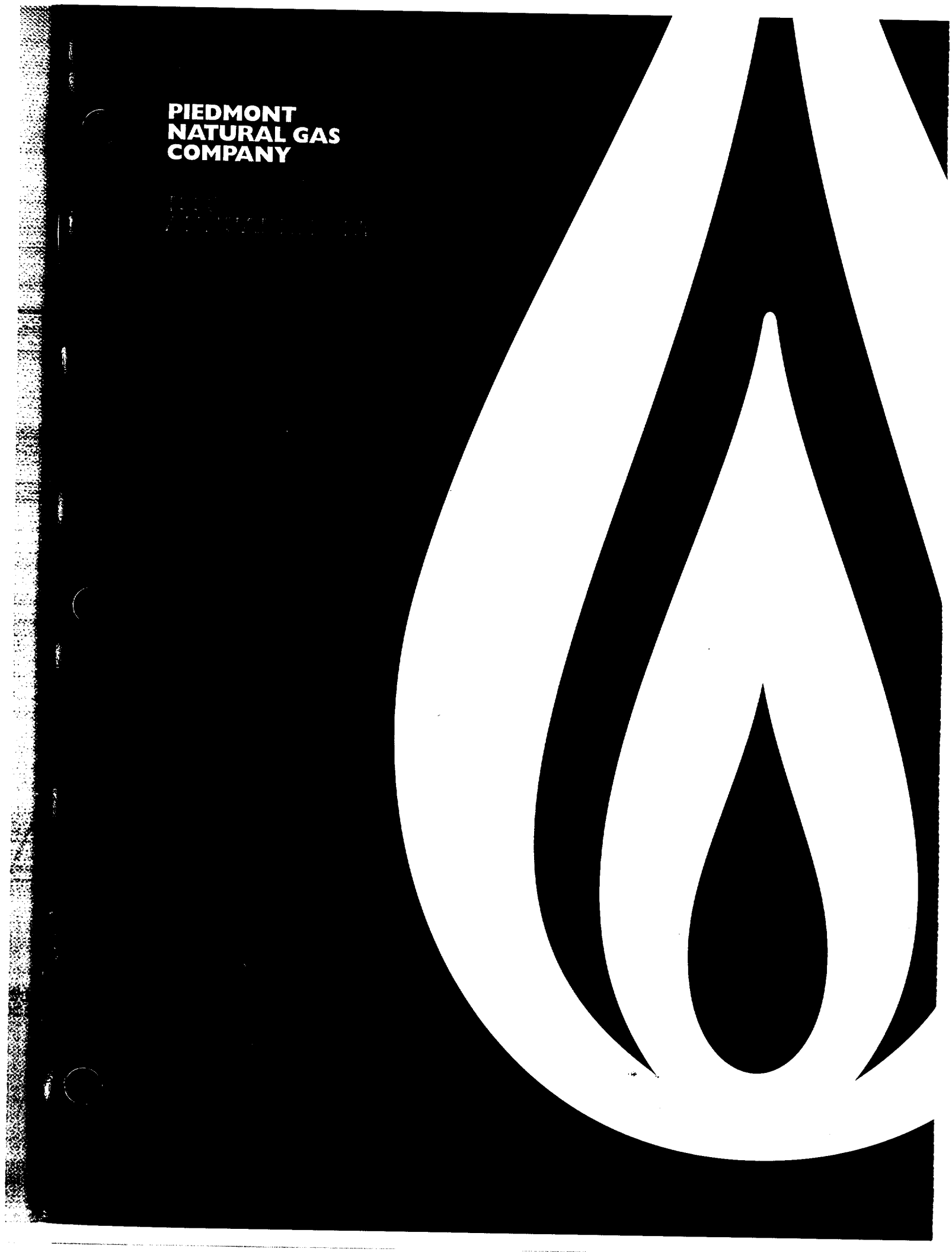
	April 30, 1999	1998	1997	1996	1995	1994
Earnings:						
Net income from continuing operations	$58,832	$60,313	$54,074	$48,562	$40,310	$35,506
Income taxes	37,922	38,807	34,650	30,928	25,442	21,407
Fixed charges	37,683	38,415	39,263	37,009	35,651	29,736
Total Adjusted Earnings	$134,437	$137,535	$127,987	$116,499	$101,403	$86,649
Fixed Charges:						
Interest	$36,039	$36,453	$36,949	$34,511	$33,224	$27,671
Amortization of debt expense	304	304	346	345	336	334
One-third of rental expense	1,340	1,658	1,968	2,153	2,091	1,731
Total Fixed Charges	$37,683	$38,415	$39,263	$37,009	$35,651	$29,736
Ratio of Earnings to Fixed Charges	3.57	3.58	3.26	3.15	2.84	2.91

PIEDMONT NATURAL GAS COMPANY



1997 ANNUAL REPORT

PIEDMONT
NATURAL GAS
COMPANY



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**

For the fiscal year ended October 31, 1997

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)**

For the Transition period from _____ to_____

Commission file number 1-6196

PIEDMONT NATURAL GAS COMPANY, INC.

(Exact name of registrant as specified in its charter)

North Carolina (State or other jurisdiction of incorporation or organization)	**56-0556998** (I.R.S. Employer Identification No.)
1915 Rexford Road, Charlotte, North Carolina (Address of principal executive offices)	**28211** (Zip Code)

Registrant's telephone number, including area code (704) 364-3120

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

State the aggregate market value of the voting stock held by nonaffiliates of the registrant as of January 9, 1998.

Common Stock, no par value — $949,208,114

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 9, 1998
Common Stock, no par value	30,298,404

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders on February 27, 1998, are incorporated by reference into Part III.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended October 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the Transition period from _____ to _____

Commission file number 1-6196

PIEDMONT NATURAL GAS COMPANY, INC.

(Exact name of registrant as specified in its charter)

North Carolina	56-0556998
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1915 Rexford Road, Charlotte, North Carolina	**28211**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (704) 364-3120

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

State the aggregate market value of the voting stock held by nonaffiliates of the registrant as of January 14, 1999.

Common Stock, no par value — $951,615,126

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 14, 1999
Common Stock, no par value	30,820,728

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders on February 26, 1999, are incorporated by reference into Part III.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

5. Provide a current chart of accounts.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

Item 5

A copy of the current chart of accounts, totaling 48 pages, is attached in response to this request.

Assets and Other Debits

Account No.	Account Title
1 - UTILITY PLANT	
10100	Utility Plant in Service
10700	Construction Work in Progress
ACCUMULATED DEPRECIATION FOR UTILITY PLANT	
10810	Production - Manufactured Gas (Plant Account 31100)
10812	Transportation Equipment (Plant Account 39200)
10830	Local Storage Plant (Plant Accounts 36000 to 36350)
10860	Transmission Plant (Plant Accounts 36512 to 36900)
10870	Distribution Plant (Plant Accounts 37500 to 38700)
10880	General Plant (Plant Accounts 39000 to 39900)
10890	Estimated Provision for Utility Plant (Plant Account 39996)
11100	Nashville Franchise Fees (30200)
11500	Miscellaneous Intangible Plant (30300)
2 - OTHER PROPERTY AND INVESTMENTS	
12100	Non-Utility Property
12120	Non-Utility Property - Residential Water Heaters
12130	Non-Utility Property - Commercial Water Heaters
12140	Non-Utility Property - Conversion Burners
12150	Non-Utility Property - Heating and Air Conditioning
12160	Non-Utility Property - Ranges
12170	Non-Utility Property - CNG

Assets and Other Debits

Account No.	Account Title
12180	Non-Utility Property - Merchandise
12200	Accumulated Depreciation - Non-Utility Property
12230	Accumulated Depreciation - Non-Utility Property - Commercial Water Heaters
12240	Accumulated Depreciation - Non-Utility Property - Conversion Burners
12250	Accumulated Depreciation - Non-Utility Property - Heating and Air Conditioning
12260	Accumulated Depreciation - Non-Utility Property - Ranges
12270	Accumulated Depreciation - Non-Utility Property - CNG
12280	Accumulated Depreciation - Non-Utility Property - Merchandise
12300	Investments in and Advances to Subsidiaries and Divisions
12400	Other Investments
12500	Sinking Funds
3 - CURRENT ASSETS	
13100	Cash
13200	Interest - Special Deposits
13400	Other Special Deposits
13500	Working Funds
13600	Temporary Cash Investments
14211	Accounts Receivable - Gas
14212	Accounts Receivable - Merchandise and Jobbing

Assets and Other Debits

Account No.	Account Title
14214	Accounts Receivable - Community Funds (Nashville)
14215	Accounts Receivable - Merchandise Transferred
14321	Accounts Receivable - Miscellaneous - Employee
14323	Accounts Receivable - Miscellaneous - Other
14324	Accounts Receivable - Damages by Others
14410	Allowance for Doubtful Accounts - Gas
14420	Allowance for Doubtful Accounts - Merchandise and Jobbing
14610	Accounts Receivable from Associated Companies - Piedmont Exploration Company, Inc. (PEC)
14620	Accounts Receivable from Associated Companies and Divisions
14635	Accounts Receivable from Associated Companies - PNG Energy Company
14641	Accounts Receivable - FlameGas (Expenses)
14646	Accounts Receivable - FlameGas (Payroll)
14650	Accounts Receivable - Piedmont Propane (Expenses)
14655	Accounts Receivable - Piedmont Propane (Payroll)
14660	Accounts Receivable - Thomas Gas (Expenses)
14665	Accounts Receivable - Thomas Gas (Payroll)
14670	Accounts Receivable - Green's Fuel (Expenses)
14675	Accounts Receivable - Green's Fuel (Payroll)
14680	Accounts Receivable - PNG Propane (Expenses)
14685	Accounts Receivable - PNG Propane (Payroll)
14690	Accounts Receivable - Southern Energy (Expenses)
14695	Accounts Receivable - Southern Energy (Payroll)

Assets and Other Debits

Account No.	Account Title
14681	Accounts Receivable - Tennessee Pipeline Company
14696	Accounts Receivable - Piedmont Intrastate Pipeline
14697	Accounts Receivable - Piedmont Energy Company
15110	General Storage
15120	LGA Storage
15125	Hattiesburg Storage
15130	CNG Inventory Services
15135	WSS Storage
15140	ESS Storage
15145	Propane Inventory
15150	TGP - Market Area
15151	TGP - Production Area
15160	Columbia Gas Storage
15400	Plant Material and Operating Supplies
15500	Merchandise

Account No.	Account Title
	Assets and Other Debits
15510	Appliance Parts
15520	Propane Carburetion Conversion Kits
16300	Stores Expenses (Clearing Accounts 97010 through 97080)
16500	Liquefied Natural Gas Storage
16510	Liquefied Natural Gas Storage - Pine Needle
16600	Prepayments
4 - DEFERRED DEBITS	
18100	Unamortized Debt Discount and Expense
18430	Transportation Expenses (Clearing Accounts 98010-98100)
18440	Construction Equip. Expenses (Clearing Accounts 99010-99030)
18600	Miscellaneous Deferred Debits
	Liabilities and Other Credits
5 - CAPITAL	
20100	Common Stock
21600	Unappropriated Retained Earnings
6 - LONG-TERM DEBT	
22400	Debentures and Other Long-Term Debt
7 - CURRENT LIABILITIES	
23100	Notes Payable
23210	Accounts Payable - General
23211	Accounts Payable - Savings Bonds
23212	Accounts Payable - Discounts

Liabilities and Other Credits

Account No.	Account Title
23213	Accounts Payable - Red Cross Help Fund
23215	Accounts Payable - Salary Investment Plan
23216	Accounts Payable - Salary Investment Plan Loans
23220	Accounts Payable - Pension
23221	Accounts Payable - Payroll Investment Plan
23222	Accounts Payable - Payroll Investment Plan Loans
23225	Accounts Payable - Worker's Compensation Insurance
23230	Accounts Payable - Group Insurance
23231	Accounts Payable - Long-Term Disability
23235	Accounts Payable - Outside Services
23240	Accounts Payable - Payroll
23245	Accounts Payable - Membership Fees and Dues
23246	Accounts Payable - NC Regulatory Fee
23250	Accounts Payable - EN-PAC
23251	Accounts Payable - TPAC
23260	Accounts Payable - Stock Purchase Plan
23270	Accounts Payable - United Way
23275	Accounts Payable - Arts and Science Council
23276	Accounts Payable - Christmas Sharing Project
23280	Accounts Payable - Credit Union Deductions
23285	Accounts Payable - Supplies Refund
23290	Accounts Payable - Union Dues (IBEW)
23291	Accounts Payable - Union Dues (UAJA)

Liabilities and Other Credits

Account No.	Account Title
23292	Accounts Payable - Initiation Dues (UAJA)
23295	Accounts Payable - Levies and Miscellaneous
23298	Accounts Payable - CIS Clearing Account
23299	Accounts Payable - Refund Clearing
23500	Customers' Deposits
23600	Taxes Accrued
23700	Interest Accrued
23710	Interest Accrued - Customers' Deposits
23820	Dividends Declared - Common Stock
24110	Tax Collections Payable - Federal
24120	Tax Collections Payable - North Carolina State Income
24130	Tax Collections Payable - South Carolina State Income
24140	Tax Collections Payable - South Carolina Franchise
24141	Tennessee Franchise Fee - White House
24142	Tennessee Franchise Fee - Nashville
24146	Tax Collections Payable - State White Goods Tax

Liabilities and Other Credits

Account No.	Account Title
24150	Tax Collections Payable - State Fuels Tax
24155	Tax Collections Payable - North Carolina Gas Sales
24156	Tax Collections Payable - Tennessee Gas Sales
24160	Tax Collections Payable - Sales and Use Tax - General
24170	Tax Collections Payable - Sales and Use Tax - Construction
24180	Tax Collections Payable - Sales and Use Tax - Local - General
24190	Tax Collections Payable - Sales and Use Tax - Local - Const.
24195	Tax Collections Payable - Federal Fuels Tax - CNG
8 - DEFERRED CREDITS	
25200	Customer Advances for Construction
25300	Other Deferred Credits
25310	Cashiers' Overages and Shortages
25500	Unamortized Federal Investment Tax Credits
9 - CONTRIBUTIONS IN AID OF CONSTRUCTION	
27100	Contributions in Aid of Construction (Nashville only)
10 -ACCUMULATED DEFERRED INCOME TAXES	
28210	Accumulated Deferred Federal Income Taxes
28220	Accumulated Deferred State Income Taxes

SUBJECT: GAS PLANT ACCOUNTS

Plant Account No.	Account Title	Maintenance Account No.
1 - INTANGIBLE PLANT		
30100	Organization	
30200	Franchises and Consents	
30300	Miscellaneous Intangible Plant	
2 - PRODUCTION PLANT		
30410	Land	
30420	Land Rights	
31100	Liquefied Petroleum Gas Equipment	74200
3 - OTHER STORAGE PLANT		
36000	Land	
36010	Land Rights	
36100	Structures and Improvements	84400
36200	Gas Holders	84500
36300	Purification Equipment	84600
36310	Liquefaction Equipment	84700
36320	Vaporizing Equipment	84800
36330	Compressor Equipment	84810
36340	Measuring and Regulating Equipment	84820
36350	Other Equipment	84830
4- TRANSMISSION PLANT		
36511	Land	
36512	Land Rights	
36700	Mains	86300

Account No.	Account Title	Maintenance Account No.
36800	Compressor Station Equipment	86500
36900	Measuring and Regulating Station Equipment	86500
5 - DISTRIBUTION PLANT		
37410	Land	
37420	Land Rights	
37500	Structures and Improvements	88600
37600	Mains	88700
37800	Measuring and Regulating Station Equipment - General	88900
37900	Measuring and Regulation Station Equipment - City Gate Check Station	89100
38000	Services	89200
38100	Meters	893XX
38110	Meter Accessories	893XX
38200	Meter Installations	893XX
38300	House Regulators	893XX
38400	Regulator Installations	893XX
38500	Industrial Measuring and Regulating Station Equipment	89000
38600	Other Property on Customers' Premises	89400
38700	Other Equipment	89400
38800	House Piping	

Account No.	Account Title	Maintenance Account No.
6 - GENERAL PLANT		
38910	Land	
38920	Land Rights	
39000	Structures and Improvements	93230
39100	Office Furniture and Equipment	93230
39110	Mainframe Equipment (Hardware and Software)	93230
39120	PC-related Equipment (Hardware and Software)	93230
39130	CA/CI System	93230
39140	Client Server Application	93230
39200	Transportation Equipment	980XX
39300	Stores Equipment	970XX
39400	Tools, Shop and Garage Equipment	980XX
39500	Laboratory Equipment	93230
39600	Power Operated Equipment	990XX
39700	Communication Equipment	932XX
39800	Miscellaneous Equipment	93230
39900	Other Tangible Property	93230
7 - PLANT CLEARING ACCOUNTS		
39995	Non-Utility Plant Projects	
39996	Estimated Plant Depreciation	
39997	Administrative and District Overheads	
39999	Transportation Overheads	

PLANT CLEARING ACCOUNTS

The preceding plant clearing accounts have been established to provide for charges to plant, such as overheads and allowance for funds used during construction, which cannot be immediately distributed to the proper plant accounts. In this connection, Improvement Requisition (IR) No. 09997 may be used for charges which cannot be identified with a particular IR at the time of the entry. Corporate Accounting will review the entries to these clearing accounts to ensure that only proper undistributed charges are included therein. The clearing accounts will be distributed to the appropriate IR's during month-end closing procedures.

BLANKET REQUISITIONS AND ACCOUNT NUMBERS

Blanket No.	Account No.	Description
1	38100	Meters
1	38110	Meter Accessories
1	38200	Meter Installation
2	38000	Replacement Services
3	38000	Services
4	38300	House Regulators
4	38400	House Regulators Installation
5	39120	PC Equipment
7	39300 Thru 39800	Miscellaneous Tools and Equipment
8	39100	Office Furniture and Equipment
8	39110	Mainframe Hardware and Software
9	39200	Transportation Equipment

Account No.	Account Title
1 - OPERATING REVENUES	
48010	Sales of Gas - Residential - Heating and Other
48020	Sales of Gas - Residential - Heating Only
48110	Sales of Gas - Commercial
48120	Sales of Gas - Industrial
48121	Limited Availability Sales - Nashville
48122	PGA Limited Availability Sales - Nashville
48200	Sales of Gas - Public Authorities
48300	Sales of Gas - For Resale
48700	Late Payment Revenues
48800	Miscellaneous Service Revenues
48810	Connection Revenues (Contra 87825)
48820	Overtime Charge Revenues
48900	Transportation of Gas for Others
49300	Rent from Gas Property
49500	Other Gas Revenues
49510	LNG Revenues
49520	Residential Conservation Service (RCS) Program Revenues
49530	Secondary Market Sales
2 - DEPRECIATION AND AMORTIZATION	
40300	Depreciation Expense
40301	Depreciation Expense (Transfer Credit)
40400	Amortization of Limited-Term Utility Plant (Nashville)

Account No.	Account Title
3 - TAXES	
40401	Amortization of General Plant (Nashville)
40800	General Taxes
40910	Federal Income Tax
40911	State Income Tax
40912	Federal Income Tax - Other
40913	State Income Tax - Other
41010	Deferred Income Taxes - Federal - Accelerated Depreciation
41011	Deferred Income Taxes - State - Accelerated Depreciation
41210	Investment Tax Credits - Federal
41220	Amortization of Investment Tax Credits - Federal
4 - OTHER INCOME AND EXPENSES	
41500	Revenues and Expenses of Merchandising
41600	Revenues and Expenses of Jobbing and Contract Work
41800	Revenues and Expenses of Compressed Natural Gas (CNG)
41900	Interest and Dividend Income
42000	Allowance for Funds Used During Construction
42100	Miscellaneous Non-Operating Income
42321	Gross Earnings - Subsidiaries and Divisions
42322	Federal Income Tax - Subsidiaries and Divisions
42323	State Income Tax - Subsidiaries and Divisions
42500	Amortization - Acquisition Adjustment

Account No.	Account Title
5 - OTHER INCOME DEDUCTIONS	
42600	Contributions
42610	Miscellaneous Income Deductions
6 - INTEREST CHARGES	
42700	Interest on Long-Term Debt
42800	Amortization of Debt Discount and Expense
43100	Other Interest Expense
43110	Other Interest Expense - Short-Term Borrowings
43120	Other Interest Expense - Customers' Deposits
7 - RETAINED EARNINGS	
43800	Dividends Declared - Common Stock

MANUFACTURED GAS PRODUCTION EXPENSES

Account No.	Account Title and Description

OPERATION

71700 LIQUEFIED PETROLEUM GAS EXPENSES

This account shall include the cost of labor used and expenses incurred in the operation of equipment used for vaporizing petroleum derivatives, such as propane, butane or gasoline, exclusive of cost of the materials vaporized or used for fuel in the vaporizing process.

72800 LIQUEFIED PETROLEUM GAS

This account shall include the cost of liquefied petroleum gas, such as propane, butane, or gasoline, vaporized for mixing with other gases or for sale unmixed, including applicable amounts of fuel stock expenses.

73500 MISCELLANEOUS PRODUCTION EXPENSES

This account shall include the cost of labor, materials used and expenses incurred in manufactured gas production operations not provided for elsewhere.

MAINTENANCE

74000 MAINTENANCE SUPERVISION AND ENGINEERING

This account shall include the cost of labor and expenses incurred in the general supervision and direction of maintenance of manufactured gas production facilities.

74100 MAINTENANCE OF STRUCTURES AND IMPROVEMENTS

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures, the book cost of which is includible in account 31100, Liquefied Petroleum Gas Equipment.

74200 MAINTENANCE OF PRODUCTION EQUIPMENT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of equipment for the production of manufactured gas, the book cost of which is includible in account 31100, Liquefied Petroleum Gas Equipment.

OTHER GAS SUPPLY EXPENSES

Account No. — Account Title and Description

OPERATION

80400 NATURAL GAS CITY GAS PURCHASES

This account shall include the cost, at point of receipt by the utility, of natural gas purchased which is received at the entrance to the distribution system of the utility.

80500 OTHER GAS PURCHASES

This account shall include the cost, at point of receipt by the utility, of manufactured gas, refinery gas, or any other gas other than natural gas, or other than any mixed gas in which the natural gas is an important proportion of the mixture.

80710 ODORIZATION EXPENSE

This account shall include the cost of adding odorant to purchased natural gas at the entrance to the distribution system of the utility.

80720 PURCHASED GAS EXPENSES - LABOR

This account shall include the cost of labor of employees of the Gas Control department and work performed by employees of the Measurement department incurred directly in connection with the purchase of gas for resale.

80750 PURCHASED GAS EXPENSES - UTILITIES

This account shall include the charges for telegraph lines from border stations to gas control telemetering equipment, telephones, etc.

80760 OTHER PURCHASED GAS EXPENSES

This account shall include the cost of materials used and expenses incurred in connection with the purchase of gas for resale, including expenses of employees whose labor costs are includible in account 80720.

80800 GAS WITHDRAWN FROM LIQUEFIED STORAGE

This account shall include the cost of liquefied natural gas withdrawn from the Company's storage facilities.

81200 GAS USED - OTHER UTILITY OPERATION (CREDIT)

This account shall include credits for gas consumed from the system supply for operating and utility purposes.

OTHER STORAGE EXPENSES

Account No.	Account Title and Description
84000	OPERATION SUPERVISION AND ENGINEERING - LABOR This account shall include the cost of labor incurred in the general supervision and direction of the operation of LNG storage facilities.
84010	OPERATION SUPERVISION AND ENGINEERING - EXPENSES This account shall include expenses incurred in the general supervision and direction of the operation of LNG storage facilities.
84100	OPERATION - LABOR This account shall include the cost of labor incurred in operating LNG storage facilities.
84110	OPERATION - EXPENSES This account shall include the cost of materials used and expenses incurred in operating LNG storage facilities, including the following: (1) Charts for pressure gauges and meters, printed forms. (2) Employee travel and transportation expenses. (3) Chemicals, lubricants, refrigerants. (4) Utility services.
84210	FUEL EXPENSE This account shall include the cost of natural gas or other fuel expense used in the operation of LNG storage facilities.
84220	POWER This account shall include the cost of electricity consumed in the operation of LNG storage facilities.
84230	GAS LOSSES This account shall include the amounts of inventory adjustments representing the cost of gas lost or unaccounted for in the LNG storage operations due to shrinkage or other causes.

OTHER STORAGE EXPENSES

Account No.	Account Title and Description
MAINTENANCE	
84300	MAINTENANCE SUPERVISION AND ENGINEERING

This account shall include the cost of labor and expenses incurred in the general supervision and direction of maintenance of LNG storage facilities.

84400 MAINTENANCE OF STRUCTURES AND IMPROVEMENTS

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures, the book cost of which is includible in account 36100, Structures and Improvements.

84500 MAINTENANCE OF GAS HOLDERS

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of LNG Holders, the book cost of which is includible in account 36200, Gas Holders.

84600 MAINTENANCE OF PURIFICATION EQUIPMENT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of purification equipment, the book cost of which is includible in account 36300, Purification Equipment.

84700 MAINTENANCE OF LIQUEFACTION EQUIPMENT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of liquefaction equipment, the book cost of which is includible in account 36310, Liquefaction Equipment.

84800 MAINTENANCE OF VAPORIZING EQUIPMENT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of vaporizing equipment, the book cost of which is includible in account 36320, Vaporizing Equipment.

OTHER STORAGE EXPENSES

Account No.	Account Title and Description
84810	MAINTENANCE OF COMPRESSOR EQUIPMENT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of compressor equipment, the book cost of which is includible in account 36330, Compressor Equipment.

84820	MAINTENANCE OF MEASURING AND REGULATING EQUIPMENT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of measuring and regulating equipment, the book cost of which is includible in Account 36340, Measuring and Regulating Equipment.

84830	MAINTENANCE OF OTHER EQUIPMENT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of equipment, the book cost of which is includible in account 36350, Other Equipment.

TRANSMISSION EXPENSES

Account No.	Account Title and Description

OPERATION

85000 OPERATION SUPERVISION AND ENGINEERING

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of transmission facilities.

85600 MAINS EXPENSES

This account shall include the cost of labor, materials used and expenses incurred in operating transmission mains.

85700 MEASURING AND REGULATING STATION EXPENSES

This account shall include the cost of labor, materials used and expenses incurred in operating transmission measuring and regulating stations.

MAINTENANCE

86100 MAINTENANCE SUPERVISION AND ENGINEERING

This account shall include the cost of labor and expenses incurred in the general supervision and direction of maintenance of transmission system facilities.

86200 MAINTENANCE OF STRUCTURES AND IMPROVEMENTS

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of transmission structures, the book cost of which is includible in account 36600, Structures and Improvements.

86300 MAINTENANCE OF MAINS

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of transmission mains, the book cost of which is includible in account 36700, Mains.

Account No.	Account Title and Description
86301	MAINTENANCE OF MAINS DAMAGED BY OTHERS This account shall include the cost of labor, materials used and expenses incurred in the repair of mains damaged by others.
86302	MAINTENANCE OF MAINS DAMAGED BY OTHERS (CONTRA) This account shall include the reimbursement of costs incurred in the repair of mains damaged by others and includible in account 86301.
86310	MAINTENANCE OF MAINS - CORROSION CONTROL - PERIODIC TESTING This account shall include all charges incurred as a result of scheduled periodic testing such as rectifier readings and pipe to soil potentials which are performed to determine the level of cathodic protection on Transmission Mains and continuous service lines.
86320	MAINTENANCE OF MAINS - CORROSION CONTROL - TROUBLESHOOTING This account shall include all charges incurred as a result of additional testing, research, and any other diagnostic activities which are performed when there is an indication that the cathodic protection levels on transmission mains and continuous service lines may be below acceptable criteria.
86330	MAINTENANCE OF MAINS - CORROSION CONTROL - REPAIR This account shall include all labor and material charges incurred in the repair of cathodic protection systems on transmission mains and continuous service lines.
86500	MAINTENANCE OF MEASURING AND REGULATING STATION EQUIPMENT This account shall include the cost of labor, materials used and expenses incurred in the maintenance of transmission equipment, the book cost of which is includible in account 36800 and 36900, Measuring and Regulating Station Equipment.

DISTRIBUTION EXPENSES

Account No. — Account Title and Description

OPERATION

87000 OPERATION SUPERVISION AND ENGINEERING

This account shall include the cost of labor and expenses incurred in the general supervision and direction of distribution system operations.

87100 DISTRIBUTION LOAD DISPATCHING

This account shall include the cost of labor, materials used and expenses incurred in dispatching and controlling the supply and flow of gas through the distribution system.

87400 MAINS AND SERVICES EXPENSES

This account shall include the cost of labor, materials used and expenses incurred in operating distribution system mains and services.

87500 MEASURING AND REGULATING STATION EXPENSES - GENERAL

This account shall include the cost of labor, materials used and expenses incurred in operating general distribution measuring and regulating stations.

87600 MEASURING AND REGULATING STATION EXPENSES - INDUSTRIAL

This account shall include the cost of labor, materials used and expenses incurred in operating large measuring and regulating stations located on local distribution systems to serve specific commercial and industrial customers.

87700 MEASURING AND REGULATING STATION EXPENSES - CITY GATE CHECK STATIONS

This account shall include the cost of labor, materials used and expenses incurred in operating measuring and regulating stations used to measure and regulate the receipt of gas at entry points to distribution systems.

87810 METER CHANGEOUT - STATE REGULATIONS

This account shall include the cost of labor, materials used and expenses incurred in changing customers' meters in compliance with requirements of state utilities commissions, including turning on customers' meters after change and the necessary time to insure that the house piping and appliances are in proper condition for gas service.

Account No.	Account Title and Description

87825 SERVICE TURN ONS/TURN OFFS - REIMBURSABLE

This account shall include the cost of labor, materials used and expenses incurred in connection with turning on and turning off service for which a reconnection fee is charged to the customer, except for costs properly includible in account 90320.

87827 SERVICE TURN ONS/TURN OFFS - NOT REIMBURSABLE

This account shall include the cost of labor, materials used and expenses incurred in connection with turning on and turning off service for which a reconnection fee is not charged to the customer, except for costs properly includible in account 87810.

87828 METER AND HOUSE REGULATOR EXPENSES

This account shall include the cost of labor, materials used and expenses incurred in removing, resetting, changing, relocating, listing and servicing customer meters and house regulators, except for costs properly includible in account 87810 and costs associated with installing a meter at a new service. See also accounts 87825 and 87827.

87830 METER AND HOUSE REGULATOR EXPENSES - OTHER

This account shall include the cost of labor, materials used and expenses incurred in connection with:

(1) Clerical work on meter history and associated equipment record cards, test cards and reports.
(2) Handling and recording meters for stock.
(3) Shop inspecting and testing meters and house regulators.
(4) Inspecting and adjusting meter testing equipment.
(5) Taking meter inventories.
(6) Labor incurred in dispatching by radio service request orders.

See Below FREE WORK ON RESIDENTIAL AND SMALL GENERAL SERVICE CUSTOMERS' PIPING, EQUIPMENT AND APPLIANCES

The following accounts (87910 through 87970) shall include the cost of labor, materials used and expenses incurred for free work on customers' piping, equipment and appliances as indicated.

Account No.	Account Title and Description

87910 FREE WORK - SUPERVISION

This account shall include the cost of labor involved in the general supervision and direction of servicing customer-owned appliances.

87920 FREE WORK - AIR CONDITIONERS

This account shall include the cost of labor, materials used and expenses incurred in work on customers' air conditioners.

87930 FREE WORK - NEW CUSTOMERS

This account shall include the cost of inspection and adjustment of piping, equipment and appliances for new customers. A new customer is a customer who has not received gas service from Piedmont in the past year at the same address. The cost of minor repairs is to be included in this account.

87940 FREE WORK - HAZARDOUS CONDITIONS

This account shall include the cost of investigations of gas leaks and other possible hazardous conditions in customers' piping, equipment and appliances. The cost of minor repairs is to be included in this account.

87950 FREE WORK - PILOTS

This account shall include the cost of turning on and turning off pilots. This includes all year work as well as seasonal work.

87960 FREE WORK - OPERATION OF EQUIPMENT AND APPLIANCES

This account shall include work as described in the list below. The cost of minor repairs is to be included in this account.

(1) Checking the following items for proper operation:
   a) Flue connections and draft
   b) Wiring
(2) Checking and if necessary adjusting the following items:
   a) Customer-owned gas appliances
   b) Safety pilots
   c) Input rate to burners
   d) Gas controls
   e) Gas-air mixtures
(3) Checking and if necessary cleaning burners and pilots.

Account No.	Account Title and Description

87970 FREE WORK - MISCELLANEOUS

This account shall include the cost of all other free labor and materials used in relation to work performed on customers' piping, equipment and appliances except for expenses includible in 87920, 87930, 87940, 87950 and 87960. Examples of other work are the following:

(1) Unproductive calls not traceable to another 879XX account number.
(2) Calls that result in a referral to a contractor.
(3) Work required as a result of Piedmont's distribution or transmission system activities. An example would be required adjustment of gas-air mixtures due to the insertion of propane-air into the system.
(4) Dispatching and clerical work related to the 879XX series of accounts.
(5) Non-reimbursable warranty labor costs.

87980 FREE WORK - NATURAL GAS VEHICLES

This account shall include the cost of labor, materials used and expenses incurred in supporting natural gas vehicle customers.

88010 OTHER DISTRIBUTION EXPENSES - LABOR

This account shall include the cost of labor related to distribution system operations not provided for elsewhere.

88020 OTHER DISTRIBUTION EXPENSES - UTILITY SERVICES

This account shall include the cost of utility services, including light, water and telephone, and outside cleaning services incurred in distribution system operations.

88030 OTHER DISTRIBUTION EXPENSES - MISCELLANEOUS

This account shall include the cost of distribution maps and records, distribution office expenses and the cost of labor and materials used and expenses incurred in distribution system operations not provided for elsewhere.

Account No.	Account Title and Description
88100	RENTS

This account shall include rents for property of others used, occupied or operated in connection with the operation of the distribution system such as rentals for regulator sites, railroad crossings, rights-of-way, annual payments for use of public or private lands, and reservations for rights-of-way.

MAINTENANCE

88500 MAINTENANCE SUPERVISION AND ENGINEERING

This account shall include the cost of labor, materials used and expenses incurred in the general supervision and direction of maintenance of distribution system facilities.

88600 MAINTENANCE OF STRUCTURES AND IMPROVEMENTS

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures, the book cost of which is includible in account 37500, Structures and Improvements.

88700 MAINTENANCE OF MAINS

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution mains, the book cost of which is includible in account 37600, Mains, except for costs properly includible in account 88701.

88701 MAINTENANCE OF MAINS DAMAGED BY OTHERS

This account shall include the cost of labor, materials used and expenses incurred in the repair of mains damaged by others.

88702 MAINTENANCE OF MAINS DAMAGED BY OTHERS (CONTRA)

This account shall include the reimbursement of costs incurred in the repair of mains damaged by others and includible in account 88701.

Account No.	Account Title and Description

88710 MAINTENANCE OF MAINS - CORROSION CONTROL - PERIODIC TESTING

This account shall include all charges incurred as a result of scheduled periodic testing such as rectifier readings and pipe to soil potentials which are performed to determine the level of cathodic protection on Distribution Mains and continuous service lines.

88720 MAINTENANCE OF MAINS - CORROSION CONTROL - TROUBLESHOOTING

This account shall include all charges incurred as a result of additional testing, research, and any other diagnostic activities which are performed when there is an indication that the cathodic protection levels on distribution mains and continuous service lines may be below acceptable criteria.

88730 MAINTENANCE OF MAINS - CORROSION CONTROL - REPAIR

This account shall include all labor and material charges incurred in the repair of cathodic protection systems on distribution mains and continuous service lines.

88900 MAINTENANCE OF MEASURING AND REGULATING STATION EQUIPMENT - GENERAL

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution equipment, the book cost of which is includible in account 37800, Measuring and Regulating Station Equipment - General.

89000 MAINTENANCE OF MEASURING AND REGULATING STATION EQUIPMENT - INDUSTRIAL

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution equipment, the book cost of which is includible in account 38500, Industrial Measuring and Regulating Station Equipment.

Account No.	Account Title and Description

89100 MAINTENANCE OF MEASURING AND REGULATING STATION EQUIPMENT - CITY GATE CHECK STATIONS

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution equipment, the book cost of which is includible in account 37900, Measuring and Regulating Station Equipment - City Gate Check Stations.

89200 MAINTENANCE OF SERVICES

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of services, the book cost of which is includible in account 38000, Services, except for costs properly includible in account 89201.

89201 MAINTENANCE OF SERVICES DAMAGED BY OTHERS

This account shall include the cost of labor, materials used and expenses incurred in the repair of services damaged by others.

89202 MAINTENANCE OF SERVICES DAMAGED BY OTHERS (CONTRA)

This account shall include the reimbursement of costs incurred in the repair of services damaged by others and includible in account 89201.

89210 MAINTENANCE OF SERVICES - CORROSION CONTROL - PERIODIC TESTING

This account shall include all charges incurred as a result of scheduled routine pipe to soil potentials which are performed to determine the level of cathodic protection on service lines which are electrically isolated from the main.

89220 MAINTENANCE OF SERVICES - CORROSION CONTROL - TROUBLESHOOTING

This account shall include all charges incurred as a result of additional testing, research, and any other diagnostic activities which are performed when there is an indication that the cathodic protection levels on service lines electrically isolated from the main may be below acceptable criteria.

Account No.	Account Title and Description

89230 MAINTENANCE OF SERVICES - CORROSION CONTROL - REPAIR

This account shall include all labor and material charges incurred in the repair of cathodic protection systems on service lines which are electrically isolated from the main.

89310 MAINTENANCE OF METERS AND HOUSE REGULATORS - LABOR AND EXPENSES

This account shall include the cost of labor and expenses incurred in the maintenance of meters and house regulators, the book cost of which is includible in accounts 38100, Meters; 38110, Meter Accessories; and 38300, House Regulators; except for costs properly includible in account 89315.

89315 MAINTENANCE OF METERS AND HOUSE REGULATORS - FIELD PAINTING

This account shall include the cost of labor for field painting of meters and house regulators by servicemen.

89320 MAINTENANCE OF METERS AND HOUSE REGULATORS - MATERIALS

This account shall include the cost of materials used in the maintenance of meters and house regulators, the book cost of which is includible in accounts 38100, Meters, 38110, Meter Accessories, and 38300, House Regulators.

89400 MAINTENANCE OF OTHER EQUIPMENT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution system equipment not provided for elsewhere, the book cost of which is includible in account 38600, Other Property on Customers' Premises, and 38700, Other Equipment.

Account No.	Account Title and Description
OPERATION	
90100	SUPERVISION This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities.
90200	METER READING EXPENSES This account shall include the cost of labor, materials used and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters. See also account 90205.
90205	METER READING EXPENSES - SERVICEMEN This account shall include the cost of reading customer meters performed by servicemen.
90310	CUSTOMER RECORDS - CONTRACT, CREDIT INVESTIGATIONS AND ORDERS This account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, credit investigations, handling customer inquiries and complaints and maintaining records pertaining thereto, and handling routine orders for service.
90315	CUSTOMER RECORDS - BILL INVESTIGATIONS BY SERVICEMEN This account shall include the cost of high bill investigations performed by servicemen.
90320	COLLECTION EXPENSES This account shall include the cost of labor, materials used and expenses incurred for customer collections, including final meter reading of delinquent accounts, disconnecting and reconnecting service for nonpayment of bills and fees paid to others for collecting.
90321	CASHIERING EXPENSES This account shall include the cost of labor associated with the collection of payments over the counter in the district offices.
90325	COLLECTION EXPENSES - SERVICEMEN This account shall include the cost of collection work performed by servicemen.

CUSTOMER ACCOUNTS EXPENSES

Account No.	Account Title and Description
90330	CUSTOMER BILLING AND ACCOUNTING

This account shall include the cost of labor and employee expenses incurred for customer billing and accounting, including preparing and maintaining billing data. Note - Equipment rentals associated with customer billing and accounting should be charged to account 90340 or 92140.

90340 EQUIPMENT RENTAL - CUSTOMER ACCOUNTING

This account shall include the cost of office equipment rentals pertaining to customer accounting functions, except for costs properly includible in account 92140.

90350 SUPPLIES AND FORMS

This account shall include the cost of supplies and forms pertaining to customer accounting functions.

90360 UTILITY SERVICES

This account shall include the cost of utility services, including light, water and telephone, and outside cleaning services incurred in customer accounting functions.

90370 POSTAGE

This account shall include the cost of postage pertaining to customer accounting functions.

90400 PROVISION FOR UNCOLLECTIBLE ACCOUNTS

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Note - All charges to this account will originate in Corporate Accounting.

90500 MISCELLANEOUS CUSTOMER ACCOUNTS EXPENSES

This account shall include the cost of labor, materials used and expenses incurred in customer accounting functions not provided for in other accounts.

90600 RENT

This account shall include the cost of rentals of property and amortization of improvements to leased property devoted to customer accounting functions.

CUSTOMER ACCOUNTS EXPENSES

Account No.	Account Title and Description
See Below	CUSTOMER ASSISTANCE EXPENSES - RESIDENTIAL CONSERVATION SERVICE (RCS) PROGRAM
90810	SUPERVISION - RCS This account shall include the cost of labor and expenses incurred in the general direction and supervision of RCS activities. Direct supervision of a specific activity within the RCS function shall be charged to the account wherein the costs of such activity are included.
90820	PUBLIC RELATIONS - RCS Newspaper, radio, television, etc., advertisements and associated costs shall be charged to this account.
90830	PROGRAM ANNOUNCEMENTS - RCS Program announcements including second or follow-up notices cost, postage, etc., shall be charged to this account.
90840	REPORTING AND RECORDKEEPING - RCS Accounting, Computer Services, computer charges, and charges from other departments shall be made to this account for time and expense involved with reporting to the various agencies involved with the RCS program.
See Below	CUSTOMER ASSISTANCE EXPENSES - RCS AUDIT COST
90850	SUPERVISION - RCS This account shall include the cost of labor and expenses incurred in the supervision of the RCS audits.
90860	AUDITOR COST - RCS Labor and expenses incurred in performing a residential audit shall be charged to this account.

SUBJECT: OPERATION AND MAINTENANCE EXPENSES

CUSTOMER ACCOUNTS EXPENSES

Account No.	Account Title and Description
90870	INSPECTIONS - RCS This account shall include the cost of labor and expenses incurred in performing inspections of eligible measures made to a residence as a result of an RCS audit.
90880	TRAINING COST - RCS Costs associated with auditor training shall be charged to this account, both original and subsequent training costs.
90890	MACHINE LEASE OR RENTS - RCS Charges for machine leases or rents and associated supplies shall be charged to this account.

CUSTOMER SERVICE EXPENSES

90900	SUPERVISION This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer service activities, the object of which is to promote safe, efficient and economical use of the utility's service.
91010	CUSTOMER ASSISTANCE EXPENSES - LABOR This account shall include the cost of labor incurred in providing instructions or assistance to present customers, the object of which is to promote safe, efficient and economical use of the utility's service.
91020	CUSTOMER ASSISTANCE EXPENSES - OTHER This account shall include the cost of materials and expenses incurred in providing instructions or assistance to present customers, the object of which is to promote safe, efficient and economical use of the utility's service.
91100	INFORMATIONAL ADVERTISING EXPENSES This account shall include the cost of labor, materials used and expenses incurred in advertising activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing gas service to protect health and safety, to promote environmental protection, to utilize their gas equipment safely and economically, or to conserve natural gas.
91200	MISCELLANEOUS CUSTOMER SERVICE EXPENSES This account shall include the cost of labor, materials used and expenses incurred in connection with customer service activities which are not includible in other customer service expense accounts.

Account No.	Account Title and Description
OPERATION	
91500	SUPERVISION
	This account shall include the cost of labor and expenses incurred in the general direction and supervision of sales promotion activities, except merchandising, the object of which is to promote or retain the use of gas service by present or prospective customers. Direct supervision of a specific activity, such as demonstrating, selling or promotional advertising, shall be charged to the account wherein the costs of such activity are included.
91610	CLERICAL SALARIES AND EXPENSES
	This account shall include the cost of labor and expenses incurred for clerical personnel engaged in sales promotion activities, except merchandising, the object of which is to promote or retain the use of gas service by present or prospective customers.
91620	SALES SALARIES, COMMISSIONS AND EXPENSES
	This account shall include the cost of labor and expenses incurred for sales personnel engaged in sales promotion activities, except merchandising, the object of which is to promote or retain the use of gas service by present or prospective customers.
91630	DEMONSTRATING AND SELLING EXPENSES
	This account shall include the cost of labor, materials used and expenses incurred in promotional, demonstrating and selling activities, except merchandising, the object of which is to promote or retain the use of gas service by present or prospective customers.
91631	COMMERCIAL GAS COOKING EDUCATION
	This account shall include the cost of labor, materials used and expenses incurred in the operation of the gas cooking technology center.
See Below	PROMOTIONAL ADVERTISING EXPENSES
	The following accounts (91710 through 91790) shall include the cost of labor, materials used and expenses incurred in advertising designed to promote or retain the use of gas service, except advertising the sale of merchandise.

SALES PROMOTION EXPENSES

Account No. — Account Title and Description

Note A - The cost of advertisements which set forth the value or advantages of gas service without reference to specific appliances, or if reference is made to appliances, invites the reader to purchase appliances from his dealer, or refer to appliances not carried for sale by the utility, shall be considered sales promotion advertising and charged to these accounts. However, advertisements which are limited to specific makes of appliances sold by the utility and prices, terms, etc., thereof, without referring to the value or advantages of gas service, shall be considered as merchandising advertising and the cost shall be charged to account 415XX in the merchandise series of accounts.

Note B - Advertisements which substantially mention or refer to the value or advantages of gas service, together with specific reference to makes of appliances sold by the utility and the price, terms, etc., thereof, and designed for the joint purpose of increasing the use of gas service and the sales of appliances or for other non-utility activities, shall be considered as a combination advertisement and the costs shall be distributed between these accounts and merchandise or other non-utility accounts on the basis of space, time or other proportional factors.

Note C - See account 91100, Informational Advertising, and account 93070, Institutional or Goodwill Advertising. See also rules promulgated by the regulatory commissions, if any.

91710	ADVERTISING - NEWSPAPER AND MAGAZINE
91720	ADVERTISING - TELEVISION AND RADIO
91730	ADVERTISING - OUTDOOR
91740	ADVERTISING - BILL INSERTS
91750	ADVERTISING - DIRECT MAIL
91760	ADVERTISING - SALES PROMOTION (trade show booths, cookouts, giveaways, etc.)

SALES PROMOTION EXPENSES

Account No.	Account Title and Description
91770	ADVERTISING - PRINTED SALES SUPPORT MATERIAL (brochures, doorhangers, flyers, folders, etc.)
91780	ADVERTISING - YELLOW PAGES
91790	ADVERTISING - MISCELLANEOUS
91810	MISCELLANEOUS SALES PROMOTION EXPENSES

This account shall include the cost of labor, materials used and expenses, not provided for elsewhere, incurred in sales promotion activities, except merchandising, the object of which is to promote or retain the use of gas service by present or prospective customers.

91820	RENT

This account shall include the cost of rentals of property and amortization of improvements to leased property devoted to sales promotion activities, except merchandising, the object of which is to promote or retain the use of gas service by present or prospective customers.

ADMINISTRATIVE AND GENERAL EXPENSES

Account No.	Account Title and Description

OPERATION

92000 ADMINISTRATIVE AND GENERAL SALARIES

This account shall include the compensation of officers, executives and other employees properly chargeable to utility operations and not chargeable directly to a particular operating function.

92110 ADMINISTRATIVE AND GENERAL EXPENSES

This account shall include office supplies and expenses incurred in connection with the general administration of the utility's operations which are assignable to specific administrative or general departments and are not specifically provided for in other accounts. This includes the expenses of the various administrative and general departments, the salaries and wages of which are includible in account 92000.

92120 SUPPLIES, FORMS, BOOKS AND PERIODICALS

This account shall include the cost of supplies, forms, books and periodicals, including subscriptions to magazines, newspapers and technical manuals, incurred in connection with the general administration of the utility's operations which are assignable to specific administrative or general departments and are not specifically provided for in other accounts.

92130 ADMINISTRATIVE EXPENSES - OTHER

This account shall include costs and expenses incurred in connection with the general administration of the utility's operations which are assignable to specific administrative or general departments and are not specifically provided for in other accounts, including, for example, telephone and telegram services, postage, building service expenses for administrative and general puposes, and office equipment rental, except for rentals properly includible in account 92140.

ADMINISTRATIVE AND GENERAL EXPENSES

Account No.	Account Title and Description

92140 EQUIPMENT RENTAL - CHARGES BY/FROM COMPUTER SERVICES

This account shall include the cost of terminals and remote equipment charged monthly to user departments by Computer Services based upon actual equipment used at lease fees in effect at the time.

922XX ADMINISTRATIVE EXPENSES TRANSFERRED - CREDIT

The following accounts shall be credited with administrative expenses recorded in account 92000 and other administrative and general expense accounts which are transferred to construction costs or to non-utility accounts.

92201 Administrative and General Salaries - Credit
92202 Salary Investment Plan - Credit
92203 Pension Expense - Credit
92204 Insurance - Credit
92205 Other Administrative and General Expenses - Credit

92310 OUTSIDE SERVICES - ENGINEERING

This account shall include fees and expenses of professional consultants and others for general engineering services which are not applicable to a particular operating function or to other accounts.

92320 OUTSIDE SERVICES - ACCOUNTING AND TAXES

This account shall include fees and expenses of accountants and auditors for accounting and tax services which are not applicable to a particular operating function or to other accounts. Outside accounting services incurred in connection with cases before regulatory commissions are chargeable to account 92800. Also, exclude from this account fees and expenses in connection with security issues which are includible in the expenses of issuing such securities.

92330 OUTSIDE SERVICES - LEGAL

This account shall include fees and expenses for legal services which are not applicable to a particular operating function or to other accounts. Legal services incurred in connection with cases before regulatory commissions and claims for injuries and damages are chargeable to accounts 92800 and 925XX, respectively. Also, exclude from this account fees and expenses in connection with security issues which are includible in the expenses of issuing such securities.

Account No.	Account Title and Description
92340	OUTSIDE SERVICES - OTHER This account shall include fees and expenses of professional consultants and others not provided for elsewhere.
92400	PROPERTY INSURANCE This account shall include the cost of insurance to protect the utility against losses and damages to owned or leased property used in its utility operations, including the following: (1) Premiums for fire, storm, burglary, boiler explosions, lightning, fidelity, riot and similar insurance. (2) Special costs incurred in procuring insurance. (3) Insurance inspection services. (4) Insurance counsel, brokerage fees, and expenses.
92510	INJURIES AND DAMAGES - INSURANCE This account shall include the cost of premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty and employee liability.
92515	INJURIES AND DAMAGES - SELF INSURANCE This account shall include the claims payable for the self-insured portion of general liability insurance.
92520	INJURIES AND DAMAGES - OCCUPATIONAL SAFETY AND HEALTH PROGRAM This account shall include the cost of safety, accident prevention and similar educational activities, including the following: (1) Salaries and expenses of administrative and general employees who are primarily engaged in injuries and damages, and safety activities. (2) Cost of protective equipment, safety literature, manuals, etc.
92610	EMPLOYEE PENSIONS This account shall include pensions paid to or on behalf of retired employees, or accruals to provide for pensions, and administrative expenses in connection with employee pensions.
92611	EMPLOYEE PENSIONS - SUPPLEMENTAL

ADMINISTRATIVE AND GENERAL EXPENSES

Account No.	Account Title and Description
92615	EMPLOYEE STOCK OWNERSHIP PLAN This account shall include administrative and other expenses related to the Employee Stock Purchase Plan and Employee Stock Ownership Plan.
92620	EMPLOYEE BENEFITS - INSURANCE This account shall include the following: (1) Premiums for employees' group hospitalization, dental, life and accident insurance. (2) Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries, or in excess of statutory awards. (3) Premiums for officers' liability and keyman accident insurance.
92625	EMPLOYEE BENEFITS - SALARY INVESTMENT PLAN This account shall include the costs and expenses of the Salary Investment Plan, including the Company's contribution to the plan and administrative expenses incurred.
92630	EMPLOYEE BENEFITS - EDUCATION This account shall include the cost of tuition and fees paid for qualified educational courses completed by employees.
92640	EMPLOYEE BENEFITS - MISCELLANEOUS This account shall include the cost of miscellaneous employee benefits, such as watches, service pins, handbooks, uniforms, etc., which are not provided for elsewhere.
92800	REGULATORY COMMISSION EXPENSES This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly includible in utility operating expenses incurred by the utility in connection with formal cases before regulatory commissions, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees. Accounts of regulatory commission expenses which by approval or direction of the commission are to be spread over future periods shall be charged to account 186XX, Miscellaneous Deferred Debits, and amortized by charges to this account.

ADMINISTRATIVE AND GENERAL EXPENSES

Account No.	Account Title and Description

92900 TRAINING

This account shall include the cost of labor, materials used and expenses incurred in the training of personnel in utility operations not chargeable directly to a particular operating function.

92905 TRAINING - SERVICE APPRENTICES

This account shall include the labor cost of a service apprentice while accompanying a serviceman on his calls to learn service work. If the service apprentice is needed as a helper to perform the work, his time would be charged to that job rather than to this account.

93010 MEMBERSHIP FEES AND DUES

This account shall include the costs and expenses of Company membership in industry associations, and the related Company contributions for conventions and meetings of the industry.

93020 DIRECTORS' FEES AND EXPENSES

This account shall include fees paid to directors of the Company and expenses incurred by the Company and by directors in attending meetings.

93030 SHAREHOLDERS' EXPENSES

This account shall include the costs and expenses related to holders of the Company's stock, including the following:

(1) Transfer agent and registrar fees and expenses.
(2) Publishing and distributing annual reports, interim reports, proxy material, etc., to shareholders.
(3) Stock listing fees.
(4) Shareholders' meeting expenses.
(5) Dividend and other financial notices.
(6) Printing and mailing dividend checks.

93040 BOND AND DEBENTURE EXPENSES

This account shall include trustee's fees and expenses related to outstanding issues of bonds, debentures and other long-term debt instruments.

ADMINISTRATIVE AND GENERAL EXPENSES

Account No.	Account Title and Description

93060 RESEARCH

This account shall include the cost of labor, materials used and expenses incurred in research, including payments to others.

93070 INSTITUTIONAL OR GOODWILL ADVERTISING

This account shall include the cost of labor, materials used and expenses incurred in advertising and related activities which by their content or presentation clearly indicate that they serve only to improve the image of the utility itself or the area or community it serves.

93080 MISCELLANEOUS ADMINISTRATIVE AND GENERAL EXPENSES

This account shall include expenses incurred in connection with the general management of the utility not provided for elsewhere.

93100 RENTS

This account shall include the cost of rentals of property and amortization of improvements to leased property devoted to the general and administrative functions of the Company.

ADMINISTRATIVE AND GENERAL EXPENSES

Account No.	Account Title and Description
MAINTENANCE	
93210	MAINTENANCE OF TELEMETRY - LABOR AND EXPENSES

This account shall include the cost of labor and expenses incurred in maintaining telemetering system, the book cost of which is includible in account 39700, Communication Equipment.

93220 MAINTENANCE OF TELEMETRY - MATERIALS

This account shall include the cost of materials used in maintaining telemetering system, the book cost of which is includible in account 39700, Communication Equipment.

93230 MAINTENANCE OF OTHER GENERAL PLANT

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of property, the book cost of which is includible in accounts 39000, Structures and Improvements; 39100, Office Furniture and Equipment; 39500, Laboratory Equipment; 39700, Communication Equipment (Other than Telemetry equipment); and 39800, Miscellaneous Equipment.

Account No. Account Title and Description

STORES EXPENSE

97010 PAYROLL COSTS OF WAREHOUSE PERSONNEL

This account shall include the cost of labor incurred by stores personnel in requisitioning, recovering, issuing, transferring and taking physical inventories, handling materials and supplies and other clerical work.

97011 PAYROLL COSTS OF COURIER/TRANSPORTATION PERSONNEL

This account shall include the cost of labor incurred by stores personnel assigned to courier/transportation work.

97020 STORES WORK BY OTHER THAN STORES PERSONNEL

This account shall include the cost of labor and expenses incurred by employees other than stores personnel for handling and taking physical inventories, cleaning storerooms or performing other work on materials and supplies. Costs of inventory observations by internal or outside auditors should be charged to the appropriate administrative and general expense accounts.

97025 TRANSPORTATION BILLED OTHER DIVISIONS

This account shall be credited with those charges billed to other non-utility divisions.

97030 FREIGHT COSTS

This account shall include the cost of freight not charged directly to other accounts.

97035 TRANSPORTATION - STORES

This account shall include the portion of transportation costs of company vehicles attributable to usage in the stores operations.

97040 STORAGE FACILITY RENTS

This account shall include the rental costs, including insurance and taxes, of space leased by the Company for storing materials and supplies. This account shall also include other building service costs applicable to storing materials and supplies.

97050 MATERIAL ADJUSTMENTS

This account shall include the costs and revenues associated with the disposal of certain unusable stores materials and supplies, such as items damaged or deteriorated in stock and items lost by leakage, evaporation, fire, flood or other causes.

Account No. Account Title and Description

97060 INVENTORY ADJUSTMENTS

This account shall include charges and credits for adjustments for differences between perpetual quantity records and physical counts of inventories which are not properly chargeable to other functions.

97070 MISCELLANEOUS STORES EXPENSE

This account shall include the cost of miscellaneous supplies used and expenses incurred applicable to storerooms and the storing of materials and supplies. Also includable is the cost of small tools of insignificant cost, such as the hand tools which are listed in the Stores Catalog, which cannot be related to specific operation or maintenance functions. Other tools which do not meet the capitalization guidelines should be charged to the appropriate operation or maintenance accounts.

97075 SMALL FITTINGS EXPENSE

This account shall include those small fittings (2" and under) issued by district storekeepers in box quantities.

97080 CASH DISCOUNTS FOR MATERIAL PURCHASED

This account shall include the amount of cash discounts associated with the purchase of items for inventory.

97085 SALES AND USE TAX

This account shall be charged with the accrual of use tax on inventory used by the Company in operations or construction activities.

TRANSPORTATION EXPENSE

98010 GARAGE SALARIES

This account shall include the cost of labor incurred by employees in garages not properly chargeable to other accounts.

98020 INSURANCE

This account shall include the cost of liability, property damage, fire, theft and comprehensive insurance on Company transportation equipment.

98025 AUTO LIABILITY - SELF INSURANCE

This account shall include the claims payable for the self-insured portion of auto liability insurance.

Account No.	Account Title and Description

98030 GASOLINE

This account shall include the cost of gasoline used in Company transportation equipment.

98031 DIESEL FUEL

This account shall include the cost of diesel fuel used in Company transportation equipment.

98032 PROPANE FUEL

This account shall include the cost of propane used in Company transportation equipment.

98033 COMPRESSED NATURAL GAS

This account shall include the cost of compressed natural gas used in Company transportation equipment.

98034 CNG STATION EXPENSES

This account shall include the cost of labor and supplies incurred in the operation of the CNG facility.

98040 OIL, GREASE AND WASH JOBS

This account shall include the cost, except payroll, of oil and grease used in Company transportation equipment and the cost of wash jobs performed by outside vendors.

98045 PROPANE CONVERSION COSTS

This account shall include the cost of labor and materials incurred in the conversion of company vehicles to propane.

98046 CNG CONVERSION COSTS

This account shall include the cost of labor and materials incurred in the conversion of company vehicles to CNG.

98050 TIRE AND TUBE EXPENSE

This account shall include the cost, except payroll, of replacing, repairing and changing tires and tubes on Company transportation equipment.

98060 REPAIRS DUE TO ORDINARY WEAR

This account shall include the cost, except payroll, of repairing Company transportation equipment when repairs are necessitated by ordinary wear and tear.

Account No. Account Title and Description

98070 REPAIRS DUE TO ACCIDENTS

This account shall include the cost, except payroll, of repairing Company transportation equipment when repairs are necessitated by accidental damage. This account shall also include any reimbursement received from insurance companies.

98075 LEASED VEHICLES BUYOUT

This account shall be debited with the leased vehicle contract buyout payments and credited with the proceeds from the subsequent sale.

98080 LICENSE FEES AND TAXES

This account shall include amounts paid for licenses, safety stickers, city motor tax stamps and other taxes on Company transportation equipment.

98085 DEPRECIATION

This account shall include depreciation expense incurred on Company transportation equipment.

98090 MISCELLANEOUS TRANSPORTATION EXPENSES

This account shall include expenses relating to transportation equipment not provided for elsewhere.

98095 LEASE PAYMENTS

This account shall include the cost incurred in the leasing of transportation equipment.

98100 RENT

This account shall include the cost of rents incurred in connection with Company transportation equipment.

CONSTRUCTION EQUIPMENT EXPENSE

99010 LABOR

This account shall include the cost of labor incurred in the repair and maintenance of work equipment.

99020 MATERIALS AND SUPPLIES

This account shall include the cost of materials and supplies incurred in the repair and maintenance of work equipment.

99030 MISCELLANEOUS TOOL AND WORK EQUIPMENT EXPENSE

This account shall include costs incurred for tools and work equipment not provided for elsewhere.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

6. Provide copies of any Rate Orders issued by other states in which Piedmont operates since September 1, 1997.

Officers
Directors
NC District Managers
General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 427

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Filing of an Agreement Between Piedmont Natural Gas Company, Inc., and an Affiliated Company	))))	ORDER ON AFFILIATED CONTRACT

BY THE COMMISSION: On November 2, 1999, the Commission issued an Order Allowing Rate Changes Effective November 1, 1999, in Docket No. G-9, Sub 425, which was a purchased gas adjustment proceeding filed by Piedmont Natural Gas Company, Inc. (Piedmont). The Order noted that the proceeding included rate changes related to Piedmont's contract with Pine Needle LNG Company, LLC (Pine Needle) and that the contract had not been filed for Commission approval pursuant to G.S. 62-153. The Order required that the contract be filed for approval and provided that the Pine Needle-related portion of the proposed rate changes in Docket No. G-9, Sub 425 would be allowed to become effective on an interim basis, subject to the filing of the contract and subsequent approval.

On November 4, 1999, Piedmont filed for approval in this docket its Service Agreement with Pine Needle, an affiliated entity. The contract is for firm storage service under Pine Needle's Federal Energy Regulatory Commission (FERC) approved Rate Schedule LNG-1. Piedmont recognized the Commission's right under G.S. 62-153 to require the filing of the contract, but stated that it was Piedmont's opinion that the prior approval provisions of the statute do no apply to the Pine Needle contract. However, Piedmont also stated that it has no objection to filing the contract and Piedmont requested that it be approved. The Commission believes that the contract comes within the scope of G.S. 62-153.

This matter came before the Commission at the Regular Commission Conference of November 29, 1999. The Public Staff recommended that the Commission issue an order accepting the Service Agreement for filing pursuant to G.S. 62-153 nunc pro tunc, and allowing Piedmont and Pine Needle to operate and provide services in exchange for fees, commissions, or compensation under the terms of the Service Agreement and stating that no approval for ratemaking purposes has been given. The Public Staff further recommended that the rate change initially approved on an interim basis in Docket No. G-9, Sub 425, pending compliance with the November 2, 1999, Order be made permanent.

Based upon careful consideration of the filing in this docket, and the recommendation of the Public Staff, the Commission concludes that the Public Staff's

recommendation should be adopted as modified herein. The Commission recognizes that Pine Needle's Rate Schedule LNG-1 has been approved by the FERC; however, the reasonableness of FERC-approved tariffs is not in question. Instead, the Commission's focus is on the prudency of the decision made by Piedmont to enter into the contract with Pine Needle. The Commission recognizes that it has been apprised in a general manner of the Pine Needle project and of Piedmont's need for additional peaking capacity in various proceedings, including rate cases, biennial expansion reports and annual gas cost prudency reviews. However, Piedmont has never provided testimony to support and justify its Pine Needle contract and the level of capacity therein in any formal proceeding before this Commission, and it did not attempt to do so when it filed the contract for approval in this docket. The Commission concludes that the appropriate venue in which to address this issue is Piedmont's next annual gas cost prudency review pursuant to G.S. 62-133.4(c). Commission Rule R1-17(k)(6)(a) requires Piedmont to file information for this annual review on or before August 1, 2000, and Commission Rule R1-17(k)(6)(c) provides that the information to be filed may include "such other information as may be directed by the Commission." The Commission therefore concludes that Piedmont's August 1, 2000 filing in its next annual gas cost prudency review shall include testimony addressing why the contract with Pine Needle is prudent, including the following:

1. Support the need for the amount and type of capacity in the Pine Needle contract, including detailed forecasts of load growth and an explanation of why new capacity, from Pine Needle or another source, was not phased in.

2. Explain why needed capacity was obtained from only one source.

3. Explain what non-affiliate options were considered and why they were rejected, including comparisons of all costs of delivering gas to customers. Explain why Transco was chosen as a partner in Pine Needle.

4. Explain whether existing non-affiliate sources of capacity were eliminated or allowed to expire to make room for the Pine Needle contract and, if so, describe and justify the decision to cease using these other sources of capacity.

5. Explain the effects of the Pine Needle contract on revenues from capacity release, including anticipated revenues from the resale of Pine Needle capacity and the criteria for release of Pine Needle capacity.

IT IS, THEREFORE, ORDERED as follows:

1. That the affiliated Service Agreement filed in this docket by Piedmont on November 4, 1999, is accepted for filing pursuant to G.S. 62-153 nunc pro tunc;

2. That, pursuant to G.S. 62-153(b), Piedmont and its affiliate are allowed to operate and provide services in exchange for fees, commissions, or compensation under the terms of the affiliated Service Agreement in question;

3. That this Order does not constitute approval of the amount of fees, commissions, compensation, or allocation methodologies associated with the Service Agreement and that, for ratemaking purposes, the authority granted by this Order is without prejudice to the right of any party to take issue with any provision of the affiliated Service Agreement in question in a future proceeding;

4. That Piedmont's August 1, 2000 filing pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6) shall include information addressing why Piedmont's contract with Pine Needle is prudent, including the matters listed in the body of this order; and

5. That the rate change allowed to become effective on an interim basis by the November 2, 1999, Order in Docket No. G-9, Sub 425, is hereby allowed to become effective, subject to ordering paragraphs 3 and 4 above.

ISSUED BY ORDER OF THE COMMISSION.

This the 21st day of December, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg121499.04

Officers
Directors
NC District Managers
General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 425

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of Its Rates and Charges To Track Changes in Its Wholesale Costs of Gas	) ORDER ALLOWING RATE) CHANGES EFFECTIVE) NOVEMBER 1, 1999

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an amended application on October 14, 1999, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations seeking authority to increase its rates and charges.

The rate changes reflect an increase in fixed gas costs related to the implementation of the Pine Needle Liquefied Natural Gas facility. The rate increments are calculated by rate schedule in accordance with allocation percentages approved by the Commission in Piedmont's last general rate case (Docket No. G-9, Sub 382). Piedmont proposed the following rate changes become effective November 1, 1999:

Description	Rate Change Per Dekatherm (dt)
Rate 101 - Residential Year-Round/Public Housing	$0.1426/dt
Rate 101 - Residential Heat Only	0.1587/dt
Rate 102 - Small General Service	0.1284/dt
Rates 103/113 - Large General Service (Block Rates)	0.0758/dt to zero
Rates 104/114 - Interruptible Service (Block Rates)	0.0758/dt to zero

The matter was presented to the Commission at its Regular Staff Conference on November 1, 1999. The Public Staff stated that it had reviewed the application and recommended approval. In response to a question from the Commission, Piedmont admitted that it had not sought Commission approval pursuant to G.S. 62-153 of its contract with Pine Needle LNG Company underlying the proposed rate changes. Piedmont stated that it would file for such approval promptly.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate increases should be allowed to

become effective on an interim basis, subject to Piedmont's filing for approval of the underlying contract with Pine Needle LNG Company pursuant to G.S. 62-153 within a reasonable time and subsequent approval thereof. Furthermore, the Commission notes that any rate adjustment made pursuant to G.S. 62-133.4(b) is subject to scrutiny in the annual gas cost prudency review mandated by G.S. 62-133.4(c).

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is allowed to change its rates as prescribed in the body of this Order effective for service rendered on and after November 1, 1999, on an interim basis as hereinabove

provided and that Piedmont shall promptly file for approval of the underlying Pine Needle contract pursuant to G.S. 62-153;

2. That Piedmont file revised tariffs consistent with Ordering Paragraph 1 within five (5) days of the date of this Order; and

3. That Piedmont give notice to its customers of the rate changes allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 2nd day of November, 1999.

NORTH CAROLINA UTILITIES COMMISSION
Geneva S. Thigpen, Chief Clerk

mz110199.01

PCG

Officers
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General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 424

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Piedmont Natural Gas Company, Inc., for Authorization to Serve One Customer in the Certificated Service Area of Public Service Company of North Carolina, Inc., and for an Adjustment of the Certificated Service Areas of Piedmont Natural Gas Company, Inc., and Public Service Company of North Carolina, Inc., to Reflect Such Authorization	)	ORDER ALLOWING CROSS-OVER OF FRANCHISED TERRITORY

BY THE COMMISSION: On September 30, 1999, Piedmont Natural Gas Company, Inc., (Piedmont), filed a petition with the Commission, pursuant to G.S. 62-111(a) and Rule R6-60 of the Rules and Regulations of the North Carolina Utilities Commission, and by and with the consent of Public Service Company of North Carolina, Inc. (PSNC), seeking authorization to provide natural gas sales and/or transportation service to a certain customer within the currently certificated service area of PSNC and for an adjustment of the respective service areas of PSNC and Piedmont consistent with such authorization.

Cabarrus Concrete Company is constructing a new concrete batch plant at 235 Peeler Road in Rowan County and desires natural gas service at this location. This location is currently within the certificated service territory of PSNC but is adjacent to Piedmont's service territory and facilities. PSNC does not currently provide service to this property and its nearest gas line is approximately 1,175 feet away from the new plant location. Additionally, in order to extend its lines from its existing facilities to the proposed plant, PSNC would need to cross a major highway and railroad lines, and would require a contribution in aid of construction from Cabarrus Concrete Company.

Piedmont's existing facilities are approximately 800 feet from the site of the new plant planned by Cabarrus Concrete Company, and there are no major obstacles between those facilities and the proposed plant. Piedmont has determined that it is economically feasible to extend service to 235 Peeler Road without any requirement for a contribution in aid of construction.

PSNC has agreed to allow Piedmont to provide natural gas service to Cabarrus Concrete Company at 235 Peeler Road in Rowan County.

The matter was presented to the Commission at its Regular Staff Conference on October 11, 1999. The Public Staff stated that they had reviewed the application and recommended approval as filed.

Based on the filing by Piedmont, the agreement of PSNC, and the recommendation of the Public Staff, the Commission concludes that the request of Piedmont to serve Cabarrus Concrete Company at 235 Peeler Road in Rowan County should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to provide natural gas service to Cabarrus Concrete Company at 235 Peeler Road in Rowan County, as mutually agreed upon by PSNC and Piedmont.

2. That this Order does not affect the right for PSNC to serve any other customers in its franchised territory in the future.

ISSUED BY ORDER OF THE COMMISSION.

This the 14th day of October, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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General Counsel

GA 10-26-99

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 422

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Proceeding to Determine Whether Piedmont Natural Gas Company, Inc., Is Providing Adequate Service to Certain Counties in Its Franchise Territory	)	ORDER INITIATING PROCEEDING

BY THE COMMISSION: G.S. 62-36A deals with natural gas planning, and G.S. 62-36A(b) directs the Commission to adopt rules to implement the statute. On June 15, 1995, the North Carolina General Assembly amended G.S. 62-36A(b) to add the following:

> These rules shall provide for expansion of service by each franchised natural gas local distribution company to all areas of its franchise territory by July 1, 1998 or within three years of the time the franchise territory is awarded, whichever is later, and shall provide that any local distribution company that the Commission determines is not providing adequate service to at least some portion of each county within its franchise territory by July 1, 1998 or within three years of the time the franchise territory is awarded, whichever is later, shall forfeit its exclusive franchise rights to that portion of its territory not being served.

Commission Rule R6-63(c) deals with the review proceedings to implement the forfeiture provisions of the amendment. It provides that the Commission "will initiate a review proceeding for each natural gas utility subject to its jurisdiction following the applicable date...to determine whether the utility is providing adequate service to at least some portion of each county within its franchise territory." For purposes of this proceeding, the applicable date is "three years after the date a certificate of public convenience and necessity is awarded for newly certificated service territories..." See G.S. 62-36A(b) and Rule R6-63(b).

On August 16, 1996, in Docket No. G-100, Sub 69, the Commission issued its Final Order Assigning Franchises and Issuing Certificates, in which it franchised previously unfranchised areas of the State for natural gas service. By that Order, the Commission issued certificates of public convenience and necessity to Piedmont Natural Gas Company, Inc. (Piedmont), to provide natural gas service in Avery, Yancey and Mitchell

Counties. Thus, August 16, 1999, is the applicable date for these newly assigned counties.

The Commission therefore finds good cause to initiate this review proceeding pursuant to Rule R6-63(c) for Piedmont. This proceeding shall consider Piedmont's franchise territory in the counties of Avery, Yancey and Mitchell. The purpose of this proceeding is to determine whether Piedmont was providing adequate service to at least some portion of each of these counties as of August 16, 1999, and, if the Commission finds that Piedmont was not providing adequate service to at least some portion of any such county, to order that Piedmont forfeit its exclusive franchise rights to that portion of its territory not being served.

Piedmont shall file testimony relating to its unserved counties subject to this proceeding, as provided in Rule R6-63(c). Specifically, Piedmont shall file testimony including:

> (i) A list of counties subject to this proceeding in which it had no transmission facilities or distribution system in service on August 16, 1999;
>
> (ii) A description of any immediate plans the natural gas utility has to serve a portion of any of the unserved counties listed;
>
> (iii) A description of right-of-way acquisition, natural gas system design work being undertaken, or natural gas system construction work in progress by the natural gas utility on August 16, 1999 in any of the unserved counties listed;
>
> (iv) Citation by case caption and docket number of any pending application before the Commission for the use of expansion funds for the construction of natural gas facilities in any of the listed unserved counties and a description of the current status of any such expansion fund project to the extent a Commission order approving the project has been issued; and
>
> (v) Any other information the natural gas utility may wish the Commission to consider relating to its efforts to provide service to the unserved counties listed.

Other parties will be allowed to intervene and file testimony in which they may propose that counties subject to this proceeding but other than those listed by the utility should be considered for forfeiture and provide support for their proposal.

Rule R6-63(c) also provides that the Commission "will schedule a hearing and will provide for public notice thereof to be given throughout the franchise territory of the utility." A public hearing will be scheduled in this docket to begin on February 2, 2000, at 9:30 a.m. However, this hearing may be cancelled by order of the Commission one week in advance, without further public notice, and the proceeding decided on the basis of Piedmont's testimony, unless the intervenor testimony or written statements from the public filed one week in advance raise issues with respect to this proceeding.

IT IS, THEREFORE, ORDERED as follows:

1. That this proceeding as to Piedmont is hereby initiated pursuant to G.S. 62-36A and Commission Rule R6-63(c);

2. That a public hearing is hereby scheduled to begin on February 2, 2000, at 9:30 a.m., in the Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, subject to cancellation one week in advance if no issues are raised by testimony or written statements filed with the Commission by then;

3. That Piedmont shall give public notice of this proceeding by publishing the notice attached hereto as Appendix A for two weeks in newspapers of general distribution in its franchise territory subject to this proceeding, beginning no later than one month from the date of this Order, said newspaper notice to cover no less than one-sixth of a page, and Piedmont shall file an affidavit of publication following the publication;

4. That Piedmont shall file testimony as herein provided on or before December 6, 1999;

5. That interested parties may file petitions to intervene on or before January 10, 2000;

6. That the Public Staff and other intervenors may file testimony, in which they may propose that counties subject to this proceeding but other than those listed by Piedmont should be considered for forfeiture and provide support for their testimony on or before January 10, 2000; and

7. That Piedmont may file rebuttal testimony on or before January 25, 2000.

ISSUED BY ORDER OF THE COMMISSION.

This the 22nd day of October, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

mz102099.04

NOTICE OF HEARING

DOCKET NO. G-9, SUB 422

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

NOTICE IS HEREBY GIVEN that G.S. 62-36A(b) generally provides for each natural gas public utility to expand natural gas service to all counties within its franchise territory and further provides that if the Utilities Commission determines that a natural gas utility is not providing adequate service to at least some portion of each county within its franchise territory within three years after the time the franchise for the county was awarded, the utility shall forfeit its exclusive franchise rights to that portion of its territory not being served.

NOTICE IS ALSO GIVEN that the North Carolina Utilities Commission has initiated a review proceeding as to Piedmont Natural Gas Company, Inc. (Piedmont), pursuant to G.S. 62-36A(b). This proceeding shall consider Piedmont's franchise territory in the counties of Avery, Yancey and Mitchell. The purpose of this proceeding is to determine whether Piedmont was providing adequate service to at least some portion of each of the counties named above as of August 16, 1999, which is three years after the counties were franchised to Piedmont. If the Commission finds that Piedmont was not providing adequate service to at least some portion of any such county, the Commission will order that Piedmont forfeit its exclusive franchise rights to that portion of its territory not being served. This proceeding shall not consider Piedmont's franchise territory in counties other than those named above, and this proceeding shall not consider requests to expand natural gas service in any county where adequate service is already available in at least some portion of the county.

The Commission has scheduled a public hearing in this proceeding for the following time and place:

February 2, 2000, at 9:30 a.m., in the Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

However, this hearing may be cancelled by order of the Commission one week in advance, without further public notice, and the proceeding decided on the basis of Piedmont's testimony, unless the intervenor testimony or written statements from the public filed one week in advance raise issues with respect to this proceeding. Interested persons may contact the Chief Clerk of the Commission to determine if the hearing has been canceled.

Piedmont will file testimony in this proceeding by December 6, 1999, and a copy of the testimony will be available for review by any interested person at any Piedmont business office or at the Office of the Chief Clerk of the Utilities Commission, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

Petitions to intervene and intervenor testimony are due on or before January 10, 2000. Piedmont's rebuttal testimony, if any, is due to be filed on or before January 25, 2000.

Persons desiring to send written statements to inform the Commission of their positions in the matter should address their statements to the Chief Clerk, North Carolina Utilities Commission, Post Office Box 29510, Raleigh, North Carolina 27626-0510. Written statements are not evidence unless those persons appear at the public hearing and testify concerning the information contained in their written statements.

The Public Staff of the Utilities Commission, through its Executive Director, is required by statute to represent the using and consuming public in proceedings before the Commission. Statements to the Executive Director should be addressed to Mr. Robert P. Gruber, Executive Director, Public Staff - North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520.

The Attorney General is also authorized to represent the using and consuming public in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Michael F. Easley, Attorney General of North Carolina, c/o Utilities Division, Post Office Box 629, Raleigh, North Carolina 27602-0629.

All correspondence, whether to the Public Staff, the Attorney General, or the Commission, should reference the Docket No. cited above.

This the 22nd day of October, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

Officers
Directors
NC District Managers
General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 420

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of its Rates and Charges To Track Changes In Its Wholesale Costs of Gas	)))	ORDER ALLOWING RATE INCREASES EFFECTIVE SEPTEMBER 1, 1999

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on August 17, 1999, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations seeking authority to increase its sales rates by $0.2026 per dekatherm (dt) effective September 1, 1999. Transportation rate schedules are proposed to be increased by $0.0026/dt to maintain those rates on a full margin basis. The increase is a result of a change in Piedmont's Benchmark Commodity Gas Cost from $2.85 to $3.05/dt.

The matter was presented to the Commission at its Regular Staff Conference on August 30, 1999. The Public Staff stated that it had reviewed the application and recommended approval.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate increases should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to increase its sales rate by $0.2026 per dekatherm effective for service rendered on and after September 1, 1999.

2. That Piedmont is authorized to increase its transportation rates by $0.0026 per dekatherm effective for service rendered on and after September 1, 1999.

3. That Piedmont shall file revised tariffs consistent with Ordering Paragraphs 1 and 2 within five (5) days of the date of this Order.

4. That Piedmont shall give notice to its customers of the rate increases allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 1st day of September, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9 , SUB 421

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc. for Authority to Issue and Sell Shares of Common Stock	)))	ORDER APPROVING SALE OF STOCK

BY THE COMMISSION: On September 23, 1999, Piedmont Natural Gas Company (Piedmont) filed a Petition with the Commission pursuant to G.S. 62-160 et. seq. and Rule R1-16 for authority to issue and sell up to 2,000,000 additional shares of Common Stock pursuant to the Piedmont Natural Gas Company Inc. Dividend Reinvestment and Stock Purchase Plan (Plan) and to apply the proceeds from the sale of the Common Stock as set forth in the Petition.

This matter was presented to the Commission for its consideration at its regularly scheduled Monday morning Staff Conference on October 11, 1999. Based upon the verified Application and the Commission's entire files and records, the Commission now makes the following

FINDINGS OF FACT

1. Piedmont is incorporated under the laws of the State of North Carolina and is engaged in the business of transporting, distributing and selling gas in the states of North Carolina, South Carolina and Tennessee. Piedmont is a public utility under the laws of this State, and its public utility operations in North Carolina are subject to the jurisdiction of this Commission.

2. The Commission has previously granted Piedmont Certificates of Public Convenience and Necessity (Certificates) authorizing it to acquire certain gas franchises and properties in the State of North Carolina. Piedmont now holds franchises and is furnishing natural gas to customers in various cities and towns located in various counties in North Carolina.

3. The Commission has previously authorized Piedmont to issue and sell 6,800,000 shares of its Common Stock pursuant to the Plan.

4. In its Petition, Piedmont seeks to issue and sell a maximum of 2,000,000 additional shares of its Common Stock pursuant to the Plan which is described in detail

in the Prospectus dated September 7, 1999 (Prospectus). The purpose of the Plan is set forth in the answers to question 1 on page 4 of the Prospectus. The Plan is substantially similar to previous Piedmont dividend reinvestment plans approved by the Commission. The only significant revisions are (a) the maximum optional cash payments have been increased from $36,000 to $120,000 annually and (b) optional cash payments will be invested weekly rather than monthly.

5. The net proceeds from the sale of Common Stock will be used for purposes set forth under the caption "Use of Proceeds" on page 14 of the Prospectus.

6. Those of the 2,000,000 shares of Common Stock purchased with reinvested dividends will be sold at a price that is equal to 95% of the mean of the high and low sales prices for such shares reflected in the New York Stock Exchange Composite Transactions on that investment date, or the most recent preceding day if the New York Stock Exchange is closed on the investment date. The 5% discount was determined to approximate the cost to Piedmont that would be incurred if Piedmont were to sell the Common Stock in a public underwriting. Since Piedmont competes with other utilities offering similar dividend reinvestment plans, Piedmont believes the 5% discount is required to enable it to sell the maximum number of shares and thereby to obtain the maximum amount of funds for its continuing construction program and for general corporate purposes. Those of the 2,000,000 shares of Common Stock purchased through initial payments or with optional cash payments will be sold at 100% of the mean described above. Piedmont estimated that the expenses (excluding the 5% discount) to be incurred in connection with the issuance and sale of the Common Stock will be approximately $34,400.

WHEREUPON, the Commission now reaches the following

CONCLUSIONS

Based upon the foregoing Findings of Fact and the entire record in this proceeding, the Commission is of the opinion and so concludes that the transaction herein proposed is:

(a) For a lawful object within the Company's corporate purposes;

(b) Compatible with the public interest;

(c) Necessary and appropriate for and consistent with the proper performance by the Company of its service to the public and that it will not impair its ability to perform that service; and

(d) reasonably necessary and appropriate for such purposes.

IT IS, THEREFORE, ORDERED that Piedmont Natural Gas Company, Inc., be and it hereby is, authorized, empowered, and permitted under the terms and conditions set forth in its Application:

1. To offer, issue and sell up to 2,000,000 additional shares of its Common Stock pursuant to its Dividend Reinvestment and Stock Purchase Plan under the terms and conditions set forth in the Prospectus; and

2. To apply the proceeds from the sale of the Common Stock as set forth under the caption "Use of Proceeds" in the Prospectus;

3. To file with this Commission on a calendar-year basis an annual report for the Plan. These reports are to show as a minimum the number of participants, the number of shares issued under the Plan, and the value assigned to the shares. This information is to include the current report year and the accumulated data since the inception of the Plan. Each report is to show the docket number with date and number of shares authorized for use in the Plan and the number of remaining shares available for use in the Plan.

4. That the Commission reserves its right to review and, if deemed appropriate, adjust the Company's cost of capital or expenses in future ratemaking proceedings for the effect of these securities associated with the Plan.

ISSUED BY ORDER OF THE COMMISSION.

This 14th day of October, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Officers
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NC District Managers
General Counsel

DOCKET NO. G-9, SUB 419

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6)	) ORDER ON ANNUAL) REVIEW OF GAS COSTS)

HEARD: October 5, 1999, at 10:00 a.m., Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner William R. Pittman, Presiding, Commissioner Ralph A. Hunt, and Commissioner Robert V. Owens, Jr.

APPEARANCES:

For Piedmont Natural Gas Company, Inc.:

Jerry W. Amos, Amos, Jeffries & Robinson, L.L.P., Post Office Box 787, Greensboro, North Carolina 27402

For the Public Staff:

Antoinette R. Wike, Chief Counsel, Public Staff - North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520

For Carolina Utility Customers Association, Inc.:

James P. West, West Law Offices, P.C., Suite 1735, 434 Fayetteville Street Mall, Raleigh, North Carolina 27601

BY THE COMMISSION: On August 2, 1999, Piedmont Natural Gas Company, Inc. (Piedmont or the Company) filed (1) the direct testimony of Keith P. Maust, Director of Gas Supply and Market Sales and (2) the direct testimony and exhibits of Ann H. Boggs, Director of Gas Accounting, relating to the annual review of Piedmont's gas costs pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6).

On August 5, 1999, the Commission issued an Order scheduling a public hearing for October 5, 1999, setting dates for pre-filed testimony and intervention, and requiring public notice.

On August 27, 1999, the Carolina Utility Customers Association, Inc. (CUCA), filed a Petition to Intervene, and on September 1, 1999, the Commission issued an Order granting the petition.

On September 21, 1999, the Public Staff filed the testimony of Julie G. Perry, Staff Accountant, Accounting Division of the Public Staff and Eugene H. Curtis, Jr., Director, Natural Gas Division of the Public Staff.

On October 5, 1999, the matter came on for hearing as scheduled.

On October 14, 1999, Piedmont filed the non-confidential portion of its responses to the Public Staff's data requests to Piedmont to comply with a request made at the hearing.

On October 15, 1999, the Public Staff filed a Motion to admit a copy of Rate Schedule LNG-1 of the Pine Needle LNG Company FERC tariff as a late-filed exhibit. On November 8, 1999, CUCA filed its objection to the Motion. The Commission concludes that the proposed exhibit is not necessary for decision-making in this docket, and the Motion for a late-filed exhibit is denied.

Based upon the evidence adduced at the hearing and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. The Company is a public utility as defined in Chapter 62 of the North Carolina General Statutes.

2. The Company is engaged primarily in the business of transporting, distributing and selling natural gas to customers in North Carolina, South Carolina, and Tennessee.

3. Piedmont has filed with the Commission and submitted to the Public Staff all of the information required by G.S. 62-133.4(c) and Commission Rule R1-17(k) and has complied with the procedural requirements of such statute and rule.

4. The review period in this proceeding is the twelve months ended May 31, 1999.

5. During the review period, Piedmont incurred gas costs of $170,100,581, received $158,413,064 of this amount through rates and debited the difference to the appropriate deferred accounts.

6. At May 31, 1999, the Company had a balance of $846,818 in its deferred accounts consisting of a credit balance of $5,925,601 in the commodity, or sales customers only, deferred account and a debit balance of $6,772,419 in the demand, or all customers, deferred account.

7. During the review period, the Company realized net compensation of $6,360,864 from secondary market transactions. In accordance with the Commission's Orders in Docket Nos. G-100, Subs 63 and 67 and G-9, Sub 317, $4,770,649 of the net compensation was treated as a reduction in gas costs for the benefit of Piedmont's customers.

8. Piedmont properly accounted for its gas costs during the review period.

9. Piedmont has transportation and storage contracts with interstate pipelines which transport gas to Piedmont's system and long term supply contracts with producers, marketers and other suppliers.

10. Piedmont has adopted a "best cost" gas purchasing policy consisting of five main components - the price of gas, the security of the gas supply, the flexibility of the gas supply, gas deliverability, and supplier relations.

11. The Company has made prudent gas purchasing decisions and all of the gas costs incurred during the review period in this proceeding were prudently incurred. However, the Commission's decision herein is without prejudice to further review of the Pine Needle affiliated contract in

Piedmont's next annual prudence review proceeding.

12. The Company should be permitted to recover 100% of its prudently incurred gas costs.

13. Piedmont proposed to recover the balance in its All Customers Deferred Account based on the fixed gas costs apportionment percentages for each rate schedule as set forth in the Commission's Order in the Company's last rate case, Docket No. G-9, Sub 382.

14. Piedmont proposed to recover the May 31, 1999 balance in its All Customers Deferred Account by implementing the increments for each rate schedule as shown on Company witness Boggs Schedule 11 to Exhibit AHB-1 beginning with the first billing cycle of the month that follows the date of this Order.

15. Piedmont proposed to refund the May 31, 1999 balance in its Sales Only Deferred Account by implementing an across-the-board decrement of $0.1058/dt to its sales rates effective with the first billing cycle of the month that immediately follows the date of this Order.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-2

The evidence supporting these findings is contained in the official files and records of the Commission and the testimony of Piedmont witness Maust. These findings are essentially informational, procedural or jurisdictional in nature and are based on evidence uncontested by any of the parties.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 3-4

The evidence supporting these findings is contained in the testimony of Piedmont witness Boggs and Public Staff witness Perry.

G.S. 62-133.4 requires that each natural gas utility submit to the Commission information and data for an historical twelve-month test period concerning its actual cost of gas, volumes of purchased gas, sales volumes, negotiated sales volumes, and transportation volumes. In addition, Commission Rule R1-17(k)(6)(c) requires the filing of information and data showing weather-normalized sales volumes, workpapers, and direct testimony and exhibits supporting the information.

Ms. Boggs testified that Piedmont filed with the Commission and submitted to the Public Staff throughout the review period complete monthly accounting of the computations required by Commission Rule R1-17(k)(6)(c). Ms. Perry confirmed that the Public Staff had reviewed the filings and that they complied with the Rules.

The Commission therefore concludes that Piedmont has complied with all of the procedural requirements of G.S. 62-133.4(c) and Commission Rule R1-17(k) for the review period.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5 - 8

The evidence supporting these findings is contained in the testimony of Piedmont witnesses Maust and Boggs and Public Staff witnesses Perry and Curtis.

In her prefiled testimony Ms. Boggs testified that, as of May 31, 1999, Piedmont had a net debit balance (Piedmont receivable from the customers) of $846,818 in its deferred account. The net debit balance consisted of a credit balance of $5,925,601 in the Sales Only Deferred Account and a debit balance of $6,772,419 in the All Customers Deferred Account. Public Staff witness Perry testified that Piedmont had properly accounted for its gas costs during the review period.

Both Ms. Boggs and Ms. Perry were cross-examined by CUCA about an $846,000 payment for demand charges incurred by Piedmont during the last month of the review period for the Pine Needle LNG service. Specifically, CUCA questioned whether Piedmont currently has the right to withdraw gas from the Pine Needle facility or whether that right only arises on November 1, 1999. Ms. Boggs testified that the Pine Needle in-service date was May of 1999 and that gas is being delivered and injected into the facility. Ms. Perry testified that Pine Needle is a 10-day peaking service and that Piedmont would probably use Pine Needle in the winter and would use other contracts in the summer instead of paying the higher price for peaking service. The Commission concludes that the Pine Needle demand charges in question are gas costs that are recoverable from current customers under G.S. 62-133.4 and Rule R1-17(k). Even if Piedmont was not able to withdraw gas from Pine Needle until November of 1999, the fact remains that the facilitiy was operational during the last month of the review period in this proceeding and that Piedmont was charged for the service on a monthly basis consistent with contracts for other storage services and the FERC-approved interstate pipeline tariff. Further, Pine Needle service was being provided to Piedmont through storage injections which are necessary in order to withdraw LNG inventories later. Notwithstanding this decision made for purposes of this case, the Commission notes that an Order was issued today in Docket No. G-9, Sub 427 dealing with the Pine Needle affiliated contract. Our decision herein on the Pine Needle demand charges in this docket is without prejudice to our review of the Pine Needle contract in Piedmont's next prudence review.

Mr. Maust testified that Piedmont achieved net compensation of $6,360,864 from secondary market transactions; $4,770,649 of this net compensation was treated as a reduction in gas costs for the benefit of Piedmont's customers in accordance with procedures established in Docket No. G-100, Sub 63 and Docket No. G-100, Sub 67. No party offered any evidence to show that Piedmont did not record its gas costs in compliance with the previously approved procedures; therefore, the Commission finds and concludes that Piedmont has properly accounted for these transactions.

Based on the foregoing, the monthly filings by Piedmont pursuant to Commission Rule R1-17 (k)(5)(c), and the findings of fact set forth above, the Commission concludes that Piedmont properly accounted for its gas costs during the review period and that the deferred account balances as reported are correct.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 9 - 11

The evidence supporting these findings is contained in the testimony of Piedmont witness Maust and Public Staff witness Curtis.

Mr. Maust testified that Piedmont's gas purchasing policy is best described as a "best cost" policy. This policy consists of five main components: price of gas, security of gas supply, flexibility of gas supply, gas deliverability, and supplier relations. Mr. Maust stated that all of these components are interrelated and that Piedmont considers and weighs each of these five factors in establishing its entire supply portfolio.

Mr. Maust further testified that Piedmont purchases gas supplies under a diverse portfolio of contractual arrangements through the spot market and through long-term contracts. Spot gas is purchased under a contract with a term of one month or less while long-term gas is purchased under a contract ranging in term from one year (or less) to terms extending through October, 2004. Spot gas contracts provide for little or no supply security because they are interruptible and short-term in nature. Long term firm supplies are usually more expensive; however, firm supplies are the most reliable and secure source of gas. Some of these firm contracts are for winter service only and some provide for 365 day service.

Mr. Maust described how the interrelationship of the five factors affects Piedmont's construction of its gas supply portfolio under its "best cost" policy. The long term contracts, supplemented by

long-term peaking services and storage, generally are aligned with the firm market; the short term spot gas generally serves the interruptible market. In order to weigh and consider the five factors, Piedmont must be kept informed about all aspects of the natural gas industry. Piedmont therefore stays abreast of current issues by intervening in all major proceedings affecting pipeline suppliers, attending conferences, and subscribing to industry literature.

Mr. Maust stated that Piedmont's greatest obstacle in applying its "best cost" policy is in dealing with future uncertainties in a dynamic national and regional energy market. Future demand for gas is affected by economic conditions, weather patterns, regulatory policies and industry restructuring in the energy markets. Future availability and pricing of gas supplies is affected by overall demand, domestic oil and gas exploration and development, pipeline expansion projects, and regulatory policies and approvals. Mr. Maust further stated that Piedmont did not make any changes in its "best cost" gas purchasing policies or practices during the year.

Mr. Maust testified that Piedmont secures incremental capacity and supply to meet the growth requirements of its firm customers consistent with its "best cost" policy. To implement this policy, Piedmont attempts to contract for timely and cost effective supply and capacity. Acquiring long-term expansion project capacity precisely in balance with Piedmont's market growth profile is impossible due to external factors beyond the Company's control. To fill the gap between the in service dates of new expansion projects and to meet the requirements of the Company's growing market demand, Piedmont contracts for temporary "bridge" services from various sources of supply and capacity. This process has been successfully employed in the past by the Company, and is expected to be used in the future to meet the growth demand requirements of the Company.

Finally, Mr. Maust testified that Piedmont had taken a number of steps to manage its gas costs, consistent with is "best cost" policy. The Company has participated in matters before the FERC and other regulatory agencies, actively renegotiated and restructured eligible supply and capacity contracts in order to take advantage of market opportunities, utilized the flexibility available within its supply and capacity contracts to purchase and dispatch gas and to release capacity in the most cost effective manner, "locked in" gas prices for periods of time to maintain its competitive position in specific markets and has provided transportation services to large volume customers in order to maintain system throughput and reduce average unit costs, actively promoted growth from "year around" markets in order to improve the Company's load factor and reduce average unit costs, and continued an internal review committee to receive input and direction on its gas supply performance and planning activities

Mr. Maust was cross-examined about Piedmont's use of hedging transactions and fixed price contracts. He testified that the Company had not engaged in any financial hedges during the review period and that it has one fixed price contract which represents a "very small" percentage of its total gas purchases. He further testified that the Company does enter into fixed price contracts with suppliers on behalf of industrial customers in order to compete against alternate fuels.

Mr. Curtis testified that he had reviewed the Company's gas supply contracts to determine how the commodity and variable costs were determined. He then reviewed the fixed gas costs fees that were charged during the review period. In addition, Mr. Curtis stated that he reviewed information related to (1) design day estimates, (2) forecasted load duration curves, (3) forecasted gas supply needs, (4) projections of capacity addition and supply changes, and (5) customer load profile changes. Mr. Curtis stated that, in the Public Staff's opinion, Piedmont's gas costs were prudently incurred.

Mr. Curtis was also cross-examined about Piedmont's use of market indexed versus fixed price contracts. He testified that he recalled one 5,000 dekatherm per day fixed price contract. He further testified that the Public Staff would review the prudence of the Company's gas purchasing practices at the time purchasing decisions were made with regard to all gas costs. Finally he testified that there is no appropriate level of fixed price or hedged contracts that the Public Staff believes an LDC should engage in to provide a ceiling on gas price increases.

The Commission notes that the issue of placing ceilings on gas costs through hedging and fixed price contracts was raised a recent gas cost review proceeding for Public Service Company of North Carolina, Inc. (PSNC), in Docket No. G-5, Sub 402. In that case, CUCA asserted that at some point in the future gas prices could rise significantly and suggested that the Commission consider advising PSNC and the other LDCs to diversify their purchasing portfolios to include a reasonable number of contracts with price ceilings or future price hedges. The Commission rejected that suggestion largely for lack of evidence to support it. *Order on Annual Review of Gas Costs* issued October 19, 1999.

The record in this case is equally deficient. Furthermore, without a regulatory framework for addressing the risks and rewards of prudent hedging practices between stockholders and captive ratepayers, a hedging requirement would seem unreasonable. In the meantime, CUCA members can individually choose whether to pay market prices on a monthly basis or to lock-in rates for longer period under applicable sale and transportation rate schedules..

Based on the foregoing, the Commission concludes that Piedmont has made prudent gas purchasing decisions and all of the gas costs incurred during the review period were reasonable and prudent and should be recovered. However, the Commission's decision herein is without prejudice to further review of the Pine Needle affiliated contract in Piedmont's next annual prudence review proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-15

The evidence supporting these findings is contained in the testimony of Piedmont witness Boggs and Public Staff witness Curtis.

Ms. Boggs testified that Piedmont proposes to change its rates as shown on Schedule 11 to Exhibit AHB-1. Ms. Boggs computed rate increments for all of its rate schedules to recover the $6,772,419 debit balance in the All Customers Deferred Account. Ms. Boggs computed a rate decrement of $.1058/dt for its sales rates to refund the $5,925,601 credit balance in the Sales Only Deferred Account. Public Staff witness Curtis testified that he agreed with Piedmont's proposed rate changes.

The Commission finds that the rates proposed by Piedmont are appropriate and should be implemented on the first billing cycle of the month following the date of this order.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont's accounting for gas costs during the twelve months ended May 31, 1999, is approved;

2. That Piedmont is authorized to recover 100% of its gas costs incurred during the twelve months ended May 31, 1999;

3. That Piedmont shall implement the temporary increments, as shown on Schedule 11 to Exhibit AHB-1, to recover the debit balance related to the All Customers Deferred Account beginning with the first billing cycle of the month immediately following the date of this order;

4. That Piedmont shall implement a temporary decrement of $.1058/dt to refund the credit balance related to the Sales Only Deferred Account beginning with the first billing cycle of the month immediately following the date of this order;

5. That the existing decrements approved in the last annual review, shall be discontinued;

6. That Piedmont shall give notice to all of its customers of the changes in rates approved in this Order by appropriate bill inserts beginning with the first billing cycle that includes the changes in rates approved herein; and

7. That the Commission's decision herein is without prejudice to further review of the Pine Needle affiliated contract in Piedmont's next annual prudence review, pursuant to the order issued today in Docket No. G-9, Sub 427.

ISSUED BY ORDER OF THE COMMISSION

This the 21st day of December, 1999.

NORTH CAROLINA UTILITIES COMMISSION
Geneva S. Thigpen, Chief Clerk

mh122199.01

Officers
Directors
NC District Managers
General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 419

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to G. S. 62-133.4(c) and Commission Rule R1-17(k)(6)	)	ORDER SCHEDULING HEARING AND REQUIRING PUBLIC NOTICE

BY THE COMMISSION: G. S. 62-133.4 authorizes gas cost adjustment proceedings for natural gas local distribution companies. G. S. 62-133.4(c) provides that the Utilities Commission shall conduct annual review proceedings to compare each natural gas utility's prudently-incurred costs with costs recovered from all of the utility's customers served during the test period. Commission Rule R1-17(k)(6) prescribes the procedures for such annual reviews of natural gas costs.

On August 2, 1999, Piedmont Natural Gas Company, Inc. (Piedmont) filed testimony relating to an annual review proceeding pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6).

The Commission finds good cause to issue the present Order scheduling this matter for public hearing and providing for public notice of the hearing.

IT IS, THEREFORE, ORDERED as follows:

1. That a public hearing should be, and hereby is, scheduled for Tuesday, October 5, 1999, at 10:00 a.m., in the Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, for the purpose of considering the testimony filed in this proceeding by Piedmont on August 2, 1999;

2. That any person having an interest in this proceeding may file a petition to intervene stating such interest on or before September 21, 1999;

3. That the direct testimony and exhibits of the Public Staff and other intervenors shall be filed on or before September 21, 1999;

4. That Piedmont shall file its rebuttal testimony and exhibits within 10 days of the actual receipt of the testimony of the party to whom the rebuttal testimony is addressed;

AHB 5. That Piedmont shall publish the Notice attached hereto as Appendix A in a newspaper or newspapers having general circulation in its service area once a week for two successive weeks beginning at least 30 days prior to the hearing; and

AHB 6. That Piedmont shall file an affidavit of publication on or before the date of the hearing.

ISSUED BY ORDER OF THE COMMISSION.

This the 5th day of August, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

rg080399.03

Geneva S. Thigpen, Chief Clerk

APPENDIX A

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 419

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to G. S. 62-133.4(c) and Commission Rule R1-17(k)(6)	)	PUBLIC NOTICE

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has scheduled a hearing to conduct an annual review of the cost of natural gas supply, storage and transportation for Piedmont Natural Gas Company, Inc. (Piedmont). The public hearing has been scheduled for Tuesday, October 5, 1999, at 10:00 a.m., in the Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina. The hearing is being held pursuant to the provisions of G.S. 62-133.4(c) and Commission Rule R1-17(k)(6) for the purpose of comparing Piedmont's prudently-incurred gas costs with costs recovered from all of the utility's customers served during the test period.

Piedmont filed testimony relating to the subject matter of this hearing on August 2, 1999. Further information may be obtained from the Office of the Chief Clerk, North Carolina Utilities Commission, Raleigh, North Carolina, where a copy of Piedmont's testimony is available for review by the public.

The Public Staff is authorized by statute to represent consumers in proceedings before the Commission. Correspondence regarding the annual review proceeding and the hearing thereon should be directed to the Public Staff and should include any information which the writer wishes to be considered by the Public Staff in its investigation of the matter. Such statements should be addressed to Mr. Robert Gruber, Executive Director, Public Staff, Post Office Box 29520, Raleigh, North Carolina 27626-0520.

The Attorney General is also authorized by statute to represent consumers in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Michael F. Easley, Attorney General, c/o Utilities Section, Post Office Box 629, Raleigh, North Carolina 27602.

Written statements may not be received as evidence unless persons appear at a public hearing and testify concerning the information contained in their written statements.

Persons desiring to intervene in this proceeding as formal parties should file a petition to intervene pursuant to Utilities Commission Rules R1-5, R1-7, and R1-19 on or before ~~November 2, 1998~~ SEPTEMBER 21, 1999. Such petitions should be filed with the North Carolina Utilities Commission, Post Office Box 29510, Raleigh, North Carolina 27626-0510. The direct testimony and exhibits of expert witnesses to be presented by intervenors should also be filed with the Utilities Commission on or before September 21, 1999.

This the 5th day of August, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 419

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to G. S. 62-133.4(c) and Commission Rule R1-17(k)(6)	)))))	ORDER GRANTING PETITION TO INTERVENE

BY THE CHAIR: On August 27, 1999, Carolina Utility Customers Association, Inc. (CUCA) filed a Petition to Intervene in the above-captioned proceeding.

The Chair is of the opinion that good cause exists to grant the Petition.

The name and address of counsel for CUCA, to whom all correspondence should be addressed, is:

James P. West
West Law Offices, P.C.
Suite 1735, Two Hannover Square
434 Fayetteville Street Mall
Raleigh, North Carolina 27601

IT IS, THEREFORE, ORDERED that the Petition to Intervene filed by CUCA on August 27, 1999, be, and the same hereby is, allowed.

ISSUED BY ORDER OF THE COMMISSION.

This the 1st day of September, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg063199.11

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

7-2-99

DOCKET NO. G-9, SUB 418

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of its Rates and Charges to Track Changes in its Wholesale Costs of Gas	)))	ORDER ALLOWING RATE INCREASES EFFECTIVE JULY 1, 1999

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on June 17, 1999, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations seeking authority to increase its sales rates by $0.2093 per dekatherm (dt) effective July 1, 1999. Transportation rate schedules are proposed to be increased by $0.0027/dt to maintain those rates on a full margin basis. The increase is a result of a change in Piedmont's Benchmark Commodity Gas Cost from $2.65 to $2.85/dt.

The matter was presented to the Commission at its Regular Staff Conference on June 28, 1999. The Public Staff stated that it had reviewed the application and recommended approval.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate increases should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to increase its sales rate by $0.2093 per dekatherm effective for service rendered on and after July 1, 1999.

2. That Piedmont is authorized to increase its transportation rates by $0.0027 per dekatherm effective for service rendered on and after July 1, 1999.

3. That Piedmont shall file revised tariffs consistent with ordering paragraphs 1 and 2 within five (5) days of the date of this Order.

4. That Piedmont shall give notice to its customers of the rate increases allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

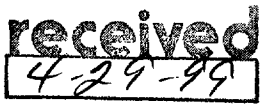
This the 29th day of June, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen, Chief Clerk

mz062899.02

Officers
Directors
NC District Managers
General Counsel



RA 5-3-99

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 416

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of Its Rates and Charges to Track Changes in Its Wholesale Costs of Gas	)))))	ORDER APPROVING RATE CHANGES EFFECTIVE MAY 1, 1999

BY THE COMMISSION: On April 15, 1999, Piedmont Natural Gas Company, Inc. (Piedmont), filed an application pursuant to the provisions of G.S. Section 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations, for authority to adjust its rates and charges effective May 1, 1999. The proposed changes are a result of the following:

1. Increase in the Benchmark Commodity Cost of Gas from $2.40 to $2.65 per dekatherm (dt). Increase of $0.2583/dt on all sales rate schedules.

2. Increase to track Lost and Unaccounted For and Company Use Gas due to changes in the commodity cost of gas. Increase of $0.0033/dt on all rate schedules.

3. Increase in demand and storage costs tracked in rates due to rate changes and services from Transco and Columbia. Increases range down from $0.1456/dt, depending on rate schedule.

The rate changes reflecting the items above are attached as Schedule A to Piedmont's application. Transportation rates have been adjusted to reflect full margin.

The matter was presented to the Commission at its Regular Staff Conference on April 26, 1999. The Public Staff recommended approval of the rate changes as filed.

The Commission, upon review of the application and recommendation of the Public Staff, is of the opinion that the application of Piedmont should be approved as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to change its sales and transportation rate schedules as filed in Schedule A attached to its application effective for service rendered on and after May 1, 1999.

2. That Piedmont file revised tariffs consistent with Ordering Paragraph 1 above within five (5) days of the date of this Order.

3. That Piedmont give notice to its customers of the rate changes allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 27th day of April, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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C. WFS
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RBK
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6-1-99

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 414

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Samuel R. Shirey, 3521 Windsor Drive, Charlotte, North Carolina 28209, Complainant v. Piedmont Natural Gas Company, Inc., Respondent	)	ORDER DISMISSING COMPLAINT

BY THE COMMISSION: On April 20, 1999, the Commission issued an Order Making Provisional Finding of No Reasonable Grounds to Proceed and Allowing Response. Ordering Paragraph No. 1 of that Order stated that the Complainant be given the opportunity by no later than May 21, 1999, to make a filing consisting of any new and cogent arguments or evidence as to why the Complaint in this docket should not be dismissed. No additional filings have been made by the Complainant.

After careful consideration, the Commission concludes that good cause exists to dismiss the Complaint in this docket. The Commission furthermore concludes that this docket should be closed.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 27th day of May, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Deputy Clerk

mz052699.01

cc: JHM
WFS
JWA
TES
DJD
CWF
RBK
DFH
TCG

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

3-23-99

PCG

DOCKET NO. G-9, SUB 414

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Samuel R. Shirey, 3521 Windsor Drive, Charlotte, North Carolina 28209, Complainant	)	ORDER SERVING REPLY
v.	)	
Piedmont Natural Gas Company, Inc., Respondent	)	

BY THE COMMISSION: On March 16, 1999, the Complainant filed a response to the answer of Piedmont Natural Gas.

The Commission is of the opinion that good cause exists to serve the response on the Respondent.

IT IS, THEREFORE, ORDERED that the response of Samuel Shirey to the answer of Piedmont Natural Gas be, and the same hereby is, served on the Respondent. The Respondent shall have to and including April 2, 1999.

ISSUED BY ORDER OF THE COMMISSION.

This the 19th day of March, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S Thigpen, Chief Clerk

rg031700 04

FILED

MAR 16 1999

CHIEF CLERK
N.C. UTILITIES COMMISSION

March 15, 1999

G-9, Sub 414

Despite the magnitude of legal definitions and questionable rationalizations you have sent me, my complaint remains very simple:

Piedmont misrepresented my monthly gas bill and that is wrong.

I can be reached at 704-383-0173. Thank you for you assistance.

Sincerely,

Samuel R. Shirey

3521 Windsor Drive
Charlotte NC 28209

DOCKET NO. G-9, SUB 414

FILED

MAR 16 1999

CHIEF CLERK
N.C. UTILITIES COMMISSION

SAMUEL R. SHIREY

v.

PIEDMONT NATURAL GAS COMPANY, INC.

( ) The relief offered in the Answer filed by the Respondent is acceptable to me as Complainant, and I do not desire a public hearing in this proceeding.

( ) The Answer filed by the Respondent is not satisfactory to me as Complainant, and I hereby request a public hearing at which time I will present evidence in support of the complaint.

( ) Although the Answer filed by the Respondent is not completely satisfactory to me as Complainant, I do not request a hearing at this time. I do request that the Commission keep this docket open for at least six (6) months so that the matters complained of can be monitored by the Complainant, the Commission, and the Public Staff.

( ) The Answer filed by the Respondent is not satisfactory to me as Complainant and I request the following additional information subject to Commission review as to the reasonableness of my request. (Detail)

Signature of Complainant

THIS RESPONSE SHOULD BE RETURNED TO:

Chief Clerk
North Carolina Utilities Commission
Post Office Box 29510
Raleigh, North Carolina 27626-0510

CC: JHM
JWA
WFS
DJD
RBK
TES
BLG
SAC
DFH
Rates
PCG

Received
2-5-99

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 414

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Samuel R. Shirey, 3521 Windsor Drive, Charlotte, North Carolina 28209, Complainant v. Piedmont Natural Gas Company, Inc., Respondent	)	ORDER SERVING COMPLAINT

BY THE COMMISSION: Notice is hereby given of the filing with this Commission on January 29, 1999, of a complaint of Samuel R. Shirey against Piedmont Natural Gas Company, Inc. In accordance with the Commission's Rules of Practice and Procedure, service of the complaint is hereby made on the Respondent by copy thereof attached to this Order Serving Complaint, by United States Certified Mail, Return Receipt Requested. The Respondent is hereby directed to satisfy the demands of the Complainant or to file an answer on or before February 22, 1999. The answer should comply with Rule R1-9 of the Commission's Rules of Practice and Procedure, including the filing of an original and 15 copies of the answer with the Chief Clerk.

The mailing address for the Chief Clerk's Office is:

Chief Clerk-North Carolina Utilities Commission
Post Office Box 29510
Raleigh, North Carolina 27626-0510

ISSUED BY ORDER OF THE COMMISSION.

This the 1st day of February, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg012999.01

G-9, Sub 414

RECEIVED
JAN 14 1999
CONSUMER SERVICES DIVISION
PUBLIC STAFF

FILED
JAN 29 1999
CHIEF CLERK
N.C. UTILITIES COMMISSION

January 10, 1999

Carol Stahl, Director
Public Staff - North Carolina Utilities Commission
P.O. Box 29520
Raleigh NC 27626-0520

Dear Carol:

1. I wish to file a formal complaint against Piedmont Natural Gas of Charlotte, North Carolina (Piedmont). Piedmont purposefully and willfully perpetuated fraudulent and deceptive billing practices by misrepresenting current monthly charges for gas service.

2. Piedmont devised a scheme to create the perception that the customer was paying for current monthly gas charges, when in fact a "facilities charge" was misrepresented as a monthly gas charge.

3. Piedmont implicitly, and the Utilities Commission explicitly, acknowledged the deceptive and fraudulent billing practice in November 1998 with a statement appearing on the monthly invoice - "the facilities charge line item was ordered to be placed on your monthly bill by the North Carolina Utilities Commission. This amount was previously included in the gas current monthly charge".

4. Piedmont routinely attracted customers to purchase gas appliances with promises of cost savings, and then charged an undisclosed facility fee. Clearly, customers like myself would not have purchased a gas range had the gas charges been truthfully disclosed.

5. I allege that as a result of Piedmont's conduct, numerous members of the community have been victims of deception, misrepresentation, fraud, and mail fraud. I reserve the right to seek actual, statutory, treble and punitive damages for myself and members of the class. I reserve the right to seek public opinion through local media disclosures. With this formal complaint, I am requesting a response and a full refund of all amounts I have paid to Piedmont heretofore.

Sincerely,

Samuel R. Shirey
3521 Windsor Drive
Charlotte NC 28209

EDMONT
ATURAL GAS
OMPANY

4339 S. TRYON ST. CHARLOTTE NC 28217
FOR SERVICE, BILLING INFORMATION OR
EMERGENCY RESPONSE PLEASE PHONE 704-525-3882.
SEE THE BACK OF THIS BILL FOR ADDITIONAL INFORMATION.

ACCOUNT NUMBER		BILLING DATE
1001134334001	SAM SHIREY 3521 WINDSOR DR CHARLOTTE NC 28209-3357	12/14/1998
		CURRENT CHARGES PAST DUE AFTER
RIORITY: 11.0	RATE SCHEDULE: 121 RES HEAT ONLY SERV * RATE SCHEDULE INFORMATION IS AVAILABLE UPON REQUEST *	01/08/1999 INFORMATION IS BASED ON ACTUAL READ

METER NUMBER	SERVICE PERIOD FROM	TO	METER READINGS PREVIOUS	CURRENT	READING DIFFERENCE	METER MULTIPLIER	GAS USED (CCF)	HEAT FACTOR	NUMBER OF THERMS USED
1778	11/05/1998	12/07/1998	210	252	42 X	1 =	42 X	1.04500=	44
	NUMBER OF DAYS = 32						44 TOTAL THERMS		

COUNT INFORMATION	$ AMOUNT
/11/1998 BILL AMOUNT	10.97
/MENT RCVD, 11/23/98	10.97

CURRENT CHARGES INFORMATION	$ AMOUNT
GAS - CURRENT MONTH CHARGES	35.97
FACILITY CHARGE	10.00
TAX	1.38
TOTAL CURRENT BALANCE	47.35
TOTAL AMOUNT DUE	47.35

$6.84 DR WEATHER NORM. ADJ.

rchandise Contract Number	Annual Percentage Rate	Monthly Payment	Contract Balance	Pay Off Balance

HE "FACILITIES CHARGE" LINE ITEM WAS ORDERED TO BE PLACED ON YOUR BILL BY THE
ORTH CAROLINA UTILITIES COMMISSION AND IS NOT AN ADDITIONAL COST. THIS AMOUNT
AS PREVIOUSLY INCLUDED IN THE "GAS - CURRENT MONTH" CHARGE.

PIEDMONT NATURAL GAS COMPANY

4339 S. TRYON ST. CHARLOTTE NC 28217
FOR SERVICE, BILLING INFORMATION OR
EMERGENCY RESPONSE PLEASE PHONE 704-525-3882.
SEE THE BACK OF THIS BILL FOR ADDITIONAL INFORMATION.

1001134334001	SAM SHIREY 3521 WINDSOR DR CHARLOTTE NC 28209-3357	10/15/1997 11/10/1997
PRIORITY: 11.0	RATE SCHEDULE: 121 RES HEAT ONLY SERV * RATE SCHEDULE INFORMATION IS AVAILABLE UPON REQUEST *	INFORMATION IS BASED ON ESTIMATE

METER NUMBER	SERVICE PERIOD FROM TO	METER READINGS PREVIOUS	CURRENT	READING DIFFERENCE	METER MULTIPLIER	GAS USED (CCF)	HEAT FACTOR	BILLING DTH
201778	09/08/1997 10/10/1997	199	199	0 X	1 =	0 X	1.04000=	0
	NUMBER OF DAYS = 32					0 TOTAL THERMS		

ACCOUNT INFORMATION	$ AMOUNT
PAYMENT RCVD, 09/23/97	10.30

CURRENT CHARGES INFORMATION	$ AMOUNT
GAS - CURRENT MONTH CHARGES	10.00
TAX	.30
TOTAL CURRENT BALANCE	10.30
TOTAL AMOUNT DUE	10.30

Merchandise Contract Number	Annual Percentage Rate	Monthly Payment	Contract Balance	Pay Off Balance

DOCKET NO. G-9, SUB 397 - THE NC UTILITIES COMMISSION HAS APPROVED A RATE INCREASE PER THERM OF $.03244 FOR RATE SCHEDULES 101, 102, 103, 104 AND $.00041 FOR RATE SCHEDULES 113 AND 114 EFFECTIVE OCTOBER 1, 1997 TO OFFSET A CHANGE TO THE WHOLESALE GAS COST TO PIEDMONT FROM ITS SUPPLIERS.

PIEDMONT NATURAL GAS COMPANY

4339 S. TRYON ST. CHARLOTTE NC 28217
FOR SERVICE, BILLING INFORMATION OR
EMERGENCY RESPONSE PLEASE PHONE 704-525-3882.
SEE THE BACK OF THIS BILL FOR ADDITIONAL INFORMATION.

1001134334001	SAM SHIREY 3521 WINDSOR DR CHARLOTTE NC 28209-3357	08/13/1998
PRIORITY: 11.0	RATE SCHEDULE: 121 RES HEAT ONLY SERV * RATE SCHEDULE INFORMATION IS AVAILABLE UPON REQUEST *	09/08/1998 INFORMATION IS BASED ON ACTUAL READ

METER NUMBER	SERVICE PERIOD		METER READINGS PRESENT	METER READINGS PREVIOUS		USAGE	BTU FACTOR	
01778	07/08/1998	08/07/1998	208	207	1 X 1 =	1 X 1.08100=		1
	NUMBER OF DAYS = 30					1 TOTAL THERMS		

ACCOUNT INFORMATION	$ AMOUNT
8/13/1998 BILL AMOUNT	10.91
PAYMENT RCVD, 07/22/98	10.91

CURRENT CHARGES INFORMATION	$ AMOUNT
GAS - CURRENT MONTH CHARGES	10.59
TAX	.32
TOTAL CURRENT BALANCE	10.91
TOTAL AMOUNT DUE	10.91

Merchandise Contract Number	Annual Percentage Rate	Monthly Payment	Contract Balance	Pay Off Balance

PIEDMONT NATURAL GAS COMPANY

4339 S. TRYON ST. CHARLOTTE NC 28217
FOR SERVICE, BILLING INFORMATION OR
EMERGENCY RESPONSE PLEASE PHONE 704-525-3882.
SEE THE BACK OF THIS BILL FOR ADDITIONAL INFORMATION.

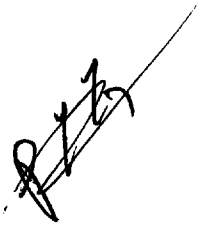
ACCOUNT NUMBER		BILLING DATE
1001134334001	SAM SHIREY 3521 WINDSOR DR CHARLOTTE NC 28209-3357	09/14/1998 10/09/1998
PRIORITY: 11.0	RATE SCHEDULE: 121 RES HEAT ONLY SERV * RATE SCHEDULE INFORMATION IS AVAILABLE UPON REQUEST *	INFORMATION IS BASED ON ACTUAL READ

METER NUMBER	SERVICE PERIOD	METER READINGS PREVIOUS	CURRENT	READING DIFFERENCE	METER FACTOR		GAS USED CCF	HEAT FACTOR	NUMBER OF THERMS
201778	08/07/1998 09/08/1998 NUMBER OF DAYS = 32	207	208	1 X	1	=	1 X	1.04400=	1 1 TOTAL THERMS

ACCOUNT INFORMATION	$ AMOUNT
8/ '1998 BILL AMOUNT	10.91
A. F RCVD, 09/10/98	10.91

CURRENT CHARGES INFORMATION	$ AMOUNT
GAS - CURRENT MONTH CHARGES	10.59
TAX	.32
TOTAL CURRENT BALANCE	10.91
TOTAL AMOUNT DUE	10.91

Merchandise Contract Number	Annual Percentage Rate	Monthly Payment	Contract Balance	Pay Off Balance



STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

received
9-8-98

Officers
Directors
NC Dist Mgrs
SCF
JWA
LH 9-14-98

DOCKET NO. G-9, SUB 409

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to G. S. 62-133.4(c) and Commission Rule R1-17(k)(6)	)	ORDER SCHEDULING HEARING AND REQUIRING PUBLIC NOTICE

BY THE COMMISSION: G. S. 62-133.4 authorizes gas cost adjustment proceedings for natural gas local distribution companies. G. S. 62-133.4(c) provides that the Utilities Commission shall conduct annual review proceedings to compare each natural gas utility's prudently-incurred costs with costs recovered from all of the utility's customers served during the test period. Commission Rule R1-17(k)(6) prescribes the procedures for such annual reviews of natural gas costs.

On September 1, 1998, Piedmont Natural Gas Company, Inc. (Piedmont) filed testimony relating to an annual review proceeding pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6).

The Commission finds good cause to issue the present Order scheduling this matter for public hearing and providing for public notice of the hearing.

IT IS, THEREFORE, ORDERED as follows:

1. That a public hearing should be, and hereby is, scheduled for Tuesday, November 17, 1998, at 10:00 a.m., in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, for the purpose of considering the testimony filed in this proceeding by Piedmont on September 1, 1998;

2. That any person having an interest in this proceeding may file a petition to intervene stating such interest on or before November 2, 1998;

3. That the direct testimony and exhibits of the Public Staff and other intervenors shall be filed on or before November 2, 1998;

4. That Piedmont shall file its rebuttal testimony and exhibits within 10 days of the actual receipt of the testimony of the party to whom the rebuttal testimony is addressed;

AHB 5. That Piedmont shall publish the Notice attached hereto as Appendix A in a newspaper or newspapers having general circulation in its service area once a week for two successive weeks beginning at least 30 days prior to the hearing; and

AHB 6. That Piedmont shall file an affidavit of publication on or before the date of the hearing.

ISSUED BY ORDER OF THE COMMISSION.

This the 4th day of September, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

rg090398.02

Geneva S. Thigpen, Chief Clerk

APPENDIX A

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 409

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to G. S. 62-133.4(c) and Commission Rule R1-17(k)(6)	)	PUBLIC NOTICE

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has scheduled a hearing to conduct an annual review of the cost of natural gas supply, storage and transportation for Piedmont Natural Gas Company, Inc. (Piedmont). The public hearing has been scheduled for Tuesday, November 17, 1998, at 10:00 a.m., in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina. The hearing is being held pursuant to the provisions of G.S. 62-133.4(c) and Commission Rule R1-17(k)(6) for the purpose of comparing Piedmont's prudently-incurred gas costs with costs recovered from all of the utility's customers served during the test period.

Piedmont filed testimony relating to the subject matter of this hearing on September 1, 1998. Further information may be obtained from the Office of the Chief Clerk, North Carolina Utilities Commission, Raleigh, North Carolina, where a copy of Piedmont's's testimony is available for review by the public.

The Public Staff is authorized by statute to represent consumers in proceedings before the Commission. Correspondence regarding the annual review proceeding and the hearing thereon should be directed to the Public Staff and should include any information which the writer wishes to be considered by the Public Staff in its investigation of the matter. Such statements should be addressed to Mr. Robert Gruber, Executive Director, Public Staff, Post Office Box 29520, Raleigh, North Carolina 27626-0520.

The Attorney General is also authorized by statute to represent consumers in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Michael F. Easley, Attorney General, c/o Utilities Section, Post Office Box 629, Raleigh, North Carolina 27602.

Written statements may not be received as evidence unless persons appear at a public hearing and testify concerning the information contained in their written statements.

Persons desiring to intervene in this proceeding as formal parties should file a petition to intervene pursuant to Utilities Commission Rules R1-5, R1-7, and R1-19 on or before November 2, 1998. Such petitions should be filed with the North Carolina Utilities Commission, Post Office Box 29510, Raleigh, North Carolina 27626-0510. The direct testimony and exhibits of expert witnesses to be presented by intervenors should also be filed with the Utilities Commission on or before November 2, 1998.

This the 4th day of September, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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received
6-22-98

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, SUB 390
DOCKET NO. G-9, SUB 409

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Annual Review Proceedings for Public Service Company of North Carolina, Inc., and Piedmont Natural Gas Company, Inc.	ORDER ALLOWING MOTION FOR CONTINUANCE

BY THE CHAIR: On June 8, 1998, the Public Staff filed a Motion for Continuance in these dockets, the 1998 annual gas cost prudence review proceedings for Public Service Company of North Carolina, Inc. (PSNC), and Piedmont Natural Gas Company, Inc. (Piedmont).

The Public Staff cites several pending natural gas proceedings on the Commission's calendar for the late summer and early fall and asserts that it cannot conduct the thorough reviews that these two proceedings require unless they are rescheduled. The Public Staff asserts that PSNC and Piedmont agree to the rescheduling of their annual gas cost prudence review proceedings.

The Chair finds good cause to allow the motion. The PSNC annual review, which was filed on June 1, 1998, will be heard on September 22, 1998, according to the schedule provided in the Order issued this date in Docket No. G-5, Sub 390. The Piedmont proceeding in Docket No. G-9, Sub 409, shall be filed by Piedmont on September 1, 1998, and a scheduling order will then be issued providing for intervenor testimony by November 2, 1998, and a hearing on November 17, 1998.

IT IS, THEREFORE, ORDERED that the Motion for Continuance filed by the Public Staff on June 8, 1998, should be, and hereby is, allowed as hereinabove provided.

ISSUED BY ORDER OF THE COMMISSION.

This the 18th day of June, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg061798.02

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Officers
Directors
NC Dist Mgrs
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JWA

DOCKET NO. G-9, SUB 413

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of its Rates and Charges To Track Changes In Its Wholesale Cost of Gas	)))	ORDER ALLOWING RATE CHANGES EFFECTIVE JANUARY 1, 1999

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on December 16, 1998, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations seeking authority to decrease its sales rates by $0.9247 per dekatherm (dt) effective January 1, 1999. Part of this decrease is a result of a change in Piedmont's Benchmark Commodity Gas Cost from $2.79 to $2.40/dt, which reduces sales rates by $0.4081/dt. In addition, Piedmont's gas costs for the months of November and December 1998 were lower than anticipated, resulting in an over-recovery of commodity gas costs. Therefore, Piedmont proposed to eliminate this over-recovery through a temporary sales decrement of $0.5166/dt, including gross receipts tax, for the period beginning with the first billing cycle of January 1999, and ending on the earlier of (a) the last billing cycle of March 1999, or (b) such earlier date as the over-recover has been eliminated by the temporary decrement or increased gas costs. Transportation rate schedules are proposed to be decreased by $0.0052/dt to maintain those rates on a full margin basis.

The matter was presented to the Commission at its Regular Staff Conference on January 4, 1999. The Public Staff stated that it had reviewed the application and recommended approval.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate decreases should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to decrease its sales rate by $0.4081 per dekatherm effective for service rendered on and after January 1, 1999.

2. That Piedmont is authorized to decrease its transportation rates by $0.0052 per dekatherm effective for service rendered on and after January 1, 1999.

3. That Piedmont is authorized to implement the temporary sales decrement of

$0.5166 per dekatherm effective January 1, 1999, until the earlier of (a) the last billing cycle of March 1999, or (b) such earlier date as the over-recovery in the Sales Only Deferred Account has been eliminated by the temporary decrement or increased gas costs.

4. That Piedmont shall filed revised tariffs consistent with Ordering Paragraphs 1, 2, and 3 above within five (5) days of the date of this Order.

5. That Piedmont shall file revised tariffs on or before April 1, 1999, that eliminates the Sales Only temporary decrement approved in Ordering Paragraph 3 above.

6. That Piedmont shall give notice to its customers of the rate changes allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 5th day of January, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

mz010499.03

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Officers
Directors
NC Dist Mgrs
SCF
JWA

DOCKET NO. G-9, SUB 412

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of its Rates and Charges To Track Changes In Its Wholesale Cost of Gas	)))	ORDER ALLOWING RATE INCREASES EFFECTIVE NOVEMBER 1, 1998

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on October 12, 1998, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations seeking authority to increase its rates by $0.2093 per dekatherm (dt) effective November 1, 1998. Transportation rate schedules are proposed to be increased by $0.0027/dt to maintain those rates on a full margin basis. The increase is a result of a change in Piedmont's Benchmark Commodity Gas Cost from $2.59 to $2.79/dt.

The matter was presented to the Commission at its Regular Staff Conference on October 26, 1998. The Public Staff stated that it had reviewed the application and recommended approval.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate increases should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to increase its sales rate by $0.2093 per dekatherm effective for service rendered on and after November 1, 1998.

2. That Piedmont is authorized to increase its transportation rates by $0.0027 per dekatherm effective for service rendered on and after November 1, 1998.

3. That Piedmont shall file revised tariffs consistent with Ordering Paragraphs 1 and 2 within five (5) days of the date of this Order.

4. That Piedmont shall give notice to its customers of the rate increases allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 27th day of October, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

mz102698.03

Officers
Directors
NC Dist Mgrs
SCF
JWA

received
11-2-98
GH 11-5-98

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 410

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Proceeding to Determine Whether Piedmont Natural Gas Company, Inc., Is Providing Adequate Service to Each County in Its Franchise Territory	))))))	ORDER CANCELING HEARING AND DECIDING PROCEEDING

BY THE COMMISSION: G.S. 62-36A(b) provides for the Utilities Commission to adopt rules which

> ...shall provide for expansion of service by each franchised natural gas local distribution company to all areas of its franchise territory by July 1, 1998 or within three years of the time the franchise territory is awarded, whichever is later, and shall provide that any local distribution company that the Commission determines is not providing adequate service to at least some portion of each county within its franchise territory by July 1, 1998 or within three years of the time the franchise territory is awarded, whichever is later, shall forfeit its exclusive franchise rights to that portion of its territory not being served.

The Commission adopted Commission Rule R6-63 to implement the forfeiture provisions of this statute.

On July 28, 1998, the Utilities Commission initiated a review proceeding in this docket as to Piedmont Natural Gas Company (Piedmont) pursuant to G.S. 62-36A(b) and Commission Rule R6-63(c). The proceeding applies to the counties of Burke, Caldwell, Catawba, Lincoln, Davie, Forsyth, Davidson, Guilford, Randolph, Alexander, Gaston, Mecklenburg, Rowan, and Alamance, and the purpose of the proceeding is to determine whether Piedmont was providing adequate service to at least some portion of each of these counties as of July 1, 1998. A public hearing was scheduled and public notice was given which included the following provision:

> this hearing may be canceled by order of the Commission one week in advance, without further public notice, and the proceeding decided on the basis of [the utility's] testimony, unless the intervenor testimony or written statements from the public filed one week in advance raise issues with respect to this proceeding. Interested persons may contact the Chief Clerk of the

Commission to determine if the hearing has been canceled.

Piedmont filed testimony on September 14, 1998, to the effect that it was providing adequate service to each designated county and that Piedmont was not subject to forfeiture of its franchise for these counties. No intervenor testimony has been filed, and no public comments have been received. Affidavits of publication have been filed.

On October 27, 1998, Piedmont filed a motion asking that the public hearing be canceled.

On the basis of the testimony filed herein, the Commission finds good cause to cancel the public hearing previously scheduled herein and to find as facts that Piedmont was providing adequate service to at least some portion of Burke, Caldwell, Catawba, Lincoln, Davie, Forsyth, Davidson, Guilford, Randolph, Alexander, Gaston, Mecklenburg, Rowan, and Alamance Counties as of July 1, 1998, and that Piedmont is not subject to forfeiture of its franchise for these counties.

IT IS, THEREFORE, ORDERED as follows:

1. That the public hearing in this docket scheduled for Tuesday, November 3, 1998, at 10:00 a.m., in Raleigh should be, and hereby is, canceled and

3. That the Commission finds that Piedmont was providing adequate service to at least some portion of Burke, Caldwell, Catawba, Lincoln, Davie, Forsyth, Davidson, Guilford, Randolph, Alexander, Gaston, Mecklenburg, Rowan, and Alamance Counties as of July 1, 1998, and that Piedmont is not subject to forfeiture of its franchise for these counties.

ISSUED BY ORDER OF THE COMMISSION.

This the 28th day of October, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg101898.01

PCG

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

received
7-30-98

DOCKET NO. G-9, SUB 410

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Proceeding to Determine Whether Piedmont Natural Gas Company, Inc., Is Providing Adequate Service to Each County in Its Franchise Territory	))))))	ORDER INITIATING PROCEEDING

BY THE COMMISSION: G.S. 62-36A deals with natural gas planning, and G.S. 62-36A(b) directs the Commission to adopt rules to implement the statute. On June 15, 1995, the North Carolina General Assembly amended G.S. 62-36A(b) to add the following:

> These rules shall provide for expansion of service by each franchised natural gas local distribution company to all areas of its franchise territory by July 1, 1998 or within three years of the time the franchise territory is awarded, whichever is later, and shall provide that any local distribution company that the Commission determines is not providing adequate service to at least some portion of each county within its franchise territory by July 1, 1998 or within three years of the time the franchise territory is awarded, whichever is later, shall forfeit its exclusive franchise rights to that portion of its territory not being served.

The Commission instituted a rulemaking proceeding to implement this amendment, and on March 19, 1996, the Commission issued an order amending certain existing Commission Rules and adopting a new Commission Rule R6-63.

Rule R6-63(c) deals with the review proceedings necessary to implement the forfeiture provisions of the amendment. It provides that the Commission "will initiate a review proceeding for each natural gas utility subject to its jurisdiction following the applicable date...to determine whether the utility is providing adequate service to at least some portion of each county within its franchise territory." July 1, 1998 is the applicable date as to those counties franchised for three years as of that date. See G.S. 62-36A(b) and Rule R6-63(b).

The Commission therefore finds good cause to initiate this review proceeding pursuant to Rule R6-63(c) for Piedmont Natural Gas Company, Inc. (Piedmont). This proceeding shall consider Piedmont's franchise territory in the counties of Burke, Caldwell, Catawba, Lincoln, Davie, Forsyth, Davidson, Guilford, Randolph, Alexander, Gaston,

Mecklenburg, Rowan, and Alamance. The purpose of this proceeding is to determine whether Piedmont was providing adequate service to at least some portion of each of these counties as of July 1, 1998, and, if the Commission finds that Piedmont was not providing adequate service to at least some portion of any such county, to order that Piedmont forfeit its exclusive franchise rights to that portion of its territory not being served.

Piedmont shall file testimony relating to its unserved counties as provided in Rule R6-63(c). Specifically, Piedmont shall file testimony including:

> (i) A list of counties in the certificated service territory in which the natural gas utility has no transmission facilities or distribution system in service on July 1, 1998;
>
> (ii) A description of any immediate plans the natural gas utility has to serve a portion of any of the unserved counties listed;
>
> (iii) A description of right-of-way acquisition, natural gas system design work being undertaken, or natural gas system construction work in progress by the natural gas utility on such date in any of the unserved counties listed;
>
> (iv) Citation by case caption and docket number of any pending application before the Commission for the use of expansion funds for the construction of natural gas facilities in any of the listed unserved counties and a description of the current status of any such expansion fund project to the extent a Commission order approving the project has been issued; and
>
> (v) Any other information the natural gas utility may wish the Commission to consider relating to its efforts to provide service to the unserved counties listed.

Other parties will be allowed to intervene and file testimony in which they may propose that counties other than those listed by the utility be considered for forfeiture and provide support for their proposal. Persons interested only in legal issues related to interpretation of the forfeiture statute, and not interested in factual issues related to the status of service in Piedmont's counties, may file amicus curiae briefs in lieu of interventions.

Rule R6-63(c) also provides that the Commission "will schedule a hearing and will provide for public notice thereof to be given throughout the franchise territory of the utility." A public hearing will be scheduled in this docket to begin on Tuesday, November 3, 1998, at 10:00 a.m. However, this hearing may be cancelled by order of the Commission one

week in advance, without further public notice, and the proceeding decided on the basis of Piedmont's testimony, unless the intervenor testimony or written statements from the public filed one week in advance raise issues with respect to this proceeding.

IT IS, THEREFORE, ORDERED as follows:

1. That this proceeding as to Piedmont is hereby initiated pursuant to G.S. 62-36A and Commission Rule R6-63(c);

2. That a public hearing is hereby scheduled to begin on Tuesday, November 3, 1998, at 10:00 a.m., in the Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, subject to cancellation one week in advance if no issues are raised by testimony or written statements filed with the Commission by then;

3. That Piedmont shall give public notice of this proceeding by publishing the notice attached hereto as Appendix A for two weeks in newspapers of general distribution in its franchise territory, beginning no later than one month from the date of this Order, said newspaper notice to cover no less than one-sixth of a page, and Piedmont shall file an affidavit of publication following the publication;

4. That Piedmont shall file testimony as herein provided on or before September 14, 1998;

5. That interested parties may file petitions to intervene on or before October 14, 1998;

6. That the Public Staff and other intervenors may file testimony, in which they may propose that counties other than those listed by Piedmont be considered for forfeiture and provide support for their testimony on or before October 14, 1998; and

7. That Piedmont may file rebuttal testimony on or before October 28, 1998.

ISSUED BY ORDER OF THE COMMISSION.

This the 28th day of July, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg072798.03

APPENDIX A

NOTICE OF HEARING

DOCKET NO. G-9, SUB 410

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

NOTICE IS HEREBY GIVEN that G.S. 62-36A(b) generally provides for each natural gas public utility to expand natural gas service to all counties within its franchise territory and further provides that if the Utilities Commission determines that a natural gas utility is not providing adequate service to at least some portion of each county within its franchise territory by July 1, 1998, or within three years after the time the franchise for the county was awarded, whichever is later, the utility shall forfeit its exclusive franchise rights to that portion of its territory not being served.

NOTICE IS ALSO GIVEN that the North Carolina Utilities Commission has initiated a review proceeding as to Piedmont Natural Gas Company, Inc. (Piedmont). This proceeding shall consider Piedmont's franchise territory in the counties of Burke, Caldwell, Catawba, Lincoln, Davie, Forsyth, Davidson, Guilford, Randolph, Alexander, Gaston, Mecklenburg, Rowan, and Alamance. The purpose of this proceeding is to determine whether Piedmont was providing adequate service to at least some portion of each of the counties named above as of July 1, 1998, and, if the Commission finds that Piedmont was not providing adequate service to at least some portion of any such county, to order that Piedmont forfeit its exclusive franchise rights to that portion of its territory not being served. This proceeding shall not consider Piedmont's franchise territory in counties other than those named above, and this proceeding shall not consider requests to expand natural gas service in any county where adequate service is already available in at least some portion of the county.

The Commission has scheduled a public hearing in this proceeding for the following time and place:

Tuesday, November 3, 1998, at 10:00 a.m., in the Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

However, this hearing may be cancelled by order of the Commission one week in advance, without further public notice, and the proceeding decided on the basis of Piedmont's testimony, unless the intervenor testimony or written statements from the public filed one week in advance raise issues with respect to this proceeding. Interested persons may contact the Chief Clerk of the Commission to determine if the hearing has been canceled.

Piedmont will file testimony in this proceeding by September 14, 1998, and a copy of the testimony will be available for review by any interested person at any Piedmont business office or at the Office of the Chief Clerk of the Utilities Commission, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

Petitions to intervene and intervenor testimony are due on or before October 14, 1998. Piedmont's rebuttal testimony, if any, is due to be filed on or before October 28, 1998.

Persons desiring to send written statements to inform the Commission of their positions in the matter should address their statements to the Chief Clerk, North Carolina Utilities Commission, Post Office Box 29510, Raleigh, North Carolina 27626-0510. Written statements are not evidence unless those persons appear at the public hearing and testify concerning the information contained in their written statements.

The Public Staff of the Utilities Commission, through its Executive Director, is required by statute to represent the using and consuming public in proceedings before the Commission. Statements to the Executive Director should be addressed to Mr. Robert P. Gruber, Executive Director, Public Staff - North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520.

The Attorney General is also authorized to represent the using and consuming public in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Michael F. Easley, Attorney General of North Carolina, c/o Utilities Division, Post Office Box 629, Raleigh, North Carolina 27602-0629.

All correspondence, whether to the Public Staff, the Attorney General, or the Commission, should reference the Docket No. cited above.

This the 28th day of July, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
Raleigh

DOCKET NO. G-9, SUB 409

Before the North Carolina Utilities Commission

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Annual Review of Gas Costs Pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6)	))))	ORDER ON ANNUAL REVIEW OF GAS COSTS

HEARD: November 17, 1998, at 10:00 a.m., in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Chair Jo Anne Sanford, Presiding; Commissioners Judy Hunt and J. Richard Conder

APPEARANCES:

For Piedmont Natural Gas Company, Inc.:

Jerry W. Amos, Amos Jeffries & Robinson, L.L.P., Post Office Box 787, Greensboro, North Carolina 27402

For the Public Staff:

Vickie L. Moir, Staff Attorney, Public Staff - North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520

For Carolina Utility Customers Association, Inc.:

James P. West, West Law Office, P.C., Post Office Box 1568, Raleigh, North Carolina 27602

BY THE COMMISSION. On September 1, 1998, Piedmont Natural Gas Company, Inc. (Piedmont or the Company) filed (1) the direct testimony of Keith P. Maust, Director of Gas Supply and Market Sales and (2) the direct testimony and exhibits of Ann H. Boggs, Director of Gas Accounting, relating to the annual review of Piedmont's gas costs pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6).

On September 4, 1998, the Commission issued an Order scheduling a public hearing for November 17, 1998, setting dates for prefiled testimony and intervention, and requiring public notice.

On September 18, 1998, the North Carolina Attorney General filed notice of intervention.

On September 28, 1998, the Carolina Utility Customers Association, Inc. (CUCA), filed a Petition to Intervene, and on October 6, 1998, the Commission issued an Order granting the petition.

On November 2, 1998, the Public Staff filed the testimony of Julie G. Perry, Staff Accountant, Natural Gas Section, Accounting Division and Jeffrey L. Davis, Utilities Engineer, Natural Gas Division.

On November 17, 1998, the matter came on for hearing as scheduled.

Based upon the evidence adduced at the hearing and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. Piedmont is a public utility as defined in Chapter 62 of the North Carolina General Statutes.

2. Piedmont is engaged primarily in the business of transporting, distributing and selling natural gas to customers in North Carolina, South Carolina, and Tennessee.

3. Piedmont has filed with the Commission and submitted to the Public Staff all of the information required by G.S. 62-133.4(c) and Commission Rule R1-17(k) and has complied with the procedural requirements of such statute and rule.

4. The review period in this proceeding is the twelve months ended May 31, 1998.

5. During the review period, Piedmont incurred gas costs of $271,072,146, received $273,569,641 of this amount through rates and the difference of $2,497,495 was credited to the appropriate deferred accounts.

6. At May 31, 1998, the Company had a net credit balance (payable to customers from Piedmont) of $9,335,534 in its deferred accounts consisting of a credit balance of $4,399,656 in the Sales Only Deferred Account and a credit balance of $4,935,878 in the All Customers Deferred Account.

7. During the review period, the Company realized net compensation of $7,675,601 from secondary market transactions. In accordance with the Commission's Orders in Docket Nos. G-100, Subs 63 and 67 and G-9, Sub 317, $5,756,701 of the net compensation was treated as a reduction in gas costs for the benefit of Piedmont's customers.

8. Piedmont properly accounted for its gas costs during the review period.

9. Piedmont has transportation and storage contracts with interstate pipelines which transport gas to Piedmont's system and long term supply contracts with producers, marketers and other suppliers.

10. Piedmont has adopted a "best cost" gas purchasing policy consisting of five main components - the price of gas, the security of the gas supply, the flexibility of the gas supply, gas deliverability, and supplier relations.

11. The Company's gas costs during the review period were prudently incurred.

12. The Company should be permitted to recover 100% of its prudently incurred gas costs.

13. Piedmont proposed to refund the net credit balance of $4,935,878 in the All Customers Deferred Account based on the fixed gas costs apportionment percentages for each rate schedule as set forth in the Commission's Order in the Company's last rate case, Docket No. G-9, Sub 382.

14. Piedmont proposed to refund the May 31, 1998 balance in its All Customers Deferred Account by implementing the decrements for each rate schedule as shown on Company witness Boggs Schedule 11 to Exhibit AHB-1 beginning with the first billing cycle of the month that follows the date of the Commission's Order in this docket.

15. Piedmont proposed to refund the May 31, 1998 balance of $4,399,656 in its Sales Only Deferred Account by implementing an across-the-board sales decrement of $.0812/dt effective with the first billing cycle of the month that immediately follows the date of this Order.

16. The total level of design day dekatherms utilized during this review period is reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-2

The evidence supporting these findings is contained in the official files and records of the Commission and the testimony of Piedmont witness Maust. These findings are

essentially informational, procedural or jurisdictional in nature and are based on evidence uncontested by any of the parties.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 3-4

The evidence supporting these findings is contained in the testimony of Piedmont witness Boggs and Public Staff witness Perry.

G.S. 62-133.4 requires that each natural gas utility submit to the Commission information and data for an historical twelve-month test period concerning its actual cost of gas, volumes of purchased gas, sales volumes, negotiated sales volumes, and transportation volumes. In addition, Commission Rule R1-17(k)(6)(c) requires the filing of information and data showing weather-normalized sales volumes, workpapers, and direct testimony and exhibits supporting the information.

Ms. Boggs testified that Piedmont filed with the Commission and submitted to the Public Staff throughout the review period complete monthly accounting of the computations required by Commission Rule R1-17(k)(6)(c). Ms. Perry confirmed that the Public Staff had reviewed the filings and that they complied with the Rules.

The Commission therefore concludes that Piedmont has complied with all of the procedural requirements of G.S. 62-133.4(c) and Commission Rule R1-17(k) for the review period.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5 - 8

The evidence supporting these findings is contained in the testimony of Piedmont witnesses Maust and Boggs and Public Staff witnesses Perry and Davis.

In her prefiled testimony Ms. Boggs testified that, as of May 31, 1998, Piedmont had a net credit balance (payable from Piedmont to the customers) of $9,335,534 in its deferred accounts. The credit balance consisted of a credit balance of $4,399,656 in the Sales Only Deferred Account and a credit balance of $4,935,878 in the All Customers Deferred Account. Public Staff witness Perry testified that Piedmont had properly accounted for its gas costs during the review period.

Mr. Maust testified that Piedmont achieved net compensation of $7,675,601 from secondary market transactions; $5,756,701 of this net compensation was treated as a reduction in gas costs for the benefit of Piedmont's customers in accordance with procedures established in Docket No. G-100, Sub 63 and Docket No. G-100, Sub 67. No party offered any evidence to show that Piedmont did not record its gas costs in compliance with the previously approved procedures; therefore, the Commission finds and concludes that Piedmont has properly accounted for secondary market transactions.

Based on the foregoing, the monthly filings by Piedmont pursuant to Commission Rule R1-17(k)(5)(c), and the findings of fact set forth above, the Commission concludes that Piedmont properly accounted for its gas costs during the review period and that the deferred account balances as reported are correct.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 9 - 11

The evidence supporting these findings is contained in the testimony of Piedmont witness Maust and Public Staff witness Davis.

Mr. Maust testified that Piedmont's gas purchasing policy is best described as a "best cost" policy. This policy consists of five main components: price of gas, security of gas supply, flexibility of gas supply, gas deliverability, and supplier relations. Mr. Maust stated that all of these components are interrelated and that Piedmont considers and weighs each of these five factors in establishing its entire supply portfolio.

Mr. Maust further testified that Piedmont purchases gas supplies under a diverse portfolio of contractual arrangements through the spot market and long-term contracts. Spot gas is purchased under a contract with a term of one month or less while long-term gas is purchased under a contract ranging in term from one year (or less) to terms extending through October, 2004. Spot gas contracts provide for little or no supply security because they are interruptible and short-term in nature. Long term firm supplies are usually more expensive because they generally require reservation fees; however, firm supplies are the most reliable and secure source of gas and are generally market priced. Some of these firm contracts are for winter service only and some provide for 365 day service.

Mr. Maust described how the interrelationship of the five factors affects Piedmont's construction of its gas supply portfolio under its "best cost" policy. The long term contracts, supplemented by long-term peaking services and storage, generally are aligned with the firm market; the short term spot gas generally serves the interruptible market. In order to weigh and consider the five factors, Piedmont must be kept informed about all aspects of the natural gas industry. Piedmont therefore stays abreast of current issues by intervening in all major proceedings affecting pipeline suppliers, attending conferences, and subscribing to industry literature.

Mr. Maust stated that Piedmont's greatest obstacle in applying its "best cost" policy is in dealing with future uncertainties in a dynamic national and regional energy market. Future demand for gas is affected by economic conditions, weather patterns, regulatory policies and industry restructuring in the energy markets. Future availability and pricing of gas supplies is affected by overall demand, domestic oil and gas exploration and development, pipeline expansion projects, and regulatory policies and approvals. Mr. Maust further stated that Piedmont did not make any changes in its "best cost" gas purchasing policies or practices during the year; however, the Company did contract for

additional firm transportation and storage expansion capacity to meet the needs of its rapidly growing market consistent with its "best cost" policy. This contractual commitment is in the form of a 13,000 Dt per day firm transportation service agreement with Columbia Gas Transmission Corporation for the months of December 1997 through March 1998 and December 1998 through March 1999. Piedmont also contracted for a peaking service to be provided by Cove Point LNG Limited Partnership, which provides for a maximum daily quantity of 24,000 Dts and maximum contract peaking quantity of 240,000 Dts for June 1, 1998 through February 28, 1999.

Mr. Maust testified that Piedmont secures incremental capacity and supply to meet the growth requirements of its firm customers consistent with its "best cost" policy. To implement this policy, Piedmont attempts to contract for timely and cost effective supply and capacity. Acquiring long-term expansion project capacity precisely in balance with Piedmont's market growth profile is impossible due to external factors beyond the Company's control. To fill the gap between the in service dates of new expansion projects and to meet the requirements of the Company's growing market demand, Piedmont contracts for temporary "bridge" services from various sources of supply and capacity. This process has been successfully employed in the past by the Company, and is expected to be used in the future to meet the growth demand requirements of the Company.

Finally, Mr. Maust testified that Piedmont had taken a number of steps to manage its gas costs, consistent with its "best cost" policy. The Company has participated in matters before the FERC and other regulatory agencies, actively renegotiated and restructured eligible supply and capacity contracts in order to take advantage of market opportunities, utilized the flexibility available within its supply and capacity contracts to purchase and dispatch gas and to release capacity in the most cost effective manner, "locked in" gas prices for periods of time to maintain its competitive position in specific markets and has provided transportation services to large volume customers in order to maintain system throughput and reduce average unit costs, actively promoted growth from "year around" markets in order to improve the Company's load factor and reduce average unit costs, and continued an internal review committee to receive input and direction on its gas supply performance and planning activities

Mr. Davis testified that he had reviewed the Company's gas supply contracts to determine how the commodity and variable costs were determined. He then reviewed the fixed gas costs that apply. In addition, Mr. Davis stated that he reviewed information related to (1) design day information, (2) forecasted load duration curves, (3) forecasted gas supply needs, (4) projections of capacity additions and supply changes, and (5) customer load profile changes. Mr. Davis stated that, in the Public Staff's opinion, Piedmont's purchasing practices were reasonable and prudent.

In its post-hearing brief, CUCA argues that Piedmont has failed to show that its gas costs were prudently incurred. Citing language from the Commission's 1988 Order dealing

with the prudence audit of Carolina Power & Light Company's Shearon Harris nuclear plant, CUCA contends that an LDC must "identify the prudent alternatives available" in order to show prudence. More specifically, CUCA argues that an LDC must show that it has analyzed the performance of similarly situated LDCs and incorporated into its own procedures the methods by which other LDCs capture the greatest cost savings and supply security. CUCA argues that Piedmont's testimony does not do this.

In discussing the standard for the prudence audit of the Shearon Harris plant, the Commission's 1988 Order stated that if specific and discrete incidents of imprudence were identified, the auditor "would then demonstrate the existence of available prudent alternatives that the Company should have followed to avoid the imprudence. . . . Obviously, a decision cannot be imprudent if it represents the only feasible way to accomplish a necessary goal. Thus, identification of prudent available alternatives is necessary." 78th Report of Utilities Commission Orders and Decisions 252 (1988). CUCA is reading too much into this language. While it is certainly appropriate for an LDC to periodically review its procedures and to learn from the experience of other LDCs, neither G.S. 62-133.4(c), Commission Rule R1-17(k), nor any previous Commission order requires that an LDC's testimony in a gas cost review proceeding include a comparison with other LDCs' experience in order to pass muster. In this proceeding, Piedmont witness Maust presented other testimony tending to show prudence, and Public Staff witness Davis concluded that Piedmont's purchasing practices were reasonable and prudent.

Based on the foregoing and considering the testimony as a whole, the Commission concludes that Piedmont's gas costs during the review period were reasonably and prudently incurred and should be recovered.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12-15

The evidence supporting these findings is contained in the testimony of Piedmont witness Boggs and Public Staff witness Davis.

Ms. Boggs testified that Piedmont proposes to change its rates as shown on Schedule 11 to Exhibit AHB-1. Ms. Boggs computed rate decrements for all of its rate schedules to refund the $4,935,878 credit balance in the All Customers Deferred Account, based on the fixed gas cost apportionment percentages for each rate schedule as set forth in the Commission's Order in the Company's last general rate case, Docket No. G-9, Sub 382. Ms. Boggs computed a rate decrement of $.0812/dt for its sales rates to refund the $4,399,656 credit balance in the Sales Only Deferred Account. Ms. Boggs proposes to replace the temporary increments and decrements determined in the Company's last Annual Review with the decrements determined in this proceeding. Public Staff witness Davis testified that he agreed with Piedmont's proposed rate changes.

The Commission finds that the rates proposed by Piedmont should be implemented by Order of the Commission in this docket for refund of the balances in the two deferred accounts.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence for this finding is contained in the testimony of Public Staff witness Davis.

Mr. Davis stated that in Piedmont's annual gas cost review in Docket No. G-9, Sub 384, Company witness Fleenor indicated that it was the Company's intention to implement a 5% reserve margin beyond its peak day demand calculations. This reserve margin would be phased in at 10,000 dekatherms per day (dt/day) per year for three years, beginning with the 1996-1997 winter season and ending with the 1998-1999 winter season, at which time a full 5% reserve margin would be in effect. Mr. Davis testified that the current review period for the twelve months ending May 31, 1998, included 20,000 dt/day of reserve margin.

Mr. Davis further testified that the purpose of this reserve margin was to supplement the design day criteria of 53 heating degree days (HDD), which represents 12° Fahrenheit in average temperature for the system. According to Mr. Davis, other gas utilities in the State use design criteria of 55 HDD for planning without a reserve margin. He stated that using a 20,000 dt/day reserve margin with a 53 HDD design day is approximately the same as using a 55 HDD design day, which is well within design tolerances and an acceptable approach. For this reason, he did not question the reasonableness of Piedmont's use of a 20,000 dt/day reserve margin for capacity and supply planning during the review period. He stated, however, that the Public Staff will continue to review the matter on a case-by-case basis in future proceedings.

The Commission agrees with Mr. Davis' analysis and finds that the total level of design day dekatherms utilized in this review period is reasonable. The Commission will address the appropriate level of design day requirements for future periods in subsequent annual reviews.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont's accounting for gas costs during the twelve months ended May 31, 1998, is approved;

2. That Piedmont is authorized to recover 100% of its gas costs incurred during the twelve months ended May 31, 1998;

3. That Piedmont shall implement the temporary decrements, as shown on Schedule 11 to Exhibit AHB-1, to refund the credit balance related to the All Customers Deferred Account beginning with the first billing cycle of the month immediately following the date of this Order;

4. That Piedmont shall implement a temporary decrement of $.0812/dt to refund the net credit balance related to the Sales Only Deferred Account beginning with the first billing cycle of the month immediately following the date of this Order;

5. That the existing increment to sales customers and the decrements to all customers approved in the last Annual Review, shall be discontinued;

6. That the Commission will address the appropriate level of design day requirements for future periods in subsequent annual review proceedings; and

7. That Piedmont shall give notice to all of its customers of the changes in rates approved in this Order by appropriate bill inserts beginning with the first billing cycle that includes the changes in rates approved herein.

ISSUED BY ORDER OF THE COMMISSION

This the 22nd day of January, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Cynthia S. Trinks

Cynthia S. Trinks, Deputy Clerk

rp012199.03

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Officers
Directors
NC District Managers
General Counsel

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc. for Authorization to (1) Transfer Supplier Refunds and Interest to its Natural Gas Expansion Fund and (2) Use Expansion Funds to Provide Service to Avery, Mitchell and Yancey Counties	)	ORDER APPROVING ADDITIONAL FUNDING

HEARD: March 16, 1998, at 2:00 p.m., Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner Judy Hunt, Presiding, Commissioner J. Richard Conder and Commissioner Robert V. Owens, Jr.

APPEARANCES:

For Piedmont Natural Gas Company, Inc.:

Jerry W. Amos, Amos, Jeffries & Robinson, L.L.P., Post Office Box 787, Greensboro, North Carolina 27402

For the Using and Consuming Public:

Antoinette R. Wike, Chief Counsel, Public Staff - North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520

For the Carolina Utility Customers Association, Inc.:

James P. West, West Law Offices, P.C., Post Office Box 1568, Raleigh, North Carolina 27602

BY THE COMMISSION. On November 19, 1998, the Commission issued an Order authorizing Piedmont Natural Gas Company, Inc. (Piedmont) to transfer $8,220,807.78 in supplier refunds and interest to its natural gas expansion fund and to use up to $26,260,530 of expansion funds to provide service to Avery, Mitchell and Yancey Counties (the Three Counties). In that Order, the Commission stated that if the National Forest

Service should require Piedmont to select an alternate route through or around the Pisgah National Forest and such alternate route would increase the cost of providing service to the Three Counties, Piedmont shall file an affidavit with the Commission setting forth the additional amount of expansion funds, if any, that would be required to make the project feasible.

On January 26, 1999, Piedmont filed such an affidavit requesting an additional $1,512,676 of expansion funds. On February 5, 1999, the Carolina Utility Customers Association, Inc. (CUCA) filed a motion for a hearing on Piedmont's request. On February 18, 1999, the Commission issued an Order scheduling a further hearing and requiring Piedmont to "present testimony in support of its request for additional expansion funds."

The evidentiary hearing took place on March 16, 1999, as scheduled. Kevin M. O'Hara, Vice President of Corporate Planning, and Ray B. Killough, Senior Vice President of Operations, testified for Piedmont. No other party offered a witness.

Based upon the affidavit, the testimony and exhibits presented at the hearing and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. Piedmont, a North Carolina corporation with its principal office in Charlotte, North Carolina, is engaged primarily in the business of transporting, distributing and selling natural gas to customers in North Carolina, South Carolina, and Tennessee. Piedmont is a public utility as defined in Chapter 62 of the North Carolina General Statutes subject to the jurisdiction of this Commission.

2. Piedmont is properly before the Commission, pursuant to Commission Rule R6-84(e), requesting permission to use an additional $1,512,676 of funds from its expansion fund for its previously approved expansion project to provide natural gas service to the Three Counties.

3. A portion of the Three County Project will run through the Pisgah National Forest. The National Forest Service requires that a permit be received before that portion of the project can be constructed.

4. When this matter was first heard by the Commission, Piedmont advised the Commission that its estimated cost of the Three County Project and its net present value (NPV) analysis were based on the assumption that the National Forest Service would permit Piedmont to install a transmission pipeline in a more or less direct route through the Pisgah National Forest. Piedmont further advised the Commission that there was a possibility that the National Forest Service would require Piedmont to use an alternate

route along Highway 181, and it estimated the additional costs associated with the alternate route at approximately $1.5 to $2 million.

5. In its November 19, 1998 Order, the Commission stated that if the National Forest Service should require Piedmont to select an alternate route through or around the Pisgah National Forest and such alternate route would increase the cost of the Three County Project, Piedmont shall file an affidavit with the Commission setting forth the additional amount of expansion funds, if any, that would be required to make the project feasible.

6. On December 12, 1998, representatives of Piedmont, the Public Staff and the County Managers from Mitchell and Avery Counties met with officials of the National Forest Service to discuss Piedmont's proposed direct route through the Pisgah Forest. At that meeting, representatives of the National Forest Service described the problems previously experienced by persons seeking easements on Forest Service lands when existing corridors were not used. The National Forest Service representatives indicated that the proposed direct route would almost certainly face opposition from various environmental groups and that it would likely take from two to four years before a final decision could be reached with no assurance that approval would be obtained. The National Forest Service representatives further stated that Piedmont's alternative pipeline route (which makes use of the existing Highway 181 corridor) would not be as objectionable, would stand a better chance of approval, and could probably be approved in a period of six months to one year.

7. On January 26, 1999, Piedmont filed an affidavit as directed by the November 19, 1998 Order. In that affidavit, Piedmont advised the Commission of the meeting with the National Forest Service and stated that, following discussions with the Public Staff and representatives of the Three Counties, Piedmont had determined that the most reasonable course of action to take to avoid substantial delays in the provision of service to the Three Counties was to construct the pipeline along the alternate route through the Pisgah National Forest. The following table was submitted by Piedmont in its affidavit to summarize the major cost changes with respect to using the alternate route:

Contractor Labor & Materials	$1,422,907
Pipe Costs: 1.5 miles of 8" pipe	97,461
Survey/Acquisition/Construction Management	67,833
Right-of-Way (Land)	(115,294)
Total	$1,472,907

The affidavit stated that as a result of the $1,472,907 of additional costs associated with the alternative route, the negative NPV of the Three County Project will increase from $26,260,530 to $27,773,206, representing an increase of $1,512,676.

8. In response to a data request from CUCA, Piedmont provided a further breakdown of the $1,472,907 of additional costs set forth in its affidavit. That response is contained in CUCA Cross-Examination Exhibit 2.

9. The Public Staff has reviewed and concurs both with the additional costs associated with the alternative route and its impact on the project's NPV.

10. The Commission finds and concludes that the modification to the route of the previously approved Three County Project is reasonable, that the additional costs associated therewith is $1,472,907 and the increase in the negative NPV is $1,512,676, and that an increase in expansion funding should be approved.

EVIDENCE IN SUPPORT OF FINDINGS AND CONCLUSIONS 1-2

The evidence supporting these findings is contained in the official files and records of the Commission, Piedmont's application and exhibits, and the testimony and exhibits of Piedmont witness O'Hara. These findings are essentially informational, procedural or jurisdictional in nature and are based on evidence uncontested by any of the parties.

EVIDENCE IN SUPPORT OF FINDINGS AND CONCLUSIONS 3-5

The evidence supporting these findings of fact is contained in Piedmont's application and exhibits, the Commission's November 19, 1998 Order and the testimony and exhibits of Piedmont witness O'Hara in the September 23, 1998 and March 16, 1999 hearings. These findings are based on evidence uncontested by any of the parties.

EVIDENCE IN SUPPORT OF FINDING AND CONCLUSION 6

The evidence supporting this finding of fact is contained in the affidavit and in the testimony and exhibits of Piedmont witnesses Killough and O'Hara.

Both in his affidavit and in his testimony, witness Killough stated that he and representatives of the Public Staff and the County Managers of two of the three counties met with officials of the National Forest Service and that they were advised that pursuing the original direct route across the Pisgah National Forest was "highly environmentally sensitive" and would almost certainly face opposition from various environmental groups and that it would likely take from two to four years before a final decision could be reached and that there was no assurance that approval would be received. In addition, witness Killough stated that they were advised that the alternate route along Highway 181 was less objectionable and could probably be approved in a period of six months to one year. In view of this testimony, we conclude that Piedmont was prudent in pursuing the alternate route along Highway 181.

During the cross-examination of both witnesses Killough and O'Hara, CUCA inquired about exactly when Piedmont learned of a potential problem with the proposed direct route. The witnesses testified that Piedmont became aware of a potential problem at a meeting on September 2, 1998, and that they made the Commission aware of the potential problem at the September 23, 1998 hearing. They further testified that Piedmont did not fully appreciate the extent of the problem until the December 12, 1998 meeting. Finally, witness Killough testified that it would not have made any difference in the cost of pursuing the alternate route if Piedmont had decided to pursue the alternate route as a result of the September 2, 1998 meeting, rather than waiting for further clarification at the December 12, 1998 meeting.

The Commission concludes that Piedmont acted appropriately in obtaining further clarification at the December 12, 1998 meeting before pursuing the alternate route and that the change in route is reasonable.

EVIDENCE IN SUPPORT OF FINDINGS AND CONCLUSIONS 7-10

The evidence supporting these findings is contained in the affidavit of witness Killough, in CUCA Cross-Examination Exhibit No. 2, and in the testimony of witnesses Killough and O'Hara.

Evidence tends to show that the additional costs associated with the change in route is $1,472,907 and that this will increase the negative NPV from $26,260,530 to $27,773,206, an increase of $1,512,676. Evidence shows that the Public Staff reviewed and concurs with both the additional costs associated with the alternate route and its impact on the NPV as set forth in the affidavit of witness Killough and the testimony of witness O'Hara.

CUCA challenges some of the numbers used to calculate the additional costs of the alternate route. In particular, CUCA asked a number of questions on cross-examination of Piedmont's witnesses focusing on the $41.00 per linear foot for laying the additional 1.5 mile of pipeline and on the $10.50 price of 8" pipe. In its cross-examination, CUCA cited two letters sent to Piedmont by contractors and costs incurred by Piedmont on another recent project.

First, it is important to understand the way Piedmont estimated the additional costs of the alternate route. The alternate route is about 8 miles; it is 1.5 miles longer than the original route. The original route was cross-country while the alternate route is along a highway. In estimating the additional costs, Piedmont eliminated some costs (such as right-of-way and 34,320 linear feet of clearing, grading, string pipe and clean-up) that are not applicable to the new route and added new costs (including pavement removal and restoration and guardrail removal and restoration) that are applicable only to the alternate

route. Piedmont added only 8,000 linear feet of new pipe, which is for the additional 1.5 miles.

CUCA cross-examined Piedmont's witnesses about the difference between the $7.39 price of 8" pipe for Piedmont's recent Spartanburg North Loop Project and the $10.50 price of 8" pipe for the alternate route of the Three County Project. Piedmont's witness Killough testified that the $7.39 applied only to the price of pipe whereas the $10.50 includes storage charges. CUCA argues in its post-hearing brief that the Commission has held it improper to allocate company-wide administrative costs to an expansion project, but the Commission concludes that that Commission decision does not prohibit inclusion of storage costs related to the pipe itself in project costs and that is what witness Killough testified was done here. Further evidence in support of the $10.50 price is found in the letter of one of the contractors who helped Piedmont estimate the cost of the Three County Project; this letter includes pipe at $10.50.

CUCA also cross-examined Piedmont's witnesses about the difference between the various prices for laying pipe shown in the two contractors' letters and the higher $41.00 per linear foot used by Piedmont in estimating the additional costs of the alternate route. Piedmont witness O'Hara testified that the prices in the contractors' letters were for "Highway 181 and we also have costs included in there for Highway 19 East," whereas the $41.00 per linear foot used by Piedmont was only for the additional 1.5 miles of laying pipe required by using the alternate route. "Like I said, the contractors provided some overall average costs for segments. However, what we're trying to represent here is a rate that represents the difficulty for the segment that we're talking about for this additional mileage." The witnesses testified that this additional 1.5 miles was the most difficult and most expensive part of the route. Furthermore, Piedmont testified that the two contractors' letters were obtained to help Piedmont estimate the costs but that Piedmont did not rely solely on the two letters but on other factors as well, such as its own experience in building pipelines. Witness Killough testified that he is a registered engineer in North Carolina, South Carolina and Tennessee and that he has been with Piedmont for 26 years, during 20 of which he has been engaged either directly or as supervisor in the construction of pipelines. He testified that, based on his experience, the estimate of additional costs of $1.47 million is "the best possible estimate that Piedmont can provide the Commission." Considering Piedmont's explanation that the estimated price of $41.00 per linear foot does not apply to the entire pipeline but only to the most difficult and expensive portion of the project, the testimony of witness Killough that he believes the $41.00 per linear foot to be the best estimate of the cost of laying the additional 1.5 miles of pipe, and the fact that Piedmont's estimate of construction costs was reviewed by, and not objected to by, the Public Staff, the Commission finds the costs to be reasonable.

CUCA also argues that there is a serious issue of credibility with respect to witness Killough because of a difference between his affidavit and his testimony as to whether the Public Staff had reviewed the numbers in his affidavit. Suffice it to say that the difference

does not call into question the witness' testimony as to the numbers themselves and that Piedmont's other witness supported the affidavit, which stated that the Public Staff had reviewed the numbers.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is hereby authorized to transfer an additional $1,512,676 in supplier refunds and interest currently in escrow to its natural gas expansion fund and

2. That the Commission's Order of November 19, 1998, is hereby amended to increase the amount of funding for Piedmont's project to extend natural gas service to Mitchell, Avery and Yancey Counties from $26,260,530 to $27,773,206, which is the negative NPV of the project.

ISSUED BY ORDER OF THE COMMISSION

This the 20th day of May 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg052099.01

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P 16

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

3-18-99

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc, for Authority to (1) Transfer Supplier Refunds and Interest to Its Natural Gas Expansion Fund and (2) Use Expansion Funds to Provide Service to Avery, Mitchell and Yancey Counties	)))))	ORDER ON MOTION TO QUASH

BY THE COMMISSION: On February 18, 1999, the Commission, acting on motion of Carolina Utility Customers Association, Inc. (CUCA) issued an Order Scheduling Further Hearing in this docket. The hearing is to consider whether additional expansion funds should be approved in this docket.

On February 10, 1999, Piedmont Natural Gas Company, Inc., (Piedmont) served its Data Request on CUCA. On March 1, 1999, CUCA filed a Motion to Quash. Piedmont filed a Response on March 9, 1999, and CUCA filed a Reply on March 12, 1999. Generally, Piedmont contends that it has the right to discover what issues will be raised by CUCA at the hearing and what evidence will be offered by CUCA. CUCA, on the other hand, contends that many of the data requests are improper in that they relate to its attorney's work-product.

The Commission has carefully considered the data requests and the filings herein. First, the Commission notes that CUCA suggests in its Reply that the Commission "provides for only Piedmont to present witnesses during the hearing." The Commission has not so limited the hearing. The February 18, 1999 Order scheduled a hearing "for the purpose of considering Piedmont's filing of January 26, 1999" and provided that "Piedmont shall present testimony in support of its request for additional expansion funds." This language merely clarified that Piedmont has the burden of proof; it does not prevent any other party from presenting testimony. Turning to Piedmont's 14 data requests, the Commission rules on them as follows: The Commission will allow the Motion to Quash as to Requests Nos. 1, 2, 4, 9, 12, and 13. Request No. 3 has been withdrawn by Piedmont. Request No. 10, which inquires whether CUCA will present testimony, must be answered. If CUCA plans to present testimony, Requests Nos. 5, 6, 7, 8, 11, and 14 must

be answered. If CUCA does not plan to present testimony, the Motion to Quash will be allowed as to those requests. Discovery shall be completed by 9:00 a.m.,March 16, 1999.

IT IS, THEREFORE, SO ORDERED

ISSUED BY ORDER OF THE COMMISSION.

This the 15th day of March, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

RG031599.02

Officers
Directors
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SCF
JWA

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Authorization to (1) Transfer Supplier Refunds and Interest to Its Natural Gas Expansion fund and (2) Use Expansion Funds to Provide Service to Avery, Mitchell and Yancey Counties	)	ORDER SCHEDULING FURTHER HEARING

BY THE COMMISSION: On November 91, 1998, the Commission issued an Order in this docket authorizing Piedmont Natural Gas Company, Inc. (Piedmont), to transfer supplier refunds and interest to its natural gas expansion fund and to use expansion funds to provide service to Avery, Mitchell and Yancey Counties. In its Order, the Commission stated that if the National Forest Service should require Piedmont to select an alternate route through or around the Pisgah National Forest and such alternate route would increase the cost of the Three County Project, that Piedmont shall file an affidavit with the Commission setting forth the additional amount of expansion funds, if any, that would be required to make the project feasible.

On January 26, 1999, Piedmont filed such an affidavit proposing to change the route and asking for approximately $1.5 million more from the expansion funds to cover the increased cost of the new route. On February 5, 1999, the Carolina Utilities Customers Association filed a Motion asking for a hearing on whether the increased cost should be approved. On February 11, 1999, Piedmont made a filing opposing a further hearing.

The Commission is of the opinion that good cause exists to schedule a further hearing for the purpose of considering Piedmont's filing of January 26, 1999. At the hearing, Piedmont shall present testimony in support of its request for additional expansion funds.

IT IS, THEREFORE, ORDERED that a further hearing on the expansion project be, and the same hereby is, scheduled for the following time and place:

Tuesday, March 16, 1999, at 2:00 p.m.
Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

ISSUED BY ORDER OF THE COMMISSION.

This the 18th day of February, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg021799.06

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SCF
JWA

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the matter of Application of Piedmont Natural Gas Company, Inc., for Authorization to (1) Transfer Supplier Refunds and Interest to its Natural Gas Expansion Fund and (2) Use Expansion Funds to Provide Service to Avery, Mitchell and Yancey Counties	)	ORDER APPROVING TRANSFER OF SUPPLIER REFUNDS AND APPROVING EXPANSION PROJECT FOR FUNDING FROM EXPANSION FUND

HEARD IN: Spruce Pine Public Library Meeting Room, 304 Walnut Avenue, Spruce Pine, North Carolina on Wednesday, September 2, 1998, at 7:00 p.m., and in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, on Wednesday, September 23, 1998, at 9:30 p.m.

BEFORE: Commissioner Judy Hunt, Presiding; Commissioner J. Richard Conder and Commissioner Robert V. Owens, Jr.

APPEARANCES:

For the Applicant:

Jerry W. Amos and James H. Jeffries IV, Amos, Jeffries & Robinson, L.L.P., Post Office Box 787, Greensboro, North Carolina 27402

For the Public Staff:

Antoinette R. Wike, Chief Counsel, Public Staff - North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520

BY THE COMMISSION. On September 27, 1994, Piedmont Natural Gas Company, Inc. (Piedmont or the Company), filed an amended application in G-9, Sub 328, for the creation of an "Expansion Fund" for Piedmont. On April 4, 1996, the Commission ordered that an Expansion Fund for Piedmont be created and authorized certain supplier refunds, plus applicable interest, to be transferred to the Expansion Fund. Pursuant to the Commission's Order, Piedmont transferred $16,388,890.15 to the Expansion Fund on May 3, 1996. As of April 30, 1998, the balance in the Expansion Fund had increased to $18,571,101.30. Through March 28, 1998, Piedmont has received additional supplier refunds and applicable interest in the amount of $8,220,807.78. These monies are being

held in escrow and are awaiting transfer to Piedmont's Expansion Fund. The transfer of these monies to the Expansion Fund would bring the balance to $26,791,909.08.

On June 17, 1998, Piedmont filed an application requesting the Commission to (1) allow Piedmont to transfer the additional supplier refunds and applicable interest in the amount of $8,220,807.78 being held in escrow to its Expansion Fund, and (2) authorize Piedmont to use proceeds from its expansion fund to partially fund the provision of natural gas service to Avery, Mitchell and Yancey Counties which have been assigned to Piedmont and are currently without natural gas service (the "Three County Project"). The Three County Project consists of approximately 85 miles of transmission line and 25 miles of distribution mains. Piedmont intends to construct the transmission systems in three geographic segments. The first segment includes Burnsville, Spruce Pine, Bakersville and Micaville and will extend along the U.S. Highway 19E and N.C. Highway 226 corridor. The second segment includes Linville, Pineola, Newland and Banner Elk and will extend along the corridors of N.C. Highway 181, N.C. Highway 184 and N.C. Highway 105. The third segment, composed mainly of private right-of-way, will extend from Morganton adjacent to N.C. Highway 181 and beyond N.C. Highway 183. Maps of the proposed systems are shown on Exhibit 2 of the application. Piedmont estimates the total cost of the Three County Project to be $31,949,196. Piedmont submitted a summary of the net present value (NPV) analysis of the Three County Project, calculated in a generally accepted manner as required by Rule R6-84(a)(3), in Exhibit 8 attached to the application and in a supplemental filing made on July 20, 1998. Based on Piedmont's NPV model, the amount of Expansion Fund monies necessary to make the Three County Project economically feasible (NPV=0) is $26,260,530. In addition, Piedmont would make an investment of $5,688,666. Piedmont requests that the Commission approve the use of $26,260,530 of Expansion Funds for the Three County Project.

By the Order Requiring Notice for Transferring Monies to Expansion Fund and Scheduling Public Hearing, Requiring Public Notice, and Setting Procedural Schedule for Expansion Project issued July 8, 1998, the Commission ordered a hearing on Piedmont's application, required public notice, and established a procedural schedule for this proceeding.

On July 15, 1998, the Commission issued an Order Requiring Filing of Net Present Value Analysis. On July 21, 1998, Piedmont filed an NPV Analysis.

On August 12, 1998, the Commission issued an Order requiring Piedmont to file supplemental testimony. Piedmont filed supplemental testimony on August 27, 1998.

On August 18, 1998, the Carolina Utility Customers Association, Inc., filed a Petition to Intervene, and on August 19, 1998, the Commission issued an order granting the petition.

On September 3, 1998, the Public Staff filed the Affidavit of Eugene H. Curtis, Jr., Thomas W. Farmer, Jr., and James G. Hoard supporting the transfer of supplier refunds

and interest totaling $8,220,807.78 to Piedmont's Expansion Fund and Piedmont's use of $26,260,530 to fund the Three County Project.

On September 2, 1998, this matter was heard in Spruce Pine. Fourteen public witnesses testified in support of the Three County Project: Don Baker, Avery County Manager; Dave Inscoe, Executive Director of the Mitchell County Economic Development Commission and the Mitchell County Chamber of Commerce; Rick Herndon, Region "D" Council; Shannon Baldwin, Town Manager of Banner Elk; Phillip Frye, Mayor of Spruce Pine; Marvin Holland, Mayor of Burnsville; Dale Carroll, President of Western North Carolina Regional Economic Development; Jeff Van Jahnke, Zemex Mica Corporation of Bakersville; Mike Robinson, Mitchell County Manager; Tommy Burleson, Avery County Economic Development and Planning Commission; David R. McIntosh, Chairman of Yancey County Commissioners; Kelly Pipes, Yancey County Manager; Wanda Proffitt, Chairman of Yancey County Economic Development Commission; and Charles Vines, Mayor of Bakersville.

On September 23, 1998, the matter came on for hearing in Raleigh as scheduled. Four public witnesses testified in support of the Three County Project: Charles Monroe Buchanan, House Representative of Mitchell and Avery Counties; Annette Bryant, House Representative of Yancey County; Greg Thompson, House Representative of Mitchell and Avery Counties; and Mike Robinson, Mitchell County Manager.

Piedmont presented the testimony and exhibits of witness Kevin M. O'Hara, Vice President of Corporate Planning. Piedmont also introduced Hearing Exhibit 1 consisting of resolutions of local governments regarding financial assistance to facilitate the Three County Project.

The Public Staff presented the Affidavit of witnesses Eugene H. Curtis, Jr., Director of the Public Staff's Natural Gas Division; Thomas W. Farmer, Jr., Director of the Public Staff's Economic Research Division; and James G. Hoard, Supervisor of the Public Staff's Natural Gas Section of the Accounting Division.

All witnesses, including the witnesses who testified by affidavit, were presented for cross-examination.

Based upon the application and exhibits described above, the Public Staff's affidavit, the testimony and exhibits, evidence adduced at the hearing and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. Piedmont, a North Carolina corporation with its principal office in Charlotte, North Carolina, is engaged primarily in the business of transporting, distributing and selling natural gas to customers in North Carolina, South Carolina, and Tennessee. Piedmont

now holds the franchises and is furnishing natural gas to 54 cities and towns located in 18 counties in North Carolina.

2. The Company is a public utility as defined in Chapter 62 of the North Carolina General Statutes subject to the jurisdiction of this Commission.

3. The Company is before the Commission upon its application for approval to (1) allow Piedmont to transfer additional supplier refunds and applicable interest now in escrow to its Expansion Fund, and (2) approval for Piedmont to use proceeds from its Expansion Fund to partially fund the provision of natural gas service to Avery, Mitchell and Yancey Counties pursuant to G.S. 62-158 and Commission Rule R6-84.

4. The Company is currently holding in escrow $8,220,807.78 at March 28, 1998, in supplier refunds and applicable interest that is awaiting transfer to Piedmont's Expansion Fund.

5. The Three County Project will bring natural gas service to Avery, Mitchell and Yancey Counties, which currently have no natural gas service and constitute an "unserved area" as that term is defined in Commission Rule R6-81 and used in G.S. §§ 62-2(9) and 62-158.

6. The Three County Project consists of an intrastate transmission pipeline system with various distribution systems. The Company intends to construct the transmission systems in three geographic segments. The first segment includes Burnsville, Spruce Pine, Bakersville and Micaville and will extend along the U.S. Highway 19E and N.C. Highway 226 corridor. The second segment includes Linville, Pineola, Newland and Banner Elk and will extend along the corridors of N.C. Highway 181, N.C. Highway 184 and N.C. Highway 105. The third segment, composed mainly of private right-of-way, will extend from Morganton adjacent to N.C. Highway 181 and beyond N.C. Highway 183. Maps of the proposed systems are shown on Exhibit 2 of the application.

7. The Company estimates that the total cost of the Three County Project is $31,949,196.

8. Piedmont submitted a summary of the NPV analysis of the Three County Project, calculated in a generally accepted manner as required by Rule R6-84(a)(3), in Exhibit 8 attached to the application and a supplemental filing made on July 20, 1998. Based on Piedmont's NPV model, the amount of Expansion Fund monies necessary to make the Three County Project economically feasible (NPV=0) is $26,260,530. Piedmont requested that the Commission approve the use of $26,260,530 of Expansion Funds for the Three County Project.

9. The Company proposes to commence providing service to customers within 24 months after receiving Commission approval of the Three County Project.

10. The willingness of the local governments in the area to provide financial assistance in order to facilitate the expansion project is viewed as a positive factor by the Commission.

11. The proposed local government assistance payments are reasonable and appropriate sources of funds to be deposited into the Company's Expansion Fund as received. These local government assistance payments will be direct contributions to Piedmont's Expansion Fund.

12. The Public Staff has investigated the Company's application and supporting workpapers, performed a market study and conducted a field investigation of the three counties. The Public Staff supports the transfer of the additional supplier refunds and interest to the Expansion Fund and supports the Company's use of $26,260,530 from the Expansion Fund for funding the Three County Project.

13. There is currently $8,220,807.78 in supplier refunds and applicable interest that the Company is holding in escrow. The Commission authorizes the Company to transfer these monies to Piedmont's Expansion Fund.

14. The negative NPV of the Company's proposed Three County Project is $26,260,530, and the Commission will authorize Piedmont to withdraw up to that amount from its Expansion Fund in accordance under Commission Rule R6-85.

15. As of April 30, 1998, the balance in the Expansion Fund was $18,571,101.30. With the transfer of the additional supplier refunds and interest the balance in the Expansion Fund will be $26,791,909.08.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1 THROUGH 3

The evidence supporting these findings is contained in the official files and records of the Commission, Piedmont's application and exhibits and the testimony and exhibits of Piedmont witness O'Hara. These findings are essentially informational, procedural or jurisdictional in nature and are based on evidence uncontested by any of the parties.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4 THROUGH 9

The evidence supporting these findings of fact is contained in Piedmont's application and exhibits, the NPV Analysis Study filed by Piedmont and the testimony and exhibits of Piedmont witness O'Hara.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10 THROUGH 11

The evidence supporting these findings of fact is contained in the testimony and exhibits of Piedmont witness O'Hara, the testimony of the public witnesses and the

resolutions of certain local governments supporting the project which were filed with the Commission as Hearing Exhibit 1.

Pursuant to Commission Rule R6-84(b), one factor that the Commission may consider in deciding whether to approve funding from an expansion fund for a particular project is the extent of contributions from local governments. Spruce Pine, Burnsville, Mitchell and Yancey County all passed resolutions expressing their support for the proposed project and authorizing the provision of financial assistance to facilitate the project and its approval by the Commission. The Towns of Banner Elk, Newland and Bakersville and Avery County have pending resolutions stating their support for the proposed project and authorizing the provision of financial assistance to facilitate the project and its approval by the Commission.

The Commission believes that local government assistance payments in the form set forth in the resolutions are appropriate sources of funds for an expansion fund and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12

The evidence supporting this finding is contained in the affidavit filed by the Public Staff.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 13 THROUGH 15

The evidence supporting these findings is supported by information in Piedmont's application and exhibits, the NPV Analysis filed by Piedmont, the testimony and exhibits of Piedmont witness O'Hara and the Public Staff's affidavit. The Commission concludes that it is appropriate to authorize the transfer of the $8,220,807.78 in supplier refunds and interest to Piedmont's Expansion Fund and to authorize Piedmont to withdraw $26,260,530 from the Expansion Fund to fund the infeasible portion of the Three County Project.

At the hearing, Piedmont witness O'Hara testified that the NPV was based on the assumption that the National Forest Service would permit Piedmont to install a transmission pipeline in a more or less direct route through the Pisgah National Forest. He also testified that there was a possibility that the National Forest Service would require Piedmont to use an alternate route. Piedmont has investigated the possibility of installing the transmission pipeline along Highway 181 (which also runs through the Pisgah National Forest) and estimates that the alternate route would add approximately $1.5 to $2 million to the cost of the project.

The Commission urges Piedmont to resolve the route as soon as possible and to consider the alternative if it appears that permitting problems will unduly delay the project.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont may transfer the $8,220,807.78 in supplier refunds and interest currently in escrow to Piedmont's Expansion Fund;

2. That Piedmont's proposed project to extend natural gas service to Mitchell, Avery and Yancey Counties is hereby approved for funding from Piedmont's Expansion Fund in the amount of up to $26,260,530, which is the negative NPV of the project;

3. That the local government assistance payments authorized in resolutions adopted by the local governments in the Three County Project area are hereby approved as a reasonable source of funding for Piedmont's Expansion Fund for the purpose of offsetting a like amount of expansion fund monies from other sources that would otherwise be necessary to make up the negative NPV of this project and such payments shall be deposited into Piedmont's Expansion Fund as received;

4. That if the National Forest Service should require Piedmont to select an alternate route through or around the Pisgah National Forest and such alternate route would increase the cost of the Three County Project, Piedmont shall file an affidavit with the Commission setting forth the additional amount of expansion funds, if any, that will be required to make the project feasible, and, upon receipt of such filing, the Commission will take appropriate action; and

5. That Piedmont shall file reports with respect to the Three County Project as required by the Commission's Rules.

ISSUED BY ORDER OF THE COMMISSION.

This the 19th day of November, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

Commissioner Judy Hunt filed concurring opinion.

rg111998.01

* PLANNING TO COORDINATE 11/13

COMMISSIONER JUDY HUNT, CONCURRING:

While I agree with the decision in this case, it would have been my preference to have an outside analysis of the negative net present value of this project. The only detailed NPV analysis was that filed by Piedmont Natural Gas Company, Inc.

The validity of NPV analysis for all gas companies is a continuing concern throughout this series of important gas expansion fund cases. Only with proper information regarding real cost and projected benefits can money be used most efficiently.

Judy Hunt

Commissioner Judy Hunt

pvh

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

received
8-21-98

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Authorization to (1) Transfer Supplier Refunds and Interest to Its Natural Gas Expansion Fund and (2) Use Expansion Funds to Provide Service to Avery, Mitchell, and Yancey Counties	)	ORDER ALLOWING INTERVENTION

BY THE CHAIR: On August 18, 1998, the Carolina Utility Customers Association, Inc., (CUCA), filed a petition with the Commission seeking to intervene in the above-referenced docket.

The Chair is of the opinion that good cause exists to allow the requested intervention.

IT IS, THEREFORE, ORDERED as follows:

1. That CUCA be, and the same is hereby, allowed to intervene in the above proceeding.

2. That the name and address of the attorney for CUCA is as follows:

Robert C. Ervin
Byrd, Byrd, Ervin, Whisnant, McMahon & Ervin, P.A.
One Northsquare
Post Office Drawer 1269
Morganton, North Carolina 28680-1269

ISSUED BY ORDER OF THE CHAIR.

This the 19th day of August, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc. For Authorization to (1) Transfer Supplier Refunds and Interest to Its Natural Gas Expansion Fund and (2) Use Expansion Funds to Provide Service to Avery, Mitchell and Yancey Counties	)	ORDER REQUIRING SUPPLEMENTAL TESTIMONY

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on June 17, 1998, pursuant to G.S. 62-2(9), G.S. 62-158 and Commission Rule R6-84, requesting the Commission to (1) allow Piedmont to transfer additional supplier refunds plus applicable interest to its Natural Gas Expansion Fund (Expansion Fund) and (2) authorize Piedmont to use proceeds from its Expansion Fund to partially fund the provision of natural gas service to Avery, Mitchell, and Yancey Counties.

On July 8, 1998, the Commission issued an Order requiring notice for transferring monies to the expansion fund and scheduling public hearings, requiring public notice, and setting forth a procedural schedule for the expansion project.

On July 15, 1998, the Commission issued an Order requiring supplemental testimony. The Order required Piedmont to file a net present value (NPV) analysis in sufficient detail that it can be examined by the Commission. Piedmont filed an NPV analysis on July 21, 1998.

Based on a review of the petition, the pre-filed testimony of Piedmont's witnesses and the NPV analysis, the Commission is of the opinion that Piedmont should supplement its pre-filed testimony in this proceeding to address several assumptions relied upon in its NPV analysis. Accordingly, the Commission will require that Piedmont file supplemental testimony on or before August 27, 1998, responding to the following questions set forth below.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont shall file with the Commission on or before August 27, 1998 supplemental testimony in response to the following questions:

- In his pre-filed testimony, Piedmont witness O'Hara stated that, "Piedmont has designed the proposed system to support future growth in demand and to meet the area's long-term

energy needs which will assist in attracting industry and promoting economic development in this rural area of the State." Yet Piedmont's NPV analysis shows no additional commercial or industrial load being added over the potential load now in existence. Other than in the price of the pipeline, how is the future growth in demand mentioned by witness O'Hara reflected in the NPV analysis?

- On page 14 of his pre-filed testimony, witness O'Hara stated that beyond year 7, the annual growth rate for additional residential and commercial customers is assumed to be .99%. He further stated that this growth rate is based on, ". . . the projected average annual increase in households in Avery, Yancy and Mitchell Counties over the . . . period between 1994 and 2020." What is the source of that projection? At what compound annual growth rate did households in the three counties increase between the 1980 and 1990 census?

- Did Piedmont consider using the incremental rate provision of G.S. 62-140(a)?

ISSUED BY ORDER OF THE COMMISSION.

This the 12th day of August 1998

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

wg081198.01

Officers
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received
7-20-98

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas) (1) Transfer Supplier Refunds and) Interest to Its Natural Gas Expansion) fund and (2) Use Expansion Funds to) Provide Service to Avery, Mitchell and) Yancey Counties)	ORDER REQUIRING FILING OF NET PRESENT VALUE ANALYSIS

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on June 17, 1998, pursuant to G.S. 62-2(9), G.S. 62-158 and Commission Rule R6-84, requesting the Commission to (1) allow Piedmont to transfer additional supplier refunds plus applicable interest to its Natural Gas Expansion Fund (Expansion Fund) and (2) authorize Piedmont to use proceeds from its Expansion Fund to partially fund the provision of natural gas service to Avery, Mitchell, and Yancey Counties.

On July 8, 1998, the Commission issued an Order requiring notice for transferring monies to the expansion fund and scheduling public hearings, requiring public notice, and setting forth a procedural schedule for the expansion project.

G.S. 62-158 states, "In determining economic feasibility, the Commission shall employ the net present value method of analysis." Commission Rule R6-84(a)(3) requires that an LDC applying for approval of an expansion project must submit, "A net present value analysis calculated in a generally accepted manner."

In its Application, Piedmont filed assumptions for an NPV analysis in the testimony of Kevin M. O'Hara. And although "Exhibit 8" is purported to be an NPV analysis, the Commission is of the opinion that it is a summary. The assumptions in Mr. O'Hara's testimony are not sufficient to allow the data in "Exhibit 8" to be replicated and examined. Based on its review of the Application, the Commission finds that information filed by Piedmont does not satisfy Commission Rule R6-84(a)(3). Furthermore, the Commission finds that it is reasonable to assume that such an analysis already exists, was the basis for "Exhibit 8" and can be produced without undue delay.

The Commission concludes that Piedmont should file an NPV analysis in sufficient detail that it can be examined by the Commission.

IT IS, THEREFORE, ORDERED that Piedmont shall, within ten days, file with the Commission an NPV analysis in this docket in sufficient detail for the Commission to examine the analysis.

ISSUED BY ORDER OF THE COMMISSION.

This the 15th day of July 1998

NORTH CAROLINA UTILITIES COMMISSION

Cynthia S. Trinks

Cynthia S. Trinks, Deputy Clerk

wg071598.01

Officers
Directors
NC Dist Mgrs
SCF
JWA

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for Authorization to (1) Transfer Supplier Refunds and Interest to Its Natural Gas Expansion fund and (2) Use Expansion Funds to Provide Service to Avery, Mitchell and Yancey Counties	)))))))	ORDER REQUIRING NOTICE FOR TRANSFERRING MONIES TO EXPANSION FUND AND SCHEDULING PUBLIC HEARING, REQUIRING PUBLIC NOTICE, AND SETTING PROCEDURAL SCHEDULE FOR EXPANSION PROJECT

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on June 17, 1998, pursuant to G.S. 62-2(9), G.S. 62-158 and Commission Rule R6-84, requesting the Commission to (1) allow Piedmont to transfer additional supplier refunds plus applicable interest to its Natural Gas Expansion Fund (Expansion Fund) and (2) authorize Piedmont to use proceeds from its Expansion Fund to partially fund the provision of natural gas service to Avery, Mitchell, and Yancey Counties.

Piedmont transferred $16,388,890.15 to its Expansion Fund on May 3, 1996, pursuant to Commission Order dated April 4, 1996. Since that time, the Expansion Fund balance has increased to $18,571,101.30 as of April 30, 1998, with accrued interest. Since the creation of its Expansion Fund, Piedmont has received an additional $8,220,807.78 in supplier refunds and applicable interest through March 28, 1998. These monies are being held in escrow and are awaiting transfer to Piedmont's Expansion Fund.

Piedmont states in its application that it intends to construct the transmission systems for the project in three geographic segments. The first segment includes Burnsville, Spruce Pine, Bakersville and Micaville and will extend along the U.S. Highway 19E and N.C. Highway 226 corridor. The second segment includes Linville, Pineola, Newland and Banner Elk and will extend along the corridors of N.C. Highway 181, N.C. Highway 184 and N.C. Highway 105. The third segment, composed mainly of private right-of-way, will extend from Morganton adjacent to N.C. Highway 181 and beyond N.C. Highway 183. The expected cost for the transmission system is $25,313,310 and the expected cost for the distribution system is $2,102,095. The expected cost for the entire project is $31,949,196 after adjusting for meters, service lines, regulators, and inflation.

Piedmont's Net Present Value (NPV) model has determined that an investment by Piedmont of $5,688,666 is necessary to make the project economically feasible with the use of $26,260,530 in Expansion Fund monies.

Piedmont expects that the surveys, acquisition of rights-of-way, as well as environmental and land permits, will be completed in 12 months upon receiving Commission approval of the monies to complete the project. Piedmont will begin construction of the distribution systems concurrently with the construction of the transmission system to deliver gas to customers within 24 months after receiving Commission approval of the project.

The matter was presented to the Commission at its regular Staff Conference on July 6, 1998. The Public Staff stated that it had reviewed the request and recommended that an order be issued requiring notice for transferring the monies to the Expansion Fund and requiring public notice, scheduling public hearings, and setting deadlines for the filing of testimony as to the request for authority to use monies from The Expansion Fund on the Avery, Mitchell and Yancey Counties expansion project.

Based on the foregoing, the Commission concludes that the Public Staff's recommendation should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the application for authority to use monies from its Expansion Fund to partially fund the expansion project to serve Avery, Mitchell, and Yancey Counties as filed by Piedmont on June 17, 1998, shall be set for hearings as indicated below:

Spruce Pine: Wednesday, September 2, 1998, at 7:00 p.m., Spruce Pine Public Library, Meeting Room, 304 Walnut Avenue, Spruce Pine, North Carolina.

Raleigh: Wednesday, September 23, 1998, at 9:30 a.m., Commission Hearing Room 2115, Second Floor, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

2. That the hearing on September 2, 1998, will be for the purpose of receiving the testimony of public witnesses only. The hearing will resume in Raleigh on Wednesday, September 23, 1998, at 9:30 a.m., and continue as required for further testimony of public witnesses and testimony and cross-examination of witnesses for Piedmont, the Public Staff, and other Intervenors.

3. That the testimony of the Public Staff and other intervenors shall be due on or before September 3, 1998.

4. That the rebuttal testimony of Piedmont, if any, shall be due on or before September 18, 1998.

5. That any interested parties may petition to intervene on or before September 3, 1998.

6. That Piedmont shall provide public notice by publishing the Notice of Hearing, attached hereto as Appendix A, once a week for two consecutive weeks beginning after the date of this Order, but no later than the end of July 1998, in a newspaper or newspapers of general circulation in Avery, Mitchell, and Yancey Counties, said notice to cover at least one/sixth of a newspaper page.

7. That as to Piedmont's application to transfer $8,220,807.78 of monies to the Expansion Fund, Piedmont shall provide public notice by mailing the notice attached hereto as Appendix B to each of its customers in its billing cycle after issuance of this Order, and customers and other interested parties shall have until August 30, 1998, to file comments thereon with the Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the 8th day of July 1998

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg070798.05

NOTICE OF HEARING

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

NOTICE IS GIVEN that on June 17, 1998, Piedmont Natural Gas Company, Inc. (Piedmont), filed a petition with the Utilities Commission, pursuant to G.S. 62-2(9), G.S. 62-158, and Rule R6-84 for approval of an expansion project that would extend natural gas service into Avery, Mitchell and Yancey Counties, which were assigned to Piedmont in Docket No. G-100, Sub 69 pursuant to G.S. 62-36(a) and are currently without natural gas service. Piedmont is also requesting authority for the withdrawal of $26,260,530 from its Natural Gas Expansion Fund to reduce the negative net present value (NPV) of the project to zero.

Piedmont states in its application that it intends to construct the transmission systems for the project in three geographic segments. The first segment includes Burnsville, Spruce Pine, Bakersville and Micaville and will extend along the U.S. Highway 19E and N.C. Highway 226 corridor. The second segment includes Linville, Pineola, Newland and Banner Elk and will extend along the corridors of N.C. Highway 181, N.C. Highway 184 and N.C. Highway 105. The third segment, composed mainly of private right-of-way, will extend from Morganton adjacent to N.C. Highway 181 and beyond N.C. Highway 183. The expected cost for the transmission system is $25,313,310 and the expected cost for the distribution system is $2,102,095. The expected cost for the entire project is $31,949,196 after adjusting for meters, service lines, regulators, and inflation.

Piedmont's NPV model has determined that an investment by Piedmont of $5,688,666 is necessary to make the project economically feasible with the use of $26,260,530 in Expansion Fund monies.

Piedmont expects that the surveys, acquisition of rights-of-way, as well as environmental and land permits, will be completed in 12 months upon receiving Commission approval of the monies to complete the project. Piedmont will begin construction of the distribution systems concurrently with the construction of the transmission system to deliver gas to customers within 24 months after receiving Commission approval of the project.

The Commission has set Piedmont's application for approval of the project and for approval of partial funding from its Expansion Fund for hearing as follows:

Spruce Pine: Wednesday, September 2, 1998, at 7:00 p.m., Spruce Pine Public Library, Meeting Room, 304 Walnut Avenue, Spruce Pine, North Carolina.

Raleigh: Wednesday, September 23, 1998, at 9:30 a.m., Commission Hearing Room 2115, Second Floor, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

The hearing on September 2, 1998, will be for the purpose of receiving the testimony of public witnesses only. The hearing will resume in Raleigh on Wednesday, September 23, 1998, at 9:30 a.m., and continue as required for further testimony of public witnesses and testimony and cross-examination of witnesses for Piedmont, the Public Staff, and other Intervenors.

The testimony of the Public Staff and other intervenors shall be due on or before September 3, 1998. The rebuttal testimony of Piedmont, if any, shall be due on or before September 18, 1998.

A copy of the petition is available for review by any interested person at any Piedmont business office or at the Office of the Chief Clerk of the Utilities Commission, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

The Public Staff of the Utilities Commission, through its Executive Director, is required by statute to represent the using and consuming public in proceedings before the Commission. Statements to the Executive Director should be addressed to Mr. Robert P. Gruber, Executive Director, Public Staff - North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520.

The Attorney General is also authorized to represent the using and consuming public in proceedings before the Commission. Statements to the Attorney General should be addressed to: The Honorable Michael F. Easley, Attorney General of North Carolina, c/o Utilities Division, Post Office Box 629, Raleigh, North Carolina 27602-0629.

Persons desiring to send written statements to inform the Commission of their positions in the matter should address their statements to the North Carolina Utilities Commission, Post Office Box 29510, Raleigh, North Carolina 27626-0510. Written statements are not evidence unless those persons appear at a public hearing and testify concerning the information contained in their written statements.

All correspondence, whether to the Public Staff, the Attorney General, or the Commission, should reference Docket No. G-9, Sub 408.

Persons desiring to intervene in the matter as formal parties of record should file a motion under North Carolina Utilities Commission Rules R1-6, R1-7, and R1-19 no later than September 3, 1998. These motions should be filed with the North Carolina Utilities Commission, Post Office Box 29510, Raleigh, North Carolina 27626-0510.

This the 8th day of July 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

NOTICE OF REQUEST TO DEPOSIT
SUPPLIER REFUNDS INTO EXPANSION FUND

DOCKET NO. G-9, SUB 408

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

NOTICE IS GIVEN that on June 17, 1998, Piedmont Natural Gas Company, Inc. (Piedmont), filed a request with the Utilities Commission for approval to deposit certain supplier refunds totaling $8,220,807.78, (including interest), into its Natural Gas Expansion Fund.

Piedmont requests that the balance held in its escrow account of $8,220,807.78 at March 28, 1998, be transferred to its expansion fund. Piedmont currently holds $18,571,101.30 in its Expansion Fund.

Commission Rule R6-83(d) provides that if the Commission finds a requested change in the magnitude of the funding previously approved for a local distribution company's expansion fund to be material, the Commission shall provide for appropriate notice and shall afford an opportunity for review and comment by interested parties. Rule R6-83(d) further provides that the Commission shall set the request for hearing if appropriate.

A copy of the petition is available for review by any interested person at any business office of Piedmont or at the Office of the Chief Clerk of the Utilities Commission, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

The deadline for the filing of comments from customers and other interested parties is August 30, 1998. At that time, the Commission will determine whether further proceedings are necessary and may approve the requested deposit at that time without further proceedings.

The Public Staff of the Utilities Commission, through its Executive Director, is required by statute to represent the using and consuming public in proceedings before the Commission. Statements to the Executive Director should be addressed to Mr. Robert Gruber, Executive Director, Public Staff, Post Office Box 29510, Raleigh, North Carolina 27616-0520.

The Attorney General is also authorized to represent the using and consuming public in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Michael F. Easley, Attorney General, c/o Utilities Section, Post Office Box 629, Raleigh, North Carolina 27602.

Persons desiring to send written statements to inform the Commission of their position in the matter should address their statements to the North Carolina Utilities Commission, Post Office Box 29510, Raleigh, North Carolina 27626-0510.

This the 8th day of July 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

Officers
Directors
NC Dist Mgrs
SCF
JWA

received
7-6-98

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 407

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Petition by Piedmont Natural Gas Company, Inc., for Approval of an Economic Development Rider Tariff	)))	ORDER APPROVING ECONOMIC DEVELOPMENT RIDER TARIFF

BY THE COMMISSION: On May 18, 1998, Piedmont Natural Gas Company, Inc. (Piedmont), filed a petition with the Commission, pursuant to G.S. 62-134, G.S. 62-138, and Commission Rule R6-5.1, to implement a new Economic Development Rider tariff. On June 10, 1998, Piedmont amended its filing.

Piedmont's proposed Economic Development Rider, as amended, would be made available to any customer that (1) locates a new plant or expands an existing plant or facility in Piedmont's franchised territory in the State of North Carolina; (2) qualifies for the purchase or transportation of gas under Rate Schedules 103, 104, 113, or 114; and (3) contracts for natural gas consumption of not less than 50,000 Mcf (thousand cubic feet) per year of new or expanded load, at a single delivery address, for a minimum term of five years.

Piedmont proposes that a customer must make a written application to Piedmont and be approved by it in order to qualify for the rider. The following information is required to be included in the application: (a) a description of the gas-using facility, including its location and the nature of the business(es) to be conducted at such location; (b) an affirmation that the availability of this rider was a significant factor in the customer's decision to locate the new or expanded load on the Company's system; (c) the number of full time employees to be employed at the facilities at the end of the first, second, and third years of operation; (d) the new capital to be invested at the facility; and (e) a description of the natural gas equipment, including the usage characteristics of the new or expanded gas load, to be installed at the facility. This rider will apply only to the amount of the additional load added in the case of a facility expansion.

Piedmont proposes to provide the following monthly credits, which will be applied only to the non-gas margin part of the bill for the new or expanded load:

First Year	----	45% Reduction
Second Year	----	25% Reduction
Third Year	----	15% Reduction

Throughout the five-year contract period, the customer may still negotiate with Piedmont under the provisions of Rate Schedule 108 because of alternate fuel prices.

In situations involving expanded load, Piedmont will furnish an additional meter at no additional cost to the customer and will read the meter monthly in order to verify that the annual minimum natural gas consumption requirement of 50,000 Mcf is being met.

The Public Staff presented this matter at the Commission's regular Staff Conference on June 29, 1998. The Public Staff stated that it had reviewed the proposed rider and recommended that it be approved.

Based on the foregoing and the recommendation of the Public Staff, the Commission concludes that Piedmont's Economic Development Rider should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the request by Piedmont Natural Gas Company, Inc., to implement an Economic Development Rider tariff (attached as Appendix A) is approved.

2. That Piedmont shall notify the Commission in writing when any new customer begins to use this Rider. Such notification shall include the following:

(a) a description of the gas-using facility, including its location and the nature of the business(es) to be conducted at such location;

(b) an affirmation that the availability of this rider was a significant factor in the customer's decision to locate the new or expanded load on the Company's system;

(c) the number of full time employees to be employed at the facilities at the end of the first, second, and third years of operation;

(d) the new capital to be invested at the facility; and

(e) a description of the natural gas equipment, including the usage characteristics of the new or expanded gas load, to be installed at the facility.

3. That Piedmont shall file a report with the Commission, on or before July 1, 1999, and annually thereafter, showing the annual volumes of new or additional load to which this Rider is applicable and the dollar amount of the discount from the otherwise applicable rate.

ISSUED BY ORDER OF THE COMMISSION.

This the 15th day of July, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

mz083098.08

ECONOMIC DEVELOPMENT RIDER

Applicability and Character of Service

Natural gas service under this rider may be made available, at the Company's discretion, to any customer that (1) locates a new plant or facility or expands an existing plant or facility within the Company's franchised territory in the State of North Carolina, (2) qualifies for the purchase or transportation of gas under Rate Schedules 103, 104, 113, or 114, and (3) contracts for natural gas consumption of not less than 50,000 Mcf per year of new or expanded load, at a single delivery address, for a minimum term of five years. Service under this schedule is interruptible and the Company has the right to discontinue such service on one hour's notice.

To qualify for service under this rider a written application shall be made to, and must be approved by, the Company. The application shall, at a minimum, include the following information: (a) a description of the gas-using facility, including its location and the nature of the business(es) to be conducted at such location; (b) an affirmation that the availability of this rider was a significant factor in the customer's decision to locate the new or expanded load on the Company's system; (c) the number of full time employees to be employed at the facilities at the end of the first, second, and third years of operation; (d) the new capital to be invested at the facility; and (e) a description of the natural gas equipment, including the usage characteristics of the new or expanded gas load, to be installed at the facility. This rider will apply only to the amount of separately metered additional load added in the case of a facility expansion. Customers participating in this rider must also execute a written contract with the Company evidencing their agreement to the terms of this rider.

Exclusions

This rider is not available to or for (1) existing facilities that temporarily shut down and reopen; (2) gas loads moved from another site in the State; or (3) an existing facility that became a new customer solely because of a change in ownership. Notwithstanding the foregoing, any such facilities may, upon application and approval, become eligible for the credits provided by the rider with respect to an expanded load at such facilities.

Rate

The monthly discount, which will be applied to only the portion of the bill calculated for the new or expanded load, shall be computed based upon a declining, three-year percentage reduction in the non-gas margin portion of the applicable rate schedule (103, 104, 113, 114). This discount will commence on the customer's first month billing and continue for a period of three years.

The percentage reductions are as follows:

First Year	—	45% Reduction
Second Year	—	25% Reduction
Third Year	—	15% Reduction

The customer may still negotiate with the Company under the provisions of Rate Schedule 108 while being served on this rate.

Termination/Penalties

The Company may terminate service under this rider when:

1. During any consecutive 12 month period within the five year term of the contract the customer fails to consume at least 50,000 Mcf of natural gas through the new or expanded facilities to which this rider is applicable; or

2. Discontinuance of service to customer would be authorized under the Company's general tariff provisions.

In the event service under this rider is terminated by the Company or customer defaults in its obligations hereunder, customer will be required to reimburse to the Company, upon demand, an amount equal to all reductions received by customer under this rider plus applicable interest from the date of such reduction at the rate paid by the Company for service deposits pursuant to Commission Rule R12-4.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Rate Schedule Subject to Change

The rates, terms, and conditions set forth in this rate schedule are subject to the Special Provisions set forth below and to change at any time and from time to time by the Company with the approval of the North Carolina Utilities Commission as provided by law.

Unauthorized Gas

In the event a customer fails to discontinue the use of gas after notice that gas under this rate schedule is not available, all gas so used shall be paid for by the customer at a rate of $25.00 per dekatherm of maximum daily use of such unauthorized gas, in addition to the regular commodity charge for such gas.

Late Payment Charge

A late payment charge of one percent (1%) per month will be applied to all customers' balances not paid within twenty-five (25) days from the billing date.

SPECIAL PROVISIONS

1. Governmental and Company Regulations

Service under this rate schedule is subject to all lawful orders, rules and regulations of duly constituted governmental authorities having jurisdiction over either or both Company or customer, including any orders of the North Carolina Utilities Commission requiring Company to curtail or discontinue service hereunder or setting forth priorities for such curtailment or discontinuance of service.

2. Force Majeure

In the event the Company is unable, wholly or in part, by reason of force majeure to carry out its obligations to provide service under this schedule the obligations of the Company so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch.

The term "force majeure" as employed above shall mean acts of God, extreme weather conditions, strikes, lockouts, or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakages or accidents to machinery, lines of pipe or the Company's peak shaving plants, freezing of wells or lines of pipe, partial or complete curtailment of deliveries to the Company by its suppliers, reduction in gas pressure by its suppliers, inability to obtain rights-of-way or permits or materials, equipment or supplies for use in the Company's peak shaving plants, and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the Company and which by the exercise of due diligence the Company is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Company, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the Company.

3. Curtailment of Gas Service

Service under this schedule is subject to curtailment or discontinuance as ordered in Docket No. G-100, Sub 51 or as prescribed by a duly constituted governmental authority having jurisdiction over either or both the Company and the customer or in accordance with any order of curtailment which may be deemed practicable under existing conditions by the Company. The Company shall not be liable for any damages that may result to customers or any other person, firm, or corporation by reason of the Company's curtailing service in accordance with the provisions of this paragraph.

ECONOMIC DEVELOPMENT RIDER SUBSCRIPTION AGREEMENT

This Economic Development Rider Subscription Agreement ("Agreement") is entered into this ____ day of _____, 19___, by and between Piedmont Natural Gas Company, Inc., 1915 Rexford Road, Charlotte, North Carolina, a North Carolina corporation ("Piedmont"), and _____, a _____ ("Customer").

Whereas, Piedmont is a certificated North Carolina public utility engaged in the business of purchasing, transporting and selling natural gas to the public within the state of North Carolina; and

Whereas, Customer is an existing or potential customer of Piedmont and qualifies for sales or transportation service from Piedmont under Rate Schedules 103, 104, 113 or 114; and

Whereas, Piedmont's tariff, under a provision entitled "Economic Development Rider", provides incentives for qualifying businesses to subscribe to new or additional natural gas load on Piedmont's system on certain terms and conditions; and

Whereas, Customer qualifies for and desires to take advantage of the incentives and benefits available under Piedmont's Economic Development Rider.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained herein, Piedmont and Customer do hereby agree as follows:

1. Customer agrees to subscribe to and purchase from Piedmont, and Piedmont agrees to provide to Customer, new or additional natural gas service under Rate Schedule _____ in the amount of _____ Mcf per year for a period of five (5) years beginning _____.

2. In exchange for Customer's commitment to purchase natural gas sales or transportation service from Piedmont, as set forth above, Customer shall receive a discount on all natural gas service rendered pursuant to this Agreement as provided in Piedmont's Economic Development Rider.

3. With respect to all services rendered hereunder, Customer and Piedmont agree to be bound by, and hereby incorporate by reference herein, all the terms and provisions of Piedmont's Economic Development Rider and the applicable Rate Schedule identified above, as set forth in Piedmont's approved tariff on file with the North Carolina Utilities Commission.

Piedmont Natural Gas Company, Inc.

By:_____

Customer

By:_____

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Officers
Directors
NC Dist Mgrs
SCF
JWA

received
5-29-98

DOCKET NO. G-9, SUB 406

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of its Rates and Charges to Track Changes in its Wholesale Cost of Gas	)))	ORDER ALLOWING RATE CHANGES EFFECTIVE JUNE 1, 1998

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on May 18, 1998, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations seeking authority to decrease its rates by $0.3140 per dekatherm (dt) effective June 1, 1998. Transportation rate schedules are proposed to be decreased by $0.0040/dt to maintain those rates on a full margin basis. The decrease is a result of a change in Piedmont's Benchmark Commodity Gas Cost from $2.89 to $2.59/dt.

The matter was presented to the Commission at its Regular Staff Conference on May 26, 1998. The Public Staff stated that it had reviewed the application and recommended approval.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate decreases should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to decrease its sales rate by $0.3140 per dekatherm effective for service rendered on and after June 1, 1998.

2. That Piedmont is authorized to decrease its transportation rates by $0.0040 per dekatherm effective for service rendered on and after June 1, 1998.

3. That Piedmont shall file revised tariffs consistent with Ordering Paragraphs 1 and 2 within five (5) days of the date of this Order.

4. That Piedmont give notice to its customers of the rate changes allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 27th day of May, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

mz052698.01

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

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DOCKET NO. G-9, SUB 405

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of its Rates and Charges To Track Changes In Its Wholesale Cost of Gas	)))	ORDER ALLOWING RATE INCREASES EFFECTIVE MAY 1, 1998

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on April 14, 1998, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations seeking authority to increase its rates by $0.3559 per dekatherm (dt) effective May 1, 1998. Transportation rate schedules are proposed to be increased by $0.0045/dt to maintain those rates on a full margin basis. The increase is a result of a change in Piedmont's Benchmark Commodity Gas Cost from $2.55 to $2.89/dt.

The matter was presented to the Commission at its Regular Staff Conference on April 27, 1998. The Public Staff stated that it had reviewed the application and recommended approval.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate increases should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to increase its sales rate by $0.3559 per dekatherm effective for service rendered on and after May 1, 1998.

2. That Piedmont is authorized to increase its transportation rates by $0.0045 per dekatherm effective for service rendered on and after May 1, 1998.

3. That Piedmont shall file revised tariffs consistent with Ordering Paragraphs 1 and 2 within five (5) days of the date of this Order.

4. That Piedmont shall give notice to its customers of the rate increases allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 28th day of April, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Deputy Clerk

mz042798.07

CC: JHM
JWA
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Rates-RC6-

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

FILE COPY
RATE DEPT.

DOCKET NO. G-9, SUB 403

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Tom S. Browder, 906 Onslow Drive, Greensboro, North Carolina 27408, Complainant v. Piedmont Natural Gas Company, Inc., Respondent	)	ORDER ACCEPTING SETTLEMENT AND CLOSING DOCKET

BY THE COMMISSION: On January 21, 1998, the Commission issued an Order in this docket treating a letter dated November 8, 1997, from Tom S. Browder as a complaint against Piedmont Natural Gas Company. The complaint involves Piedmont's failure to show its facilities charge on its monthly bills. The Commission subsequently issued an Order scheduling the complaint for hearing on Wednesday, May 13, 1998.

On April 16, 1998, attorneys for Piedmont filed a letter with the Commission stating that a settlement has been reached with Complainant Browder. Piedmont's counsel states that Piedmont has agreed "to amend its billing format such that on or before January 1, 1999, all bills sent to Rate Schedule 101 customers in North Carolina will contain an entry showing the monthly facilities charge to be paid by those customers." The Public Staff filed a motion on behalf of the Complainant on April 23, 1998, accepting the settlement and requesting that the Commission dismiss the complaint.

The Commission finds good cause to accept Piedmont's agreement with the Complainant and, in reliance thereon, to close this docket.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission accepts Piedmont's agreement to amend its billing format such that on or before January 1, 1999, all bills sent to Rate Schedule 101 customers in North Carolina will contain an entry showing the monthly facilities charge to be paid by those customers; and

2. That in reliance upon Piedmont's agreement, the hearing scheduled herein is canceled, the complaint dismissed, and this docket closed.

ISSUED BY ORDER OF THE COMMISSION.

This the 24th day of April, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen, Chief Clerk

mz042298.05

CC: JHM
JWA
WFS
DJD
BLG
TES
Rates
Mrs. Gibson

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 403

received
1-26-98

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Tom S. Browder, 906 Onslow Drive, Greensboro, North Carolina 27408, Complainant v. Piedmont Natural Gas Company, Inc., Respondent	)	ORDER SERVING COMPLAINT

BY THE COMMISSION: Notice is hereby given of the filing with this Commission of a complaint dated November 8, 1997, by Tom S. Browder against Piedmont Natural Gas Company. On November 19, 1997, in an attempt to handle the complaint informally, Commission Staff sent the complaint to Piedmont's counsel, and Piedmont's counsel promised to look into the matter and to report back to Commission Staff within one week. No such report has been made. The matter will now be handled as a formal complaint.

In accordance with the Commission's Rules of Practice and Procedure, service of the complaint is hereby made on Respondent Piedmont by copy thereof attached to this Order Serving Complaint, by United States Certified Mail, Return Receipt Requested. The Respondent is hereby directed to satisfy the demands of the Complainant or to file an answer on or before February 10, 1998. The answer should comply with Rule R1-9 of the Commission's Rules of Practice and Procedure, including the filing of an original and 15 copies of the answer with the Chief Clerk.

The mailing address for the Chief Clerk's Office is:

Chief Clerk-North Carolina Utilities Commission
Post Office Box 29510
Raleigh, North Carolina 27626-0510

ISSUED BY ORDER OF THE COMMISSION.

This the 21st day of January, 1998

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg012098 09

Tom S. Browder
906 Onslow Drive
Greensboro, NC 27408

November 8, 1997

FILED
JAN 20 1998
CHIEF CLERK
N.C. UTILITIES COMMISSION

Jo Anne Sanford, Chair
NCUC Tariff
P. O. Box 29510
Raleigh, NC 27626-0510

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Subject Piedmont Natural Gas Company, Inc.
Rate Schedule #101
Residential Service
Facilities Charge (excluding Governmental)

Reference is to monthly billing by Piedmont Natural Gas Company. Their billing is explicit with details of meter reading, gas used, heat factor, therms used, monthly charges, weather adjustment, tax, etc.

The face of the monthly bill does not show $8.00 or $10.00 per month facilities charge. The reverse side of the bill does not explain what a facilities charge is, or what it represents. The "total amount due" cannot be reconciled if the customer is not aware of a phantom "facilities charge."

It is assumed that the Commission has endorsed inclusion of the $8.00/$10.00 monthly charge in the "total amount due" by the customer. Is this assumption correct? If so, there is justifiable concern that the practice should be corrected. It seems ironic that tax charged and weather adjustment are carefully listed, but not $8.00/$10.00 per month — in the aggregate, amounting to many thousand of dollars per month.

A number of customers agree with this letter. Their signatures will be submitted if you wish.

Respectfully submitted,

Tom S. Browder

Tom S. Browder
Residential customer
Peidmont Gas Company

Officers
Directors
NC Dist Mgrs
SCF
JWA

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 402

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Piedmont Natural Gas	)	ORDER ALLOWING
Company, Inc. for an Adjustment of its	)	RATE CHANGES
Rates and Charges To Track Changes	)	EFFECTIVE
In Its Wholesale Cost of Gas	)	FEBRUARY 1, 1998

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on January 16, 1998, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations seeking authority to decrease its rates by $0.4081 per dekatherm (dt) effective February 1, 1998. Transportation rate schedules are proposed to be decreased by $0.0052/dt to maintain those rates on a full margin basis. The decrease is the result of a change in Piedmont's Benchmark Commodity Gas Cost from $2.94 to $2.55/dt.

The matter was presented to the Commission at its regular Staff Conference on January 26, 1998. The Public Staff stated that it had reviewed the application and recommended approval.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate decreases should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to decrease its sales rate by $0.4081 per dekatherm effective for service rendered on and after February 1, 1998.

2. That Piedmont is authorized to decrease its transportation rates by $0.0052 per dekatherm effective for service rendered on and after February 1, 1998.

3. That Piedmont file revised tariffs consistent with Ordering Paragraphs 1 and 2 within five (5) days of the date of this Order.

4. That Piedmont give notice to its customers of the rate changes allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 27th day of January 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

rg012698.04

Geneva S. Thigpen, Chief Clerk

Officers
Directors
NC Dist Mgrs
SCF
JWA

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 401

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc. for Authority to (i) Reserve for Issuance and Sale up to 100,000 Shares of Series A Junior Participating Preferred Stock, (ii) Issue and Sell Said Preferred Stock, and Request for Partial Waiver of Rule R1-16	) ORDER APPROVING APPLICATION) FOR AUTHORIZATION TO RESERVE,) ISSUE, AND SELL UP TO 100,000) SHARES OF SERIES A JUNIOR) PREFERRED STOCK PURSUANT TO) A SHAREHOLDER RIGHTS PLAN AND) GRANTING PARTIAL WAIVER OF) RULE R1-16

BY THE COMMISSION: On January 12, 1998, Piedmont Natural Gas Company (Piedmont, or Company) filed an Application requesting authorization to (i) reserve, for issuance and sale up to 100,000 shares of Series A Junior Participating Preferred Stock (Preferred Stock), and (ii) issue and sell said Preferred Stock. In addition, Piedmont also requested a partial waiver of the requirements of Rule R1-16(a), because, at this time, Piedmont will not actually issue any securities and cannot determine what its capital structure will be at the time that it might actually issue the Preferred Stock, as Piedmont does not know when, if ever, it will issue the Preferred Stock for which it requests authority to issue in this Application. Piedmont submitted its Application and the attachments under seal stating that the Application and attachments are confidential and proprietary information protected from disclosure by G.S. 66-152 and 132-1.2.

In its Application, Piedmont states that it proposes to reserve for issuance and sale the Preferred Stock, and to have the right to issue such Preferred Stock automatically pursuant to a shareholder rights plan (the Plan) on the conditions set forth below.

If the Commission approves Piedmont's proposal to (i) reserve, for issuance and sale up to 100,000 shares of its Preferred Stock, and (ii) issue and sell said Preferred Stock, and Piedmont's Board of Directors, after consideration of the Commission's Order, approves the proposed Plan, Piedmont would declare a dividend of one "Right" for each share of Piedmont's common stock then outstanding. Each Right would entitle the owners of Piedmont's common stock (other than owners who are "acquiring persons" as defined in the proposed Plan) to purchase one unit of Preferred Stock for each share of Piedmont's common stock owned by such owners. Under the terms of the proposed Plan, a unit would consist of one one-thousandth of a share of Preferred Stock (unit). The Rights would be evidenced by the certificates for all common stock outstanding on the effective date of the proposed Plan; all certificates for shares of common stock issued after the effective date

would contain a statement that the certificate also represents the right to purchase one unit of Preferred Stock. At such date as any owner or group of owners of Piedmont's common stock acquires beneficial ownership of 15% or more of Piedmont's common stock, or any person or a group of persons commences a tender or exchange offer that would make that person or group of persons an acquiring person, the Rights would separate from Piedmont's common stock and trade separately. The Board would have the option to exchange one share of common stock for each Right in lieu of permitting exercise of the Rights for Preferred Stock following the effective date. The Rights would become non-redeemable unless Piedmont's Board redeems the Rights prior to 10 days following the date on which a person or group of persons becomes an acquiring person. The redemption price would be $0.001 per Right. Furthermore, the Rights would expire 10 years from the date of issuance unless redeemed at an earlier date. If a person or group of persons becomes an acquiring person, the Rights attributable to the shares of common stock held by that person or persons would become null and void. Only shareholders other than those shareholders deemed to be an acquiring person under the terms of the proposed Plan would be able to exercise their Rights to purchase Units of Preferred Stock.

Piedmont also requested a partial waiver of Rule R1-16(a) to the extent that such rule requires Piedmont to (i) provide an estimate of the expenses to be incurred in connection with the issuance of securities (Rule R1-16(a)(3)); (ii) balance sheet and income statement with pro forma adjustments showing the issuance of the proposed Preferred Stock (Rule R1-16(a)(6)); and (iii) a cash flow statement (Rule R1-16(a)(8)). Piedmont submitted with this Application a balance sheet as of October 31, 1997 and an income statement for the twelve months ended October 31, 1997. Piedmont also agreed to comply with Rule R1-16(a)(7) by filing with the Commission copies of all documents that Piedmont files with the Securities and Exchange Commission (SEC), the New York stock Exchange (NYSE), and mails to its shareholders regarding the proposed Plan if it is adopted by Piedmont's Board of Directors.

This matter was presented to the Commission at its regularly scheduled Monday morning Staff Conference on February 2, 1998. No party to this proceeding expressed opposition to the request made by the Company in its Application.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

Based upon a review and study of the verified Application and the information contained in the Commission's entire files and record in this matter, the Commission finds and concludes that the requested authorization as described herein is;

(i) for a lawful object within the Company's corporate purposes;

(ii) compatible with the public interest;

(iii) necessary and appropriate for or consistent with the proper performance by the Company of its service to the public and will not impair its ability to perform its service; and

(iv) is reasonably necessary and appropriate for such purposes.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to (i) reserve, for issuance and sale under a shareholder rights plan, up to 100,000 shares of Series A Junior Participating Preferred Stock, and (ii) issue and sell said Preferred Stock in accordance with said Plan.

2. That Piedmont is granted a partial waiver of Rule R1-16(a), insofar as Piedmont requested a waiver of its obligation to provide (i) an estimate of the expenses to be incurred in connection with the issuance of securities (Rule R1-16(a)(3)); (ii) a balance of sheet and income statement with pro forma adjustment showing the issuance of the proposed common Stock (Rule R1-16(a)(6)); and (iii) a cash flow statement (Rule R1-16(a)(8)). Upon issuance of any of the Preferred Stock authorized by this Order, Piedmont shall comply fully with Rule R1-16(a).

3. Piedmont shall ensure that its ratepayers shall not bear any of the costs associated with the implementation of this proposed Plan, including any costs that may be associated with the issuance and sale of the Preferred Stock and any recapitalization that may be required if the provision of the Plan which allows the Rights to be exercised is ever triggered.

4. That all documents that Piedmont submitted pursuant to G.S. 66-152 and 132-1.2 shall be retained by the Commission on a confidential basis until such time as the Company notifies the Commission that the required documents have been filed with the SEC.

ISSUED BY ORDER OF THE COMMISSION.

This the 17th day of February, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Cynthia S. Trinks

Cynthia S. Trinks, Deputy Clerk

JE012898.01

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 400

JHM
WFS
DSD
TES
RBK
David Smith
Jim Bonner
BLG
Rates
Paul G

1-26-98

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Veronica Littles, 1512 Shamrock Drive, Charlotte, North Carolina 28205-2550, Complainant v. Piedmont Natural Gas Company, Respondent	)	ORDER CLOSING DOCKET

BY THE COMMISSION: On January 20, 1998, the Complainant in the above-captioned proceeding filed a reply to the answer of Piedmont Natural Gas Company stating that the "Answer filed by the Respondent is acceptable to me as Complainant, and I do not desire a public hearing in this proceeding."

The Commission is of the opinion that good cause exists to close this docket.

IT IS, THEREFORE, ORDERED that this docket be closed.

ISSUED BY ORDER OF THE COMMISSION.

This the 22nd day of January, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg012198.01

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

received 1-12-98

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David Smith
Jim Bonner
Rate

DOCKET NO. G-9, SUB 400

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Veronica Littles, 1512 Shamrock Drive, Charlotte, North Carolina 28205-2550, Complainant

v.

Piedmont Natural Gas Company, Respondent

ORDER SERVING ANSWER

Notice is hereby given that the attached Answer of the Respondent has been filed with the Commission, setting forth the admissions or denials of the complaint and/or an offer or other statement of the Respondent relating to satisfaction of the complaint.

Rule R1-9 of the Commission's Rules provides that if this Answer of the Respondent is satisfactory to you as Complainant that no further proceedings will be held in this docket.

You are therefore requested to review the attached Answer of the Respondent and advise the Commission whether the Answer is acceptable to you, and if not, whether you desire a public hearing on your complaint to present evidence of your complaint. You may advise the Commission of your position by filing a separate Reply to the Answer or, if you so desire, you may check the appropriate box on the form attached to this Notice and sign the form and return it to the Commission.

If you do not file a Reply or request a hearing by January 23, 1998, the Utilities Commission will assume the complaint is satisfied and this docket will be closed.

ISSUED BY ORDER OF THE COMMISSION.

This the 8th day of January, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg010798 03

DOCKET NO. G-9, SUB 400

VERONICA LITTLES

v.

PIEDMONT NATURAL GAS COMPANY, INC.

( ) The relief offered in the Answer filed by the Respondent is acceptable to me as Complainant, and I do not desire a public hearing in this proceeding.

( ) The Answer filed by the Respondent is not satisfactory to me as Complainant, and I hereby request a public hearing at which time I will present evidence in support of the complaint.

( ) Although the Answer filed by the Respondent is not completely satisfactory to me as Complainant, I do not request a hearing at this time. I do request that the Commission keep this docket open for at least six (6) months so that the matters complained of can be monitored by the Complainant, the Commission, and the Public Staff.

( ) The Answer filed by the Respondent is not satisfactory to me as Complainant and I request the following additional information subject to Commission review as to the reasonableness of my request. (Detail)

_____

Signature of Complainant

THIS RESPONSE SHOULD BE RETURNED TO:

Chief Clerk
North Carolina Utilities Commission
Post Office Box 29510
Raleigh, North Carolina 27626-0510

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 400

FILED
JAN 0 6 1998
N.C.

OFFICIAL COPY

In the Matter of
Veronica Littles, 1512 Shamrock Drive
Charlotte, North Carolina 28205-2550

Complainant,

v.

Piedmont Natural Gas Company, Inc.

Respondent.

ANSWER

Piedmont Natural Gas Company, Inc. ("Piedmont"), through counsel and pursuant to Rule R1-9 of the Rules of Practice and Procedure of the North Carolina Utilities Commission ("Commission"), responds to the Complaint of Veronica Littles ("Ms. Littles"), as follows:

1. Piedmont is a corporation organized and existing pursuant to the laws of the state of North Carolina with its principal place of business in Charlotte, North Carolina. Piedmont provides natural gas service as a regulated public utility to more than 600,000 customers in the states of North Carolina, South Carolina and Tennessee. Piedmont is a public utility within the meaning of Section 62-3(23)a of the North Carolina General Statutes and is subject to the complaint jurisdiction of the North Carolina Utilities Commission.

2. On December 16, 1997, Veronica Littles, 1512 Shamrock Drive, Charlotte, North Carolina 28205-2550, filed a Complaint with the Commission alleging, interalia, that Piedmont had billed her under her current account for $258.50 Piedmont contends is due for service previously rendered to Ms. Littles at an address on Grimes Street in Charlotte. In her Complaint, Ms. Littles asserted that she had previously paid the amounts claimed by Piedmont and requested that the Commission investigate this matter.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached ANSWER was served upon the North Carolina Utilities Commission pursuant to Rule R1-9 by overnight delivery of an original and 17 copies of the same as set forth below:

Chief Clerk -- North Carolina Utilities Commission
430 N. Salisbury Street, Dobbs Bldg.
Raleigh, North Carolina 27603

This the 5th day of January, 1998.

Sonya R. Lowe

C: TES
CWF
AMB
JWA

8-14-98

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, SUB 386

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Public Service Company of North Carolina, Inc., for an Adjustment of Its Rates and Charges	))))	ORDER ON MOTION TO EXTEND TIME FOR FILING REBUTTAL

BY THE CHAIR: The Chair of the Commission issued an Order on August 3, 1998, extending the time for all parties to file testimony relating to transportation rates from August 5, 1998, until August 10 and the time for filing rebuttal testimony relating to transportation rates from August 19, 1998, until August 21.

On August 5, 1998, Public Service Company of North Carolina, Inc. (PSNC) filed a motion for a further extension of the time for filing rebuttal testimony, until August 24. PSNC argues that the time for filing initial testimony was extended five days, but the time for filing rebuttal testimony was extended only two days. PSNC says that this adversely affects it and that the time should be extended for all parties.

The Chair concludes that the time for rebuttal testimony should be extended for all parties so as to allow the same extension previously granted for initial testimony.

IT IS, THEREFORE, ORDERED that the time for filing rebuttal testimony relating to transportation rates should be, and the same hereby is, extended until August 24, 1998.

ISSUED BY ORDER OF THE CHAIR.

This the 11th day of August, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg081098.01

C: TES
CWC
AHB
JWA

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

received
8-14-98

DOCKET NO. G-5, SUB 386

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Public Service Company of North Carolina, Inc., for an Adjustment of Its Rates and Charges	)))	ORDER ON PETITIONS TO INTERVENE AND MOTION TO LIMIT PARTICIPATION

BY THE CHAIR: The Chair of the Commission issued an Order Regarding Study of Transportation Rates in this docket on July 8, 1998. The Order provides that the transportation rate study required by Chapter 22 of the 1998 Session Laws be held in connection with the pending Public Service Company of North Carolina, Inc. (PSNC) rate case.

On August 4, 1998, the National Energy Marketers Association (NEMA) filed a Petition for Leave to Intervene and Participate in this docket. Also, on August 4, 1998, Duke Energy Trading and Marketing, L.L.C. (DETM) filed a Petition to Intervene.

On August 5, 1998, Frontier Energy, L.L.C. (Frontier); NUI Corporation d/b/a NUI North Carolina Gas (NC Gas); and Piedmont Natural Gas Company, Inc. (Piedmont) filed petitions to intervene in this docket.

On August 6, 1998, Dynegy Inc. filed a Petition for Leave to Intervene and Participate and the Aluminum Company of America (ALCOA) filed a Motion for Limited Admission of Attorney in this docket.

On August 7, 1998, PSNC filed a motion to limit the participation of NEMA and to exclude issues cited in NEMA's petition and documents attached to the petition from the transportation study.

The Chair is of the opinion that good cause exists to grant the petitions to intervene. The Chair advises all parties that they must be represented by counsel who is admitted to practice in North Carolina. Although all interventions will be allowed, counsel not admitted to practice in North Carolina at this time will need to file a motion for limited admission, similar to that filed by Alcoa, before further participation in this docket. See G.S. 84-4.1.

As to PSNC's motion to limit participation of NEMA, the Chair notes that although NEMA stated that it does not intend to present testimony in connection with the transportation rate study, it attached to its petition two documents "for Commission and

party consideration" -- guidelines for unbundling designed to "encourage competitive markets in natural gas" and a code of conduct "to ensure competitive neutrality among all market participants." PSNC argues that NEMA should not be allowed to inject deregulation issues into this study (which involves transportation rates, not deregulation) and that NEMA should not be allowed to introduce documents if it is not going to present testimony. Specific rulings as to the exact parameters of the transportation rate study will not be attempted at this time; rulings will be made as objections are raised to specific testimony. However, the Chair can rule now that the study will be conducted on the basis of testimony and that issues not supported by testimony will not be considered. The documents attached to NEMA's petition to intervene are not testimony; they will be considered only insofar as they tend to support the request for intervention, which has been allowed.

IT IS, THEREFORE, ORDERED as follows:

1. That the requests to intervene filed by NEMA, DETM, Frontier, NC Gas, Piedmont, and Dynegy should be, and hereby are, allowed for the limited purpose of participating in the study of transportation rates;

2. That the motion for limited admission of attorney filed by Alcoa should be, and hereby is, allowed;

3. That all parties must be represented by counsel who is admitted to practice in North Carolina before further participation in this docket; and

4. That PSNC's motion to limit participation is decided as hereinabove provided.

ISSUED BY ORDER OF THE CHAIR.

This the 11th day of August, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg081098.09

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-5, SUB 386

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Public Service Company of North Carolina, Inc., for an Adjustment of Its Rates and Charges	) ORDER REGARDING STUDY OF) TRANSPORTATION RATES)

BY THE CHAIR: Chapter 22 of the 1998 Session Laws was enacted by the General Assembly and signed by the Governor on June 30, 1998. Section 15 thereof provides that the Utilities Commission "shall study the transportation rates charged by the local distribution companies to transport piped natural gas from the interstate pipeline to the consumer." Since the issue of appropriate rates for transportation of customer-owned gas by an LDC is already pending before the Commission in this general rate case of Public Service Company of North Carolina, Inc. (PSNC), scheduled for hearing on August 25, 1998, the Chair finds good cause to issue the present order providing that the Commission will conduct the study required by Section 15 of Chapter 22 of the 1998 Session Laws in this docket.

The Chair realizes that conducting the study of transportation rates in this way establishes an expedited schedule for the study, but the Chair believes it important to coordinate the study with the pending rate case. Conducting the study in this docket will allow the Commission to conduct the study required by the General Assembly without prejudging the matter in the context of the rate case, which must be heard on the current schedule. Further, conducting the study in this docket will allow the Commission to set transportation rates for PSNC consistent with the conclusions reached in the study.

The Chair also realizes that conducting the study in this way may add testimony, and perhaps new parties not otherwise interested in the PSNC rate case, to this docket. In order to avoid disruption to the rate case and in order to accommodate parties interested only in the study of transportation rates, the Chair will schedule a distinct time for receipt of testimony relating to transportation rates, after other testimony in the rate case has been concluded. Thus, all prefiled testimony relating to transportation rates -- including those portions of rate case testimony relating to PSNC's proposed transportation rates -- shall be heard beginning Monday, August 31, 1998, at 1:00 p.m.

Parties who wish to intervene to participate in the study of transportation rates but who have no other interest in the PSNC rate case may petition to intervene for the limited purpose of participating in the study on or before August 5, 1998, and prefile their testimony by the same date. The Commission will allow public witnesses to present testimony relating to transportation rates as part of the transportation rate study. Such public witnesses should appear on Monday, August 31, 1998, at 1:00 p.m.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission will conduct the study of transportation rates required by Section 15 of Chapter 22 of the 1998 Session Laws in this docket;

2. That parties who wish to participate in the study of transportation rates but who have no other interest in the PSNC rate case may file petitions to intervene for the limited purpose of

participating in the study on or before August 5, 1998, and shall prefile their testimony relating to transportation rates on or before August 5, 1998;

3. That parties shall prefile any rebuttal testimony relating to transportation rates on or before August 19, 1998;

4. That all testimony relating to transportation rates -- including those portions of rate case testimony relating to PSNC's proposed transportation rates -- shall be heard beginning on Monday, August 31, 1998, at 1:00 p.m;

5. That public witnesses who wish to speak as to the study of transportation rates should appear at the hearing on Monday, August 31, 1998, at 1:00 p.m; and

6. That the Chief Clerk shall mail copies of this Order to all persons on the Commission's natural gas mailing list and to other interested persons as directed by Commission.

ISSUED BY ORDER OF THE CHAIR.

This the 8th day of July , 1998.

NORTH CAROLINA UTILITIES COMMISSION
Geneva S. Thigpen, Chief Clerk

rg070898.01

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 399

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., to Amend Its Tariffs to Minimize Cost Shifting Among Customer Classes	)	ORDER SUSPENDING TARIFFS AND SCHEDULING HEARING

BY THE COMMISSION: On November 7, 1997, Piedmont Natural Gas Company, Inc. (Piedmont), filed a Petition seeking to amend its large industrial sales and transportation rate schedules, Rate Schedules 103, 104, 113, and 114. Piedmont asserts that the purpose of the amendments is to prohibit large industrial customers from shifting costs to other customers by purchasing gas based on the benchmark under Rate Schedules 103 and 104 when the benchmark is less than market prices, and purchasing gas at market prices and transporting the gas under Rates Schedules 113 and 114 when the market price of gas is less than the benchmark. Piedmont proposes to amend Rate Schedules 103, 104, 113, and 114 to provide that any customer who elects to purchase gas under the sales rate schedules would not be eligible to transport gas under the transportation rate schedules for a period of 12 consecutive months following the date of the first purchase of gas. Customers would again be eligible to transport gas when the 12-month period expires. Piedmont attached proposed new Rate Schedules 103, 104, 113, and 114 to its Petition and asked that they be approved for a trial period of two years, effective December 1, 1997. The proposed effective date was subsequently changed to January 1, 1998, by statements in Piedmont's response and at Commission Conference.

Petitions to intervene, comments and requests for an evidentiary hearing were filed by Southeastern Gas and Power, Inc. (Southeastern), on November 12, 1997, the Carolina Utility Customers Association, Inc. (CUCA), on November 14, 1997, and by Enron Corporation on November 21, 1997. Piedmont filed a response and request for oral argument on November 20, 1997, asking that the Commission deny the requests for an evidentiary hearing. CUCA filed a reply on November 26, 1997.

The Public Staff presented the docket at the Commission Conference of December 1, 1997, and recommended that the Commission suspend the proposed tariff changes and establish a procedural schedule for a hearing on Piedmont's Petition. Counsel for Piedmont explained the proposal and urged the Commission to allow the proposed tariff changes to go into effect as a "temporary fix" for the cost shifting identified in its Petition and to schedule an evidentiary hearing on a "permanent fix." Counsel for Southeastern and CUCA stated their opposition to the proposal and supported the Public Staff's

recommendation, though counsel for Southeastern also urged the Commission to deny the proposed tariff changes outright based on the presentation at Conference.

It appears from the arguments presented at Conference that the tariff changes proposed by Piedmont's Petition of November 7, 1997, would substantially impact the way industrial customers purchase and transport gas under current tariffs and that the proposal presents issues of considerable controversy among the parties. The Commission believes that it would be inappropriate to allow such substantial and controversial changes to take effect without further examination, and the Commission concludes that good cause exists to suspend the proposed tariff changes and to schedule an evidentiary hearing.

The Commission notes that Piedmont orally proposed at Conference that the Commission schedule an evidentiary hearing on a "permanent fix" for cost shifting among customer classes. By this order, the Commission is acting on the Petition before it in this docket. The hearing scheduled herein is not a generic investigation of cost shifting, but rather a hearing for the purpose of considering whether the tariff changes proposed in the Petition filed on November 7, 1997, should be approved. If Piedmont wishes to make another proposal to complement or supersede the present proposal, it may do so in another docket and the Commission will then consider how any such new proposal should be heard.

IT IS, THEREFORE, ORDERED as follows:

1. That the proposed new Rate Schedules 103, 104, 113, and 114 filed by Piedmont with its Petition of November 7, 1997, are hereby suspended;

2. That the petitions to intervene filed by Southeastern, CUCA and Enron Corporation are allowed;

3. That a hearing is hereby scheduled for Wednesday, March 25, 1998, at 10:00 a.m., in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, to consider whether the tariff changes proposed by Piedmont's Petition of November 7, 1997, should be approved;

4. That Piedmont shall prefile testimony in support of its proposed tariff changes on or before January 5, 1998;

5. That other interested persons may petition to intervene on or before February 4, 1998, and all intervenors shall prefile testimony on or before February 4, 1998;

6. That Piedmont shall prefile any rebuttal testimony on or before March 18, 1998; and

7. That Piedmont shall give notice of the proposed tariff changes and of the hearing by sending the notice attached hereto as Appendix A as a bill insert or direct mailing to all customers who are served by any one of the affected rate schedules on or before January 5, 1998.

ISSUED BY ORDER OF THE COMMISSION

This the 4th day of December 1997.

North Carolina Utilities Commission

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

APPENDIX A

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 399

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., to Amend Its Tariffs to Minimize Cost Shifting Among Customer Classes	)	NOTICE OF HEARING

NOTICE IS HEREBY GIVEN that on November 7, 1997, Piedmont Natural Gas Company, Inc. (Piedmont), filed a Petition seeking to amend its large industrial sales and transportation rate schedules, Rate Schedules 103, 104, 113, and 114. Piedmont asserts that the purpose of the amendments is to prohibit large industrial customers from shifting costs to other customers by purchasing gas based on the benchmark under Rate Schedules 103 and 104 when the benchmark is less than market prices, and purchasing gas at market prices and transporting the gas under Rates Schedules 113 and 114 when the market price of gas is less than the benchmark. Piedmont proposes to amend Rate Schedules 103, 104, 113, and 114 to provide that any customer who elects to purchase gas under the sales rate schedules would not be eligible to transport gas under the transportation rate schedules for a period of 12 consecutive months following the date of the first purchase of gas. Customers would again be eligible to transport gas when the 12-month period expires. Piedmont proposed that its new Rate Schedules 103, 104, 113, and 114 be approved for a trial period of two years, effective January 1, 1998. Further information may be obtained from the Office of the Chief Clerk, North Carolina Utilities Commission, Raleigh, North Carolina, where a copy of the Petition is available for review.

NOTICE IS FURTHER GIVEN that the North Carolina Utilities Commission has scheduled a public hearing on whether Piedmont's proposed new Rate Schedules 103, 104, 113, and 114 should be approved by the Commission. The public hearing has been scheduled for Wednesday, March 25, 1998, at 10:00 a.m., in the Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina.

The Public Staff is authorized by statute to represent consumers in proceedings before the Commission. Written statements to the Public Staff should include any information which the writer wishes to be considered by the Public Staff in its investigation of the matter, and such statements should be addressed to Mr. Robert Gruber, Executive Director, Public Staff, Post Office Box 29520, Raleigh, North Carolina 27626-0520.

Officers
Directors
NC Dist Mgrs
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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-3, SUB 205
DOCKET NO. G-21, SUB 363
DOCKET NO. G-9, SUB 398
DOCKET NO. G-5, SUB 380
DOCKET NO. G-38, SUB 2

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

Docket No. G-3, Sub 205 In the Matter of North Carolina Gas Service - Report on Plans for Expansion of Natural Gas Service Docket No. G-21, Sub 363 In the Matter of North Carolina Natural Gas Corporation - Report on Plans for Expansion of Natural Gas Service Docket No. G-9, Sub 398 In the Matter of Piedmont Natural Gas Company, Inc. - Report on Plans for Expansion of Natural Gas Service Docket No. G-5, Sub 380 In the Matter of Public Service Company of North Carolina, Inc. - Report on Plans for Expansion of Natural Gas Service Docket No. G-38, Sub 2 In the Matter of Frontier Utilities of North Carolina, Inc. - Report on Plans for Expansion of Natural Gas Service	ORDER REQUESTING COMMENTS AND SCHEDULING PUBLIC HEARING

BY THE COMMISSION: G.S. 62-36A and Commission Rule R6-5(11) require each franchised natural gas distribution local company (LDC) operating in North Carolina to file biennial reports with the Commission detailing its plans for providing natural gas service in areas of its franchised service territory in which natural gas is not available. G.S. 62-36A requires the Commission and the Public Staff to provide independent analyses and summaries of the LDC reports, together with status reports on natural gas service in the State, to the Joint Legislative Utility Review Committee of the General Assembly.

The most recent such reports were filed by North Carolina Gas Service (Docket No. G-3, Sub 205), North Carolina Natural Gas Corporation (Docket No. G-21, Sub 363), Piedmont Natural Gas Company (Docket No. G-9, Sub 398), Public Service Company of North Carolina, Inc., (Docket No. G-5, Sub 380) and Frontier Utilities of North Carolina, Inc. (Docket No. G-38, Sub 2) on or about October 31, 1997. The reports are available for review at the Office of the Chief Clerk of the Utilities Commission. The Commission is presently in the process of reviewing and analyzing these reports.

The Commission is aware that many people in North Carolina are interested in the expansion of natural gas service. For that reason and in order to assist the Commission in the course of its investigation, good cause exists to solicit comments from all interested persons regarding the reports filed by the LDCs. Comments may be either written or oral. Written comments may be filed with the Chief Clerk of the Commission by the date established herein. Comments in the form of oral remarks may be presented to the Commission by appearing at the public hearing scheduled herein. Comments presented in writing need not, and should not, be repeated in oral remarks. The Commission requests that the LDCs be present at the public hearing to respond to any questions from the Commission that might be prompted by oral remarks from the public.

IT IS, THEREFORE, ORDERED as follows:

1. That any interested person may present written comments regarding the natural gas expansion reports of the LDCs by filing such with the Chief Clerk of the Utilities Commission on or before March 30, 1998;

2. That a public hearing is hereby scheduled to begin at 2:00 p.m., on Monday, March 30, 1998, in the Commission Hearing Room, 430 N. Salisbury Street, Raleigh, North Carolina, for the purpose of hearing oral remarks from the public regarding the natural gas expansion reports of the LDCs; and

3. That the Chief Clerk of the Commission shall enter this hearing on the Commission calendar and shall post notice of it on the Commission website and shall mail or provide a copy of this Order to all parties in the last general rate case for each LDC, the Attorney General, Carolina Utility Customers Association, Inc., Carolina Industrial Groups

for Fair Utility Rates, the Southern Environmental Law Center, the North Carolina Department of Transportation, the Energy Division and the Business/Industry Development Division of the Department of Commerce, the North Carolina Department of Environment and Natural Resources, the Commerce and Joint Legislative Utility Review Committees of the General Assembly, the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, the North Carolina Consumers Council and the North Carolina Citizens for Business and Industry.

ISSUED BY ORDER OF THE COMMISSION.

This the 25th day of February, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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Directors
NC Dist Mgrs
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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 397

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., for an Adjustment of its Rates and Charges to Track Changes in) Its Wholesale Cost of Gas	))))	ORDER ALLOWING RATE INCREASES EFFECTIVE OCTOBER 1, 1997

BY THE COMMISSION: Piedmont Natural Gas Company, Inc. (Piedmont), filed an application on September 16, 1997, pursuant to the provisions of G.S. 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Piedmont's North Carolina Service Regulations, seeking authority to increase its rates by $0.3244 per dekatherm (dt) effective October 1, 1997. Transportation rate schedules are proposed to be increased by $0.0041/dt to maintain those rates on a full margin basis. The increase is a result of a change in Piedmont's Benchmark Commodity Gas Cost from $2.63 to $2.94/dt.

The matter was presented to the Commission at its Regular Staff Conference on September 29, 1997. The Public Staff stated that it had reviewed the application and recommended approval.

Based upon review of the application and the recommendation of the Public Staff, the Commission is of the opinion that the proposed rate increases should be allowed to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont is authorized to increase its sales rate by $0.3244 per dekatherm effective for service rendered on and after October 1, 1997.

2. That Piedmont is authorized to increase its transportation rates by $0.0041 per dekatherm effective for service rendered on and after October 1, 1997.

3. That Piedmont shall file revised tariffs consistent with Ordering Paragraphs 1 and 2 within five (5) days of the date of this Order.

4. That Piedmont shall give notice to its customers of the rate increases allowed in this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 1st day of October, 1997.

NORTH CAROLINA UTILITIES COMMISSION

Geneve S. Thigpen

Geneve S. Thigpen, Chief Clerk

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 396

In the Matter of Application of Piedmont Natural Gas Company, Inc. for Authority to Transfer 541,651 Shares of Common Stock Previously Approved for Issuance Pursuant to Piedmont Natural Gas Company's 1986 Executive Long-Term Incentive Plan to Piedmont Natural Gas Company's 1996 Executive Long-Term Incentive Plan and to Issue Such Shares Pursuant to the 1996 Executive Long-Term Incentive Plan	)	ORDER GRANTING AUTHORITY TO ISSUE SECURITIES

BY THE COMMISSION: On September 4, 1997, Piedmont Natural Gas Company, Inc. (Company or Piedmont) filed an Application for authorization to transfer 541,651 shares of Common Stock previously approved for issuance pursuant to Piedmont's 1986 Executive Long-Term Incentive Plan (1986 Plan) to Piedmont's 1996 Executive Long-Term Incentive Plan (1986 Plan) and to issue such shares pursuant to the 1996 Plan.

This matter was submitted to the Commission at its regularly-scheduled Monday morning Staff Conference on September 29, 1997.

Based upon the verified Application, and the Commission's entire files and records in this matter, the Commission now makes the following

FINDINGS OF FACT

1. The Company is a corporation duly organized and existing under the laws of the State of North Carolina. It is engaged in the business of transporting, distributing and selling gas in the States of North Carolina, South Carolina and Tennessee. Piedmont is a public utility under the laws of this State, and its utility operations in North Carolina are subject to the jurisdiction of this Commission.

2. The Commission has previously granted Piedmont Certificates of Public Convenience and Necessity authorizing it to acquire certain gas franchises and properties in the State of North Carolina. Piedmont now holds franchises and is furnishing natural gas to customers located in 14 counties in North Carolina.

3. On February 6, 1986, the Commission issued an Order in Docket No. G-9, Sub 258 authorizing the Company to issue up to 400,000 shares of the

Company's Common Stock under the 1986 Plan. On February 23, 1993, the Commission issued an Order in Docket No. G-9, Sub 336, approving an increase in the number of shares issuable under the 1986 Plan from 400,000 to 800,000. Due to a two-for-one stock split approved in the same docket, the total number of shares subject to the 1986 Plan increased to 1,600,000.

4. As of January 1, 1997, 1,054,261 shares of Common Stock have been reserved for issuance, but not issued, under the 1986 Plan. Of these shares, Piedmont calculates approximately 512,610 shares could be issued under outstanding awards. The Company proposes to transfer the remaining shares reserved for issuance under the 1986 Incentive Plan to the 1996 Incentive Plan. The remaining shares total 541,651 (1,054,261-512,610).

5. On December 6, 1996, the Company's Board of Directors adopted the Piedmont Natural Gas Company, Inc. 1996 Plan, to be effective January 1, 1997. On February 26, 1997, Piedmont's shareholders approved the adoption of the 1996 Plan.

6. The purpose of the 1996 Plan is to promote the interests of the Company by attracting and retaining in its employment persons of outstanding ability and to provide executives and other key employees greater incentives to make material contributions to the success of the Company by providing them with incentive compensation conditioned upon the corporate achievement of targeted performance objectives. Employees who are in active service at the time awards are granted and are determined by the Board to be in the executive compensation group are eligible for awards under the 1996 Incentive Plan.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

Upon review and study of the verified Application, its supporting data and other information in the Commission's files, the Commission is of the opinion, and so finds and concludes, that the Company is a public utility subject to the jurisdiction of this Commission with respect to its rates, service, and securities issues and that the transfer and issuance of the Shares as set forth in the Application are:

(a) for a lawful object within the Company's corporate purposes;

(b) compatible with the public interest;

(c) necessary and appropriate for and consistent with the proper performance by the Company of its service to the public and that it will not impair its ability to perform that service; and

(d) reasonably necessary and appropriate for the such purposes.

IT IS, THEREFORE, ORDERED that Piedmont Natural Gas Company be, and it is hereby, authorized, empowered, and permitted, upon the terms and conditions set forth in its Application:

1. To transfer up to 541,651 shares of Common Stock reserved for issuance under the 1986 Plan for issuance under the 1996 Plan and to issue such shares under the 1996 Plan; and

2. To execute and deliver such documents and perform such acts as may become necessary or proper to facilitate the issuance of the shares of Common Stock.

IT IS FURTHER ORDERED, that

1. The Company file a written report to the Commission in this docket within thirty (30) days after the issuance of Shares pursuant to an award under the Plan as herein approved. The report shall contain as a minimum the following data:

a. Date of issuance;
b. Number of shares issued;
c. Name of employee receiving such shares; and
d. The Order Docket Number authorizing the issuance and the remaining balance of shares authorized but unissued.

2. This proceeding be and the same is continued on the docket of the Commission, for the purpose of receiving the report as hereinabove provided.

3. The findings in this Order that the transfer and issuance of the securities in question are compatible with the public interest, and are necessary, appropriate for, or consistent with the proper performance of Piedmont's service to the public do not extend to a finding that the compensation costs that will be incurred as a result of operating the 1996 Executive Long Term Incentive Plan are appropriate and reasonable for ratemaking purposes. Such a determination is normally made only in the context of a general rate case, and is outside the scope of this Order. Further, nothing in this Order shall restrict the Commission's right to review and, if deemed appropriate, adjust Piedmont's cost of capital for ratemaking purposes for the effect of these securities.

ISSUED BY ORDER OF THE COMMISSION.

This the 6th day of October 1997.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Deputy Clerk

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Officers
Directors
NC Dist Mgrs
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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 393

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of Piedmont Natural Gas Company, Inc., For Annual Review of Gas Costs Pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6)	)))))	ORDER ON ANNUAL REVIEW OF GAS COSTS

HEARD: Tuesday, October 7, 1997, at 10 a.m., Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Commissioner Judy Hunt, Presiding, and Commissioners Ralph A. Hunt and Robert V. Owens, Jr.

APPEARANCES:

For Piedmont Natural Gas Company, Inc.:

Jerry W. Amos III, Amos & Jeffries, L.L.P., Post Office Box 787, Greensboro, North Carolina 27402

For Carolina Utility Customers Association, Inc.:

Sam J. Ervin, IV, Byrd, Byrd, Ervin, Whisnant, McMahon & Ervin, P.A., Post Office Drawer 1269, Morganton, North Carolina 28680-1269

For the Using and Consuming Public:

Vickie L. Moir, Staff Attorney, Public Staff-North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520

For the North Carolina Department of Justice:

Margaret A. Force, Assistant Attorney General, North Carolina Department of Justice, Post Office Box 629, Raleigh, North Carolina 27514

BY THE COMMISSION: On July 31, 1997, Piedmont Natural Gas Company, Inc. (Piedmont or Company), filed the direct testimony and exhibit of Ann H. Boggs, Director of Gas Accounting and direct testimony of Keith F. Maust, Director, Gas Supply and Market Sales, relating to the annual review of Piedmont's gas costs pursuant to G.S. 62-133.4(c) and Commission Rule R1-17(k)(6).

On August 8, 1997, the Commission issued an order scheduling a public hearing for October 7, 1997, setting dates for prefiled testimony and intervention, and requiring public notice.

On August 26, 1997, a notice of intervention was filed by the Attorney General.

On August 27, 1997, Carolina Utility Customers Association, Inc. (CUCA), filed a Petition to Intervene. By Order dated October 1, 1997, the Commission granted CUCA's Petition.

The matter came on for hearing as scheduled. The Public Staff presented the testimony of James G. Hoard, Supervisor, Natural Gas Section, Accounting Division, and Jeffrey L. Davis, Public Utilities Engineer, Natural Gas Division. Piedmont presented the testimony of Ms. Boggs and Mr. Maust.

Based on the evidence presented at the hearing and the entire record in this proceeding, the Commission makes the following:

FINDINGS OF FACT

1. Piedmont is a public utility as defined in Chapter 62 of the North Carolina General Statutes.

2. Piedmont is engaged primarily in the purchase, distribution, and sale of natural gas and in the transportation of customer-owned gas to over 575,000 customers in the Piedmont region of North Carolina, South Carolina, and the metropolitan area of Nashville, Tennessee.

3. Piedmont has filed with the Commission and submitted to the Public Staff all of the information required by G.S. 62-133.4(c) and Commission Rule R1-17(k) and has complied with the procedural requirements of such statute and rule.

4. The review period in this proceeding is the twelve months ended May 31, 1997.

5. During the review period, Piedmont incurred gas costs of $265,352,901, received $281,986,520 through rates, and the difference of $16,133,619 was reflected as a credit in its deferred accounts.

6. At May 31, 1997, Piedmont had on its books a net credit balance (payable to customers from Piedmont) of $5,251,138 in its deferred accounts, consisting of a debit balance of $1,449,807 in the Sales Only Deferred Account and a credit balance of $6,700,945 in the All Customers Deferred Account.

7. During the review period, the Company realized net compensation of $5,234,846 from secondary market transactions. In accordance with the Commission's orders in

Docket No. G-100, Sub 63 and Docket No. G-100, Sub 67, $3,926,134 of the net compensation was treated as a reduction in gas costs for the benefit of Piedmont's customers.

8. Piedmont's treatment of Transco Firm Service (FS) charges as demand charges during the review period was proper.

9. Piedmont properly accounted for its gas costs during the review period.

10. Piedmont has transportation and storage contracts with interstate pipelines which transport gas directly to Piedmont's system and long-term supply contracts with other suppliers.

11. Piedmont has adopted a "best cost" gas purchasing policy consisting of five main components: the price of gas, the security of the gas supply, the flexibility of the gas supply, gas deliverability, and supplier relations.

12. Piedmont's gas costs during the review period were prudently incurred.

13. Piedmont should be permitted to recover 100% of its prudently incurred gas costs.

14. Piedmont proposed to refund the balance of $6,700,945 in the All Customers Deferred Account based on the fixed gas costs apportionment percentages for each rate schedule as set forth in the Commission's order in the Company's last rate case, Docket No. G-9, Sub 351.

15. Piedmont proposed to refund the May 31, 1997, balance in its All Customers Deferred Account by implementing the decrements for each rate schedule as shown on Company witness Boggs Schedule 11 to Exhibit AHB-1 beginning with the first billing cycle of the month that follows the date of the Commission's order in this docket.

16. Piedmont proposed to collect the net debit balance of $1,449,807 in the Sales Only Deferred Account beginning with the first billing cycle of the month that follows the date of the Commission's order in this docket.

17. Piedmont should collect the May 31, 1997, balance in its Sales Only Deferred Account by implementing an across-the-board increment of $0.0268/dt.

18. The total level of design day dekatherms utilized during this review period is reasonable.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1 AND 2

The evidence supporting these findings is contained in the official files and records of the Commission and the testimony of Piedmont witness Maust. These findings are

essentially informational, procedural or jurisdictional in nature and are based on evidence uncontested by any of the parties.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 3 AND 4

The evidence supporting these findings is contained in the testimony of Piedmont witness Boggs and Public Staff witness Hoard.

G.S. 62-133.4 requires that each natural gas utility submit to the Commission information and data for an historical twelve-month test period concerning its actual cost of gas, volumes of purchased gas, sales volumes, negotiated sales volumes, and transportation volumes. In addition, Commission Rule R1-17(k)(6)(c) requires the filing of information and data showing weather-normalized sales volumes, workpapers, and direct testimony and exhibits supporting the information.

Ms Boggs testified that the purpose of her testimony was to respond to Rule R1-17(k)(6)(c). Pursuant to that rule, she presented schedules reflecting the information for the period June 1, 1996, through May 31, 1997. She also stated that Piedmont had filed information with the Commission on a monthly basis during the test period and provided copies to the Public Staff. Mr. Hoard confirmed that the Public Staff had reviewed the filings.

The Commission therefore concludes that Piedmont has complied with all of the procedural requirements of G.S. 62-133.4(c) and Commission Rule R1-17(k) for the review period.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5 - 9

The evidence supporting these findings is contained in the testimony of Piedmont witnesses Maust and Boggs and Public Staff witnesses Davis and Hoard.

In her prefiled testimony Ms. Boggs indicated that, as of May 31, 1997, Piedmont had a net credit balance (payable from Piedmont to customers) of $5,251,138 in its deferred accounts. This credit balance consisted of a debit balance of $1,449,807 in the Sales Only Deferred Account and a credit balance of $6,700,945 in the All Customers Deferred Account. Public Staff witness Hoard testified that Piedmont had properly accounted for its gas costs during the review period.

Witness Maust testified that Piedmont achieved net compensation of $5,234,846 from secondary market transactions; $3,926,134 of this net compensation was treated as a reduction in gas costs for the benefit of Piedmont's customers in accordance with procedures established in Docket No. G-100, Sub 63 and Docket No. G-100, Sub 67.

CUCA argued that the Transco Firm Service (FS) fee is a reservation fee that should be collected from sales-only customers. Public Staff witness Davis testified that a reservation fee is, ". . . any fee that would warranty the gas or make the deliverability

dependable." Witness Davis made clear that in discussing reservation fees, he was referring to fees paid to " . . . producers in the Gulf . . ." to secure supplies of the commodity. The Commission has held in past proceedings that such reservation fees paid under gas purchase contracts to secure gas supplies are properly treated as commodity costs and charged to sales-only customers. However, witness Davis testified that fees paid to pipelines should be treated as demand charges. Public Staff witness Hoard testified, "The Commission has consistently classified the Transco FS charges as demand and storage charges in all of the LDCs' rate cases."

Commission Rule R1-17(k)(2)(g) defines demand and storage charges as, ". . . all Gas Costs which are not based on the volume of gas actually purchased or transported by an LDC and any other gas costs determined by the Commission to be properly recoverable from customers . . . ." The issue in this case is whether the Transco FS fee is "properly recoverable" from all customers. To determine this, the Commission looks to the purpose of the cost.

The record in this docket makes it clear that it is important for Piedmont to have the flexibility necessary to meet swings in the supply and demand for gas. Gas is put into Transco's interstate pipeline system for delivery to Piedmont's system by Piedmont under its gas purchase contracts and by producers and marketers under contract with Piedmont's transportation customers. Gas is taken out of Piedmont's system by firm sales customers, interruptible sales customers and interruptible transportation customers. There can be sharp swings in takes of gas by various customers. To maintain the operational integrity of its system, Piedmont must balance the gas going in with the gas being taken out. Piedmont witness Maust testified that Piedmont accommodates swings in demand ". . . for either our firm markets or our interruptible transportation markets . . ." using storage, flexibility in gas supply contracts and ". . . no notice swing services." Transco's FS is a no-notice swing service. Public Staff witness Hoard testified that Transco's FS provides no-notice gas deliverability and is different from supplier services in that it has a lot more swing flexibility associated with it than those other services. In responding to a question dealing with how gas supply is used to meet swings in demand, witness Hoard stated that the FS Service is, ". . . the one that you would see the greatest swing on."

The Commission concludes that the Transco FS fee is fundamentally different from the reservation fees paid to producers under gas supply contracts. Reservation fees are paid to secure gas supply. They are properly charged to sales-only customers. The Transco FS fee is not paid to secure a source of gas per se, but rather, it is paid to secure the flexibility needed to handle swings in supply and demand. Swings in supply and demand are caused by both sales and transportation customers. The FS service benefits both sales and transportation customers since the Company uses it to maintain the operational integrity of its system. The swing flexibility provided by this contract is critical to allow Piedmont to respond to changes in supply and demand on its system regardless of whether the change in supply and demand is related to sales customers, transportation customers or both. Therefore, it is appropriate to collect the Transco FS fee from all customers.

Based on the foregoing, the monthly filings by Piedmont pursuant to Commission Rule R1-17(k)(6)(c), and the findings of fact set forth above, the Commission concludes that Piedmont properly accounted for its gas costs during the review period and that the deferred account balances as reported are correct.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10 - 13

The evidence supporting these findings is contained in the testimony of Piedmont witness Maust and Public Staff witness Davis.

Mr. Maust testified that Piedmont's gas purchasing policy is best described as a "best cost" policy. This policy consists of five main components: price of gas, security of gas supply, flexibility of gas supply, gas deliverability, and supplier relations. Mr. Maust stated that all of these components are interrelated and that Piedmont weighs each of these five factors in developing an overall gas portfolio.

Mr. Maust testified that Piedmont purchases gas supplies under a diverse portfolio of contractual arrangements with a number of reputable gas producers and marketers. He stated that in general, under the Company's firm supply contracts, it pays negotiated reservation fees for the right to reserve and call on firm supply service up to a maximum daily quantity and market-based commodity prices tied to published indices. Long-term contracts typically provide for periodic reservation fee renegotiations. Piedmont purchases gas supplies in the spot market under terms of one month or less. These spot market purchases do not command reservation fees and are priced on a commodity basis.

Mr. Maust testified that Piedmont sells gas to two distinct markets: the firm market and the interruptible market. Firm sales are principally to the residential, commercial, and the small firm industrial customers. Interruptible customers consist principally of large industrial customers. The firm market generally has no alternative source of fuel and depends entirely on gas. The interruptible market has alternative sources of energy and will refuse to buy gas when its alternative fuel is cheaper.

Mr. Maust also described how the interrelationship of the five factors affects Piedmont's construction of its supply portfolio under its "best cost" policy. The long-term contracts, supplemented by long-term peaking services and storage, generally are aligned with the firm market. The interruptible market is supplied with off-peak firm gas supply and transportation service when the firm customers' demand declines and through spot market purchases. In order to weigh and consider the five factors, Piedmont tries to keep informed about all aspects of the natural gas industry. Piedmont therefore stays abreast of current issues by intervening in all major proceedings affecting pipeline suppliers, attending conferences, following pricing trends and forecasts, following supply and demand developments, and subscribing to industry literature.

Mr. Maust testified that Piedmont contracted for additional firm transportation capacity to meet the needs of its rapidly growing market. Contractual arrangements have been made with Columbia Gas Transmission Corporation for 11,000 dekatherms per day

(dt/day) of capacity during the review period for the months of December 1996 through February 1997. Mr. Maust testified that Piedmont solicited proposals for 11,000 dt/day of firm city gate peaking service, available for any twenty days during the delivery period of December 1996 through February 1997. Piedmont, utilizing its "best cost" purchase policy, elected to purchase this firm capacity rather than firm city gate peaking service. During the past year, so as to manage its gas costs consistent with its "best cost" policy, Piedmont has worked actively with the FERC, actively renegotiated contracts, utilized the flexibility available within its contracts to release capacity, "locked-in" gas prices where applicable, worked to improve the Company's load factor and reduce average unit costs, and been active in supply activities with its Internal Gas Committee.

Mr. Davis testified that he had reviewed the Company's gas supply contracts to determine how the commodity and variable costs were determined. He then reviewed the fixed gas costs that apply. In addition, Mr. Davis stated that he reviewed information related to (1) design day estimates, (2) forecasted load duration curves, (3) forecasted gas supply requirements, (4) projections of capacity additions and supply changes and (5) customer load profile changes. Mr. Davis stated that, in the Public Staff's opinion, Piedmont's purchasing practices were reasonable and prudent.

Based on the foregoing, the Commission concludes that Piedmont's gas costs during the review period were reasonable and prudently incurred and should be recovered.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 14 - 17

The evidence supporting these findings is contained in the testimony of Piedmont witness Boggs and Public Staff witness Davis.

Ms. Boggs testified that Piedmont proposes to change its rates as shown on Schedule 11 to Exhibit AHB-1. Ms. Boggs computed rate decrements for all of its rate schedules to refund the $6,700,945 balance owed to customers in the All Customers Deferred Account, based on the fixed gas cost apportionment percentages for each rate schedule as set forth in the Commission's order for the Company's last general rate case, Docket No. G-9, Sub 351. Ms. Boggs computed a rate increment of $.0268/dt for its sales rates to collect the $1,449,807 balance due from customers in the Sales Only Deferred Account. Ms. Boggs proposes to replace the temporary increments and decrements (temporaries) determined in its last Annual Review with the temporaries determined in this proceeding. Public Staff witness Davis testified that he agreed with Piedmont's proposed rate changes.

The Commission finds that the rates proposed by Piedmont should be implemented by order of the Commission in this docket for refund and/or collection of the balances in the two deferred accounts.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 18

The evidence for this finding is contained in the testimony of Public Staff witness Davis.

Mr. Davis stated that in Piedmont's last annual gas cost review in Docket No. G-9, Sub 384, Company witness Fleenor indicated that it was the Company's intention to implement a 5% reserve margin beyond its peak day demand calculations. This reserve margin would be phased in at 10,000 dekatherms per day (dt/day) per year for three years, beginning with the 1996-1997 winter season and ending with the 1998-1999 winter season, at which time a full 5% reserve margin would be in effect. Mr. Davis testified that the current review period for the twelve months ending May 31, 1997, included 10,000 dt/day of reserve margin.

Mr. Davis further testified that the purpose of this reserve margin was to supplement the design day criteria of 53 heating degree days (HDD), which represents 12° Fahrenheit in average temperature for the system. According to Mr. Davis, other gas utilities in the State use design criteria of 55 HDD for planning without a reserve margin. He stated that using a 10,000 dt/day reserve margin with a 53 HDD design day is approximately the same as using a 54 HDD design day, which is well within design tolerances and an acceptable approach. For this reason, he did not question the reasonableness of Piedmont's use of a 10,000 dt/day reserve margin for capacity and supply planning during the review period. He stated, however, that the Public Staff will continue to review the matter on a case-by-case basis in future proceedings.

In a brief filed on November 12, 1997, the Attorney General stated, "The Attorney General does not oppose the prudence of the 10,000 dt/day increment in this proceeding only because the evidence does not show Piedmont has acquired capacity beyond what might be needed to meet a 'design day' using reasonable design criteria."

The Commission agrees with Mr. Davis' analysis and finds that the total level of design day dekatherms utilized in this review period is reasonable. The Commission will address the appropriate level of design day dekatherms for future periods in subsequent annual review proceedings.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont's accounting for gas costs during the twelve months ended May 31, 1997, is approved;

2. That Piedmont is authorized to recover 100% of its gas costs incurred during the twelve months ended May 31, 1997;

3. That Piedmont shall implement the temporary decrements, as shown on Schedule 11 to Exhibit AHB-1, to refund the credit balance related to the All Customers

Deferred Account beginning with the first billing cycle of the month following the date of this order;

4. That Piedmont shall implement a temporary increment of $0.0268/dt to collect the debit balance related to the Sales Only Deferred Account beginning with the first billing cycle of the month following the date of this order;

5. That the Commission will address the appropriate level of design day dekatherms for future periods in subsequent annual gas cost review proceedings; and

6. That Piedmont shall give notice to all of its customers of the changes in rates approved in this order by appropriate bill inserts in the first billing cycle following the date of this order.

ISSUED BY ORDER OF THE COMMISSION

This the 15th day of December, 1997

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-9, SUB 391

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Piedmont Natural Gas	)	ORDER APPROVING
Company, Inc., for Approval of	)	DEFERRED ACCOUNTING
Deferred Accounting	)	TREATMENT

BY THE COMMISSION: On June 2, 1997, Piedmont Natural Gas Company, Inc. (Piedmont), filed a petition requesting Commission approval for deferral of certain costs directly related to an ongoing computer conversion project. The project, referred to as "Year 2000 Compliance," is required to ensure accurate operation of Piedmont's computer systems' use of dates on and after January 1, 2000. Computer systems worldwide are being or will be converted to allow them to accurately operate after the beginning of the next century. The application stated that for Piedmont, these costs are extraordinary and significant. Piedmont also stated that these costs benefit its customers and should be deferred and subsequently recovered in a future general rate case.

Piedmont is seeking only to recover the costs related to contractor labor from outside vendors associated with the repair or upgrade of existing computer systems. Contractor labor related to the installation of new systems will be capitalized. The total estimated cost of the contractor labor is approximately $5,000,000. Of this amount, approximately $3,000,000 will be subject to deferred accounting and $2,000,000 will be capitalized along with the cost of any new computer systems. Piedmont does not seek deferral of the labor cost for its employees working on the project.

In a recent Order, Docket No. G-5, Sub 369, the Commission granted Public Service Company of North Carolina, Inc. (PSNC), deferred accounting treatment for its outside contractual labor costs related to PSNC's "Year 2000 Conversion Project." In that docket, the Commission ordered that the deferred costs be amortized "over three years with such amortization beginning in the year such annual costs are incurred."

This matter was presented at the Commission's Regular Staff Conference on September 8, 1997. The Public Staff recommended approval of the same accounting treatment recently granted PSNC for deferred accounting of its "Year 2000 Conversion Project" costs. Piedmont has agreed to accept the same accounting treatment afforded to PSNC with respect to this issue.

The Commission, after review of the application and the recommendation of the Public Staff, is of the opinion and so concludes that Piedmont's outside contractual labor

costs related to the "Year 2000 Compliance" project are of such a nature and expense to Piedmont that departure from the Commission's more traditional accounting practices is warranted. Accordingly, the Commission concludes that such costs should be amortized over three years with such amortization beginning in the year such annual costs are incurred. The Commission further concludes that such deferral be without prejudice to the right of any party to take issue with respect to the treatment of such costs for ratemaking purposes in future regulatory proceedings.

IT IS, THEREFORE, ORDERED as follows:

1. That Piedmont Natural Gas Company, Inc., is hereby authorized to defer each year's outside contractual labor cost related to the "Year 2000 Compliance" project and amortize such costs over three years with such amortization beginning in the year such annual costs are incurred; and

2. That the deferral authorization herein is without prejudice to the right of any party to take issue with respect to the treatment of such costs for ratemaking purposes in future regulatory proceedings.

ISSUED BY ORDER OF THE COMMISSION

This the 15th day of September 1997.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

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Officers
Directors
NC Dist Mgrs
SCF
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DOCKET NO. G-9, SUB 377

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Piedmont Natural Gas Company, Inc.'s Incentive Program Filing	)))	ORDER APPROVING PROGRAM

BY THE COMMISSION: On December 8, 1997, Piedmont Natural Gas Company, Inc. (Piedmont), filed a letter in the above docket seeking Commission approval of a Natural Gas Light Incentive Program. The filing included a section on the impact on Piedmont and its ratepayers. That section reported the results of a Ratepayer Impact Measure (R.I.M.) test for the first ten years of operation of the Program. The R.I.M. test showed a benefits to cost ratio of 1.2.

None of the other parties to this docket filed comments or protests in response to Piedmont's proposed Natural Gas Light Incentive Program.

On the basis of Piedmont's filing, the Commission concludes that the Program should be approved. The Commission will determine rate treatments when the Company seeks recovery of costs.

IT IS, THEREFORE, ORDERED that the Natural Gas Light Incentive Program contained in Piedmont's December 8, 1997 filing and cited above is hereby approved;

ISSUED BY ORDER OF THE COMMISSION.

This the 23rd day of January, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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Officers
Directors
NC District Managers
General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-3, SUB 198

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of North Carolina Gas Service, a Division of NUI Corporation, for a Certificate of Public Convenience and Necessity to Construct, Own and Operate a Local Distribution System in Northwestern Forsyth County	)	ORDER CLOSING DOCKET

BY THE CHAIR: On December 30, 1996, North Carolina Gas Service, a Division of NUI Corporation (now NUI NC Gas), filed an application in this docket for a certificate of public convenience and necessity for natural gas in northwest Forsyth County. The application indicated that it was filed in response to the Order issued by the Commission in Docket Nos. G-3, Sub 191 and G-9, Sub 372 on October 25, 1996, in which the Commission issued a certificate for southwest Stokes County to Piedmont Natural Gas Company, Inc., after finding in part that the franchise for King, which spans the Forsyth/Stokes County line, should not be split. NC Gas, which had filed a competing application, appealed the October 25, 1996 Order and filed the application in this docket. On January 14, 1997, the Commission issued an Order holding further proceedings in this docket in abeyance pending the outcome of that appeal.

The Chair finds good cause to close this docket since it was dependent on the proceedings in Docket Nos. G-3, Sub 191 and G-9, Sub 372 and those proceedings have now been concluded.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 23rd day of December, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

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C; OFFICERS
DIRECTORS
NC DIST MGR
AUDITING
GEN. COUNSEL
TCH 11/12/97

DOCKET NO. G-39
DOCKET NO. G-37, SUB 1
DOCKET NO. G-5, SUB 327
DOCKET NO. G-9, SUB 351

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Joint Application of Cardinal Extension Company, LLC (Cardinal Extension); Cardinal Pipeline Company, LLC (Cardinal Pipeline); Public Service Company of North Carolina, Inc. (PSNC); and Piedmont Natural Gas Company, Inc. (Piedmont) for (a) a Certificate of Public Convenience and Necessity Authorizing Cardinal Extension to Construct, Own and Operate Natural Gas Pipeline Facilities, (b) the Approval of a Merger of Cardinal Pipeline with and into Cardinal Extension, (c) the Approval of the Transfer to Cardinal Extension of all of Cardinal Pipeline's Rights and Authorities to Provide Natural Gas Service, (d) the Approval of the Abandonment of Gas Service by Cardinal Pipeline upon the Consummation of the Merger, (e) the Approval of the Rates and Other Terms and Conditions of Service by which Cardinal Extension will Provide Service, (f) the Approval of Ratemaking Treatment by Which Piedmont and PSNC will Adjust their Base Rates and Gas Cost Recovery Mechanisms, and (g) Request for Exemption from Certain Commission Rules	ORDER GRANTING CERTIFICATE AND APPROVING RATES, TERMS AND CONDITIONS, MERGER AND TRANSFER AND ABANDONMENT OF GAS SERVICE

HEARD: Commission Hearing Room, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina, on Tuesday, May 20, 1997

BEFORE: Commissioner Judy Hunt, Presiding, Chairman Jo Anne Sanford, Commissioners Charles H. Hughes, Laurence A. Cobb, Allyson K. Duncan, Ralph A. Hunt and William R. Pittman

APPEARANCES:

For Cardinal Extension Company, LLC and Cardinal Pipeline Company, LLC

Robert W. Kaylor, 225 Hillsborough Street, Suite 480, Raleigh, North Carolina 27603

For Public Service Company of North Carolina, Inc.

J. Paul Douglas, Public Service Company of North Carolina, Inc., Post Office Box 1398, Gastonia, North Carolina 28053

For Piedmont Natural Gas Company, Inc.

Jerry W. Amos, Amos & Jeffries, LLP, Post Office Box 787, Greensboro, North Carolina 27402

For North Carolina Natural Gas Corporation

Edward S. Finley, Jr., Hunton & Williams, Post Office Box 109, Raleigh, North Carolina 27601

For Carolina Utility Customers Association, Inc.

Sam J. Ervin, IV, Attorney at Law, Byrd, Byrd, Ervin, Whisnant, McMahon & Ervin, P.A., Post Office Drawer 1269, Morganton, North Carolina 28680-1269

For Intervening Landowners

Wade Barber, Barber, Bradshaw & Vernon, Post Office Box 607, Pittsboro, North Carolina 27312

For the Using and Consuming Public

Antoinette R. Wike, Chief Counsel, Gisele L. Rankin, Staff Attorney, Public Staff-North Carolina Utilities Commission, Post Office Box 29520, Raleigh, North Carolina 27626-0520

Margaret A. Force, Assistant Attorney General, North Carolina Department of Justice, Post Office Box 629, Raleigh, North Carolina 27602-0629

BY THE COMMISSION: On December 23, 1996, Cardinal Extension Company, LLC (Cardinal Extension or, sometimes, Cardinal); Cardinal Pipeline Company, LLC (Cardinal Pipeline); Public Service Company of North Carolina, Inc. (PSNC); and Piedmont

Natural Gas Company, Inc. (Piedmont) (collectively referred to as the Applicants) filed an application requesting (a) a certificate of public convenience and necessity authorizing Cardinal Extension to construct, own and operate intrastate natural gas pipeline facilities; (b) the approval of the merger of Cardinal Pipeline with and into Cardinal Extension; (c) the approval of the transfer to Cardinal Extension of all of Cardinal Pipeline's rights and authorities to provide natural gas service; (d) the approval of the abandonment of gas service by Cardinal Pipeline upon the consummation of the merger; (e) the approval of the rates and other terms and conditions of service by which Cardinal Extension will provide service; (f) the approval of ratemaking treatment by which Piedmont and PSNC will adjust their base rates and gas cost recovery mechanisms; and (g) exemption from certain rules set forth in Articles 4, 6 and 7 of Chapter 6 of the Commission's Rules as necessary to permit the quality standards and the billing and measurement procedures set forth in the Pro Forma Service Agreement to apply to firm transportation service provided by Cardinal Extension.

The Commission issued an Order on January 28, 1997, which scheduled a public hearing to begin on Tuesday, May 20, 1997, for the purpose of considering the application filed by the Applicants on December 23, 1996. The order provided that Cardinal Extension publish a public notice in newspapers having general coverage in Alamance, Chatham, Orange and Wake counties once a week for three consecutive weeks starting no later than fifteen (15) days from the date of the Order. It also provided for the filing of petitions to intervene and the prefiling of direct testimony and rebuttal testimony.

On February 13, 1997, the Attorney General filed a notice of intervention pursuant to G.S. 62-20 to represent the using and consuming public. On February 21, 1997, the Carolina Utility Customers Association, Inc. (CUCA) filed a petition to intervene, which was allowed by Order dated February 2, 1997. On April 14, 1997, a motion for extension of time to file a petition to intervene on behalf of 21 landowners was filed. On April 30, 1997, the landowners filed a petition to intervene, which was granted by Order of May 8, 1997.

On May 1, 1997, CUCA filed the direct testimony of Kevin W. O'Donnell. On May 9, 1997, the Public Staff filed a letter notifying the Commission that the Public Staff and the Applicants had reached a settlement and that the Public Staff did not intend to file testimony. On May 15, 1997, Cardinal Extension, Cardinal Pipeline, PSNC, Piedmont and the Public Staff filed a Stipulation for the Commission's consideration. On May 15, 1997, the intervenor landowners filed the direct testimony of Lyle V. Jones, Lora Sparrow, Amelia G. Rountree, Anita Booth, David Swingle and Bobby Parker. Also, on May 15, 1997, CUCA filed Revised Exhibit KWO-4 to the testimony of Kevin W. O'Donnell. On May 19, 1997, Cardinal Extension filed the rebuttal testimony of Joseph N. (Jody) Wicker. On May 30, 1997, Cardinal Extension filed a letter regarding revised procedures with respect to entry on land for the purpose of surveying.

The case was heard as scheduled on May 20, 1997. At the hearing, CUCA introduced a letter (CUCA Exhibit No. 1) stating that CUCA did not oppose approval of the Stipulation between the Public Staff and Applicants, provided Cardinal Extension, NCNG, Piedmont and PSNC acknowledged that the capacity entitlements to be owned by NCNG, Piedmont and PSNC on Cardinal Extension would be operated as if they represented

company-owned transmission facilities; that customer-owned gas would, in appropriate instances, be transported on each local distribution company's (LDC's) capacity entitlement on Cardinal Extension; that the proposed Cardinal Extension facility would not be operated in a manner which would unlawfully discriminate against the transportation of customer-owned gas; and that the effect of a Commission decision to approve the construction and operation of the proposed Cardinal Extension pipeline would be to expand the ability of all NCNG and PSNC industrial customers, whether those customers chose to purchase sales rate gas or to transport customer-owned gas, to obtain gas service at their manufacturing facilities. Cardinal Extension, NCNG, Piedmont, PSNC and the Public Staff agreed to CUCA Exhibit No. 1 at the commencement of the hearing. The Attorney General did not oppose approval of the Stipulation.

Subsequent to the hearing, on August 8, 1997, the Commission issued an Order Regarding Late-Filed Exhibits providing for the submission of late-filed exhibits, in the form of affidavits, to supplement the record as to two matters: developments as to the landowners' issues that had occurred since the hearing and a list of all known federal, state and local permits required for the Cardinal project. Affidavits were filed on September 8, 1997, by Gary R. Snowbarger and Richard K. Mogensen on behalf of Cardinal Extension and by Nicolas P. Robinson on behalf of the landowners. The Attorney General filed a letter on that date.

Based upon the verified application, the testimony and exhibits received into evidence at the hearing, the late-filed exhibits, and the record as a whole, the Commission makes the following:

FINDINGS OF FACT

1. Cardinal Pipeline is a limited liability company formed under the North Carolina Limited Liability Company Act. The members of Cardinal Pipeline are PSNC and Piedmont Intrastate Pipeline Company (Piedmont Intrastate). Cardinal Pipeline's principal place of business is located at the offices of its operator, PSNC, at 400 Cox Road, Gastonia, North Carolina.

2. Cardinal Pipeline is the owner of an existing 24-inch diameter intrastate pipeline which originates at an interconnection with Transcontinental Gas Pipeline Corporation (Transco) in Rockingham County, North Carolina, and extends approximately 37 miles through Northern Guilford County to Alamance County where it connects with measurement facilities owned by PSNC and with measurement facilities owned by Piedmont on the southeast side of Burlington, North Carolina (hereinafter referred to as the existing Cardinal pipeline). The construction of the existing Cardinal pipeline and its firm service obligations and applicable ratemaking procedures were approved by Commission Order dated July 1, 1994, in Docket No. G-37. Service commenced through the existing Cardinal pipeline in December 1994. PSNC has a contractual entitlement to 70,000 thousand cubic feet per day (Mcf/day) of firm transportation capacity, and Piedmont has a contractual entitlement to 60,000 Mcf/day of firm transportation capacity on the existing Cardinal pipeline. Cardinal Pipeline does not charge PSNC or Piedmont a rate for this firm transportation capacity; rather, PSNC and Piedmont made capital contributions

to Cardinal Pipeline, and the cost of service associated with this transportation capacity is recovered through the general system rates of PSNC and Piedmont.

3. PSNC is a natural gas local distribution company primarily engaged in the purchase, transportation, distribution and sale of natural gas in the State of North Carolina. At the time the application was filed, PSNC was authorized to serve natural gas customers in 90 cities and communities in an approximately 13,000 square mile area which includes portions of 33 counties and a population of approximately 2.4 million people.

4. Piedmont is a local distribution company principally engaged in the purchase, distribution and sale of natural gas to customers in the Piedmont region of North Carolina and South Carolina and the metropolitan area of Nashville, Tennessee. Piedmont serves approximately 327,000 customers in the State of North Carolina.

5. Cardinal Extension is a limited liability company formed under the North Carolina Limited Liability Company Act. The members of the Cardinal Extension are TransCardinal Company (TransCardinal), a wholly owned subsidiary of Transco; PSNC Cardinal Pipeline Company (PSNC Cardinal), a wholly owned subsidiary of PSNC; Piedmont Intrastate, a wholly owned subsidiary of Piedmont; and NCNG Energy Corporation (NCNG Energy), a wholly owned subsidiary of North Carolina Natural Gas Corporation (NCNG). The initial sharing ratios of the members of Cardinal Extension are:

TransCardinal	45%	PSNC Cardinal	33%
Piedmont Intrastate	17%	NCNG Energy	5%

Cardinal Extension was formed to plan, design, develop and construct an extension of the existing Cardinal pipeline and related facilities; to acquire the existing Cardinal pipeline; to own and provide for the operation and maintenance of the extended Cardinal pipeline system including the existing Cardinal pipeline; and to conduct such business activities that are necessary or incidental in connection therewith.

6. In the application, Cardinal Extension requested a certificate of public convenience and necessity to permit it to construct, own and operate approximately 67 miles of 24-inch diameter pipeline commencing at the terminus of the existing Cardinal pipeline and continuing in a southeasterly direction through Alamance, Orange, Chatham and Wake Counties and terminating at proposed new interconnections with PSNC and NCNG near Clayton, North Carolina. Cardinal Extension also proposed to construct, own and operate three new meter stations, two new taps, and appurtenant facilities, and to provide incremental firm transportation service of 40,000 Mcf/day to NCNG and 100,000 Mcf/day to PSNC. The proposed facilities were designed to result in a minimum pressure of 550 psig for delivery points near the terminus of the existing Cardinal pipeline and a minimum pressure of 500 psig at the terminus of the extended Cardinal pipeline.

7. The estimated cost of constructing the facilities is $74.6 million. Construction of the proposed facilities will be financed by capital contributions from the members of Cardinal Extension in the following percentages:

TransCardinal	54%	NCNG	6%
PSNC Cardinal	40%		

Piedmont Intrastate will not make capital contributions to the construction of the proposed extension of the Cardinal pipeline facilities. At the effective time of the merger between Cardinal Extension and Cardinal Pipeline, PSNC and Piedmont Intrastate will be deemed to have made a capital contribution to Cardinal Extension equivalent to the net book value of their membership interests in the existing Cardinal pipeline, and Cardinal Extension will purchase the two existing measurement stations owned by PSNC and Piedmont at the terminus of the existing Cardinal pipeline. The initial sharing ratios of PSNC Cardinal and Piedmont Intrastate will be adjusted as necessary to reflect these transfers and PSNC will also receive a cash reimbursement from Cardinal Extension.

8. Cardinal Operating Company (Cardinal Operating), a wholly owned subsidiary of Transco, will construct the facilities proposed herein to extend the existing Cardinal pipeline and ultimately will serve as operator of the entire Cardinal pipeline system, including the existing Cardinal pipeline and the extended Cardinal line, pursuant to the terms and conditions of the Construction, Operation and Maintenance Agreement between Cardinal Operating and Cardinal Extension. Cardinal Pipeline will continue to own and operate the existing Cardinal pipeline until the proposed Cardinal Extension facilities are constructed and ready for service and other conditions set forth in the Merger Agreement have been satisfied. Once all necessary regulatory approvals have been secured, Cardinal Operating will commence construction of the proposed facilities so as to meet the requested in-service date of November 1, 1999. The Applicants have agreed to operate the proposed Cardinal Extension facility and the capacity entitlements to be owned by PSNC, Piedmont and NCNG on Cardinal Extension in a manner consistent with the understanding expressed in CUCA Exhibit No. 1. Cardinal Extension has requested a waiver of certain portions of Articles 4, 6 and 7 of Chapter 6 of the Commission Rules to the extent necessary to give effect to the billing, measurement and quality standards with regard to firm transportation service provided by Cardinal Extension's Pro Forma Service Agreement. No party objected to this request.

9. Cardinal Extension's cost of service should reflect the transfer of the book value of the existing Cardinal pipeline, as it appears on the books of the two members of Cardinal Pipeline at the time the proposed merger is consummated.

10. Cardinal Extension's projected reasonable original cost rate base used and useful in providing service in North Carolina is $94,044,278, which consists of gas plant in service of $102,176,697 and materials and supplies of $1,021,767, reduced by accumulated depreciation of $5,101,834 and deferred income taxes of $4,052,352.

11. Cardinal Extension's projected overall level of reasonable operation and maintenance expenses is $792,744.

12. Cardinal Extension's projected reasonable level of deprecation expense, which reflects a depreciation rate of 2.5% applicable to gross plant in service, is $2,554,417.

13. Cardinal Extension's projected overall level of reasonable taxes other than income is $727,590.

14. The overall fair rate of return that Cardinal Extension should be allowed an opportunity to earn on its rate base is 10.08%.

15. Cardinal Extension should be authorized to charge rates designed to produce annual operating revenues of $17,124,065.

16. Cardinal Extension's cost of service should consist of two zones. The Zone 1 cost of service should be assigned to Piedmont and PSNC based on their respective ownership shares in the Existing Cardinal Pipeline. The Zone 2 cost of service should be assigned to PSNC and NCNG based on their peak day entitlements. The rates shown on Exhibit A of the Stipulation are just and reasonable.

17. Approval of the rates on Exhibit A of the Stipulation does not constitute approval of, or precedent regarding, the use of Straight-Fixed-Variable rate design in setting rates for local distribution companies in this State.

18. After the Cardinal pipeline extension becomes operational and Cardinal Pipeline is merged into Cardinal Extension, Piedmont and PSNC will add the annual Cardinal charges for Zone 1 to their respective gas costs consistent with the approved PGA procedures for demand and storage charges, as modified from time to time, with the exception that 100% of Piedmont's Cardinal charges will be assigned to North Carolina. At the same time, Piedmont and PSNC will reduce their respective margins by the same amount so that there will be no change in their overall rates. Should either Piedmont or PSNC file a rate case prior to the in-service date of the Cardinal pipeline extension and consummation of the proposed merger, the Public Staff has the right to propose that the cost of existing Cardinal pipeline be classified as gas cost.

19. Cardinal Extension will file an application for a general rate case pursuant to G.S. 62-133 on or before January 15, 2003.

20. The cost of future taps and modifications to existing taps on the existing and extended Cardinal pipeline will be recovered from the entity requesting the tap, either through a contribution in aid of construction or through a surcharge.

21. Cardinal Extension will flow back to its capacity holders 100% of any excess CFT Revenues.

22. The appropriate treatment of any revenues received from the resale of capacity on the Cardinal Extension pipeline system by the holders of such capacity will be determined in another proceeding.

23. The effective AFUDC rate actually used by Cardinal Extension will be the net-of-tax overall rate of return approved by this Commission.

24. The merger of Cardinal Pipeline with and into Cardinal Extension, pursuant to the terms and conditions of the Agreement and Plan of Merger, as amended, is in the public interest.

25. The transfer to Cardinal Extension of all of Cardinal Pipeline's rights and authorities to provide natural gas service in North Carolina is in the public interest.

26. The abandonment of gas service by Cardinal Pipeline is in the public interest.

27. The proposed extension of the existing Cardinal pipeline meets the needs for increasing requirements for natural gas in the areas in PSNC's and NCNG's service territories to be served by the proposed facilities. It provides the most economically competitive means of delivering gas from Transco's system to those areas.

28. The requested certificate of public convenience and necessity authorizing Cardinal Extension to construct, own and operate natural gas facilities is in the public interest.

29. The business relationships reflected in this transaction are new to these companies and are unique in the natural gas industry in North Carolina. The Commission urges the Public Staff to monitor these relationships carefully in the context of its ongoing audits and reviews of the industry.

30. Cardinal Extension analyzed four alternative routes for the extended pipeline. It chose the preferred route, after consideration of the alternatives, based on appropriate factors, including distance, supply and delivery points, existing utility rights-of-way, terrain, water and road crossings, population densities, existing and planned developments, and other factors. Cardinal Extension carefully considered the alternatives and acted in a reasonable manner in choosing the preferred route.

31. In some cases, Cardinal Extension's agents entered the property of landowners along the preferred route without their consent in order to conduct preliminary survey work. Subsequent to the hearing, Cardinal Extension agreed not to enter private property without first seeking written permission and obtaining prior consent of the landowner and confirming the consent and time of entry in advance by telephone. The intervening landowners find these new procedures appropriate.

32. Although Cardinal Extension has chosen its preferred route for the pipeline, the exact routing of the pipeline across individual properties has not been finalized. Subsequent to the hearing, Cardinal Extension representatives met with several landowners along the preferred route and in some cases agreed to realignments of the pipeline to address individual landowners' concerns. Cardinal Extension shall continue to work with individual property owners in an effort to route the pipeline so as to have the

least impact on their respective properties when feasible from a technical and regulatory standpoint and without impacting adjoining property owners.

33. Cardinal Extension shall use existing pipeline rights-of-way to the maximum extent possible consistent with prudent business practices and shall purchase the minimum of new right-of-way necessary and, after construction is complete, as to those portions of the route parallel to existing PSNC pipeline right-of-way, shall file detailed diagrams of the existing and new rights-of-way, showing their location in relation to each other and the location of the pipelines in each.

34. Cardinal Extension shall work with individual landowners as to the issues of compensation and the appropriate terms for the right-of-way agreements to be entered with them. The Commission will not decree a standard right-of-way agreement for all.

35. Cardinal Extension shall obtain and comply with all applicable environmental-related regulations and permits.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-8

The evidence supporting these findings of fact is contained in the verified application, the Commission's files and records regarding these proceedings, CUCA Exhibit No. 1 and the testimony of witnesses Yoho, Davis, Ferazzi and Skains. This evidence was not contradicted by any party to this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT OF NOS. 9-24

The evidence supporting these findings is contained in the verified application, the Commission's files and records regarding these proceedings, the testimony of witnesses Yoho, Davis, Ferazzi, Skains and O'Donnell, as well as the Stipulation dated May 14, 1997, between Cardinal Extension, Cardinal Pipeline, PSNC, Piedmont and the Public Staff. This evidence was not contradicted by any party to this proceeding.

The Stipulation filed by the Applicants and the Public Staff was not opposed by the Attorney General. After the parties agreed to address certain CUCA concerns regarding transportation, CUCA did not oppose the Stipulation.

The following table compares the total operating revenues as filed in the application with the terms of the Stipulation:

	APPLICATION	STIPULATION	CHANGE
OVERALL RETURN ON RATE BASE	$11,224,342	$9,479,664	($1,744,678)
O&M EXPENSES	887,400	792,744	(94,656)
DEPRECIATION	2,457,577	2,554,417	96,840
TAXES OTHER THAN INCOME	699,306	727,590	28,284
INCOME TAXES	4,653,967	3,569,650	(1,084,317)
TOTAL OPERATING REVENUES	$19,922,592	$17,124,065	($2,798,527)

The Stipulation reduces the operating revenues filed in the application by $2,798,527. A reduction in return on rate base and related income taxes accounts for the bulk of the reduction. Most of the $1,744,678 reduction in the overall return on rate base results from a lowering of the rate of return from 11.5% as filed to 10.08% in the Stipulation. However, $409,298 of the decrease results from the use of a smaller rate base in the Stipulation. The 11.5% return reflected a 50% debt, 50% equity capitalization, a request for 14.5% return on equity and an assumed 8.5% cost of debt. A return on equity is not broken out in the Stipulation, but if the 8.5% cost of debt is held constant, an equity return of 11.66% can be calculated.

The Stipulation calls for a $94,656 reduction in operations and maintenance expenses. A $96,840 increase in depreciation flows from the use of gross plant rather than net plant in the transfer of the assets from the existing Cardinal Pipeline to the books of the new Cardinal. In the application, the estimated net plant of Cardinal Pipeline is added to the capital cost of the expansion to get a new utility plant for rate base of more than $98.3 million. In the Stipulation, the gross plant of Cardinal Pipeline is used, which yields a utility plant for rate base of almost $102.2 million. The same 2.5% depreciation rate is applied to those figures and therefore the Stipulation yields an increase in depreciation expense. However, the use of gross plant means that a larger deferred income tax balance is deducted in calculating rate base, and that yields a $409,298 reduction in overall return mentioned above.

The Stipulation makes clear that as Piedmont and PSNC pick up their payments to the new Cardinal, they will reduce their respective margins by the same amount to reflect the merger of Cardinal Pipeline with and into Cardinal Extension.

The Applicants agree to file an application for a general rate case on or before January 15, 2003, and Public Staff agrees not to initiate a rate case prior to that date. The stipulation does not, of course, affect the right of the Commission to initiate a rate proceeding in appropriate circumstances.

The Stipulation dictates that excess CFT revenues will be flowed back to the capacity holders. Also, the parties agreed that the appropriate treatment of any revenues received from the resale of capacity by capacity holders will be determined "in another proceeding." The Commission believes that this agreement should be clarified and concludes that the parties to the Stipulation shall, within thirty (30) days, file a statement clarifying the circumstances in which these issues will be addressed

The Stipulation reflects rates designed using the Straight-Fixed-Variable (SFV) rate design methodology. The North Carolina Utilities Commission has not previously used Straight-Fixed-Variable rate design. Public Staff witness Hoard testified, ". . . we do not think that it would be appropriate for an LDC to use Straight-Fixed-Variable rate design." Cardinal Extension will be an intrastate pipeline, not a local distribution company. Transco witness Ferrazi testified that SFV rate design ". . . allocates all fixed costs of providing firm service to the reservation rate and any variable costs associated with the firm service to the commodity component of the rate." Mr. Ferazzi argued that, "Without the use of SFV, Cardinal Extension and its members will not have a reasonable opportunity to recover their capital investment and to earn an acceptable return on their investment. . . ." He stated that testimony presented by PSNC and NCNG witnesses showed that the LDCs anticipate serving primarily residential and commercial market growth with incremental firm capacity provided by Cardinal. He pointed out that, "The use of the Cardinal pipeline system will be determined by the nature of the market demand." and "This market demand is anticipated to be extremely weather dependent. . . ." Mr. Ferazzi then argued that it would be unreasonable and unfair to place the recovery of Cardinal Extension's fixed costs at risk by placing those costs in a volumetric rate. Mr. Ferazzi also stated that, in order to justify investing its capital in this project, Transco must be able to earn a return on its investment comparable to the returns available from other regulated investment opportunities.

The Commission recognizes that the Cardinal Extension is unique. It is an intrastate pipeline whose only customers are Piedmont, PSNC and NCNG. The Commission notes that the Stipulation, of which the Public Staff was a party and the Attorney General did not oppose, results in a $2,798,527 reduction in the allowed operating revenue under what was filed in the application. Of that total, $1,744,678 of the decrease is attributable to a decrease in the overall return on rate base. Public Staff witness Hoard stated that SFV rate design ". . . ensures revenue stability . . . " and therefore ". . . has a positive impact on the risk and therefore reduces the return." The Commission notes that the Stipulation filed in this docket is the result of negotiations. The Commission will consider the rates filed in Exhibit A to the Stipulation on their face. The Commission explicitly states that approval of those rates does not constitute approval of, or precedent regarding the use of Straight-Fixed-Variable rate design in setting rates for local distribution companies in this State.

The Stipulation states that Cardinal Extension shall be allowed an opportunity to earn an overall rate of return on rate base of 10.08%. In the application, Cardinal Extension requested an overall return on rate base of 11.50%, reflecting a capitalization of 50% debt and 50% equity. The pretax cost of debt was assumed to be 8.5% and the return on equity requested was 14.5%. The Stipulation does not break out cost of debt or return on equity. Since the Stipulation sets the allowed overall return at 10.08%, it follows

that the actual debt cost incurred by Cardinal Extension will affect the return on equity. Again, the Commission notes that the Stipulation filed in this docket is the result of negotiations. The Commission finds that the 10.08% allowed overall return is just and reasonable. However, the Commission would like to know what the actual cost of debt is and what return on equity results. Therefore, the Commission will require Cardinal Extension to file within thirty (30) days of the completion of its financing the terms and conditions of its debt financing and the calculated return on equity.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 25-26

The evidence supporting these findings of fact is found in the verified application and in the testimony of witnesses Yoho, Davis, Skains and Ferazzi. This evidence was not contradicted by any party to this proceeding.

The proposed merger will take place after the completion of construction of the proposed Cardinal Extension facilities, which is projected to occur in November 1999, and the satisfaction of all conditions precedent set forth in the Merger Agreement. At such time, Cardinal Pipeline will be merged into Cardinal Extension, the separate existence of Cardinal Pipeline will cease, and Cardinal Extension will be the surviving company, operating under the name of Cardinal Pipeline Company, LLC, and will assume all the rights, privileges, immunities and franchises held by Cardinal Pipeline prior to the merger.

The proposed merger is consistent with the public convenience and necessity in accordance with G.S. 62-111(a). The proposed merger will not change either the rates paid by or services delivered to existing Cardinal Pipeline customers. Cardinal Extension has made a contractual commitment to continue to provide the same level of firm transportation services of 70,000 Mcf/day and 60,000 Mcf/day that PSNC and Piedmont are currently receiving on the existing Cardinal pipeline for deliveries upstream of Burlington, North Carolina, as set forth in the precedent agreements between Cardinal Extension and PSNC and Cardinal Extension and Piedmont.

Cardinal Extension is ready, willing and able to assume all the responsibilities and service obligations applicable to Cardinal Pipeline and to public utilities in general by the North Carolina General Statutes and by the Rules and Regulations of the Commission. The members of Cardinal Extension have committed to funding 50% of the capital costs through equity contributions. With respect to the 50% financing of the project, Cardinal Extension will solicit formal bids and will negotiate the terms and conditions of the financing of the proposed project on satisfactory terms for the project.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACTS NO. 27-28

The evidence supporting these findings of fact is found in the verified application, the testimony of witnesses Yoho, Davis, Ferazzi and the joint testimony of the Public Staff panel, witnesses Farmer, Hoard and Curtis.

As set forth in the testimony of PSNC witness Yoho, the proposed extension of the existing Cardinal pipeline system solves two problems for PSNC. First, it provides

additional capacity to augment PSNC's own transmission system to transport additional quantities of natural gas to the high-growth Raleigh-Durham area. Second, it provides capacity and thus gas supply and pressure maintenance on the east side of PSNC's Raleigh distribution system, where the need is critical.

As set forth in the testimony of witness Davis, the proposed Cardinal pipeline extension and interconnection with NCNG at Clayton will permit NCNG to receive gas supplies, on a firm basis, close to the midpoint of its service territory where it is needed to meet projected peak day demands of its customers.

The unrefuted testimony of witnesses Yoho and Davis makes it clear that PSNC and NCNG need additional capacity southeast of Raleigh. Testimony in this docket supports that Cardinal Extension will provide 100,000 MCF/day of capacity to PSNC and 40,000 MCF/day to NCNG at a point near Clayton, North Carolina where it is needed.

Several witnesses discussed the cost-effectiveness of Cardinal Extension and the other options that were considered and testified that Cardinal Extension was the best option.

Witness Davis testified that, ". . . to NCNG and its ratepayers . . . ," Cardinal, ". . . was the lowest price alternative. . . ." He testified that Cardinal Extension will make it possible for NCNG to avoid approximately $11.7 million for additional pipeline and facility upgrades and $27.5 million in upgrades to its LNG plant over the next few years. Mr. Davis stated that economies of scale would be achieved by joining with other partners in a large project. Mr. Davis also mentioned that NCNG considered an "alternate pipeline" that came in from Virginia to Clayton.

PSNC witness Yoho testified that PSNC, ". . . evaluated building facilities to parallel its existing system from the end of the existing Cardinal pipeline toward Raleigh. . . ." PSNC also negotiated with NCNG to extend the contract with NCNG to provide LNG capacity to PSNC. Mr. Yoho discussed a project that came off of the Transco lateral in Virginia into the Raleigh distribution system and then went east to west. He deemed that project much longer and more expensive. He also discussed another interstate pipeline project that came down out of the Richmond, Virginia area. Mr. Yoho testified that Cardinal Extension is the most cost effective project that was studied. He stated that, "It is less expensive than the construction required on PSNC's transmission and distribution systems and it is less expensive than the proposed interstate pipeline project that was studied." He mentioned that the economies of scale made possible by the participation of multiple partners will result in an overall savings to all participants.

Public Staff witness Curtis stated that, to get gas to Clayton, where PSNC and NCNG need it, ". . . this project certainly made sense since there was already a 24-inch pipeline to Haw River, North Carolina." He further stated that, ". . . we looked at it as probably the most plausible option to go forward with. . . ."

Several parties testified that an advantage of Cardinal Extension was that Transco's participation in the project freed up LDC capital for other uses. In response to a question

from Commissioner Cobb, witness Davis acknowledged that the pipeline coming down from Virginia was the WinterNet project, that WinterNet would have delivered gas to Clayton and that WinterNet would have used no LDC capital at all. The Commission notes that it is reasonable to assume that a pipeline from Richmond to Clayton would pass through unserved portions of Warren, Franklin and Johnston Counties on the way to Clayton. Such a pipeline would not only avoid the use of LDC capital to get gas to Clayton, but would also free up LDC capital that will otherwise be needed to extend service to those areas. In response to a question from Commissioner Hunt, Public Staff witness Hoard suggested that there may be a tradeoff between using LDC capital and paying more for a project like WinterNet. There is nothing in the testimony of any of the witnesses to tell the Commission whether they rigorously considered the use of LDC capital as a cost in comparing Cardinal Extension to other projects.

While questions can be raised about the manner in which the costs of certain projects were evaluated, there is a significant difference among the projects other than cost. Witnesses linked the Cardinal Extension project to the Pine Needle LNG project. Mr. Ferazzi's pre-filed testimony included a table showing "recent Transco expansion projects." That table included the Pine Needle LNG project, which will provide 340,000 MCF/day of capacity to North Carolina customers beginning in November of 1999. Speaking of Cardinal Extension, Mr. Davis testified that, ". . . this line will also be constructed very close to the proposed Pine Needle LNG facility which is where our capacity will be filled on its 40,000 a day initially." Public Staff witness Hoard testified, "This project does have some connection with the Pine Needle project." Mr. Hoard further testified that Cardinal gets the gas from Pine Needle into the areas where it is needed by PSNC and NCNG. It is clear to the Commission that the immediate and primary purpose of Cardinal Extension is to deliver gas from the incremental capacity in the Pine Needle to PSNC and NCNG southeast of Raleigh to Clayton. It is in that context that the cost-effectiveness of the Cardinal Extension project must be considered.

Given that PSNC and NCNG are customers of Pine Needle, the project considered here must deliver gas from Transco to the southeast of Raleigh where both PSNC and NCNG need it. Although it would be possible for PSNC and NCNG to construct separate facilities to meet their respective needs, the construction, maintenance and operation of separate facilities would be more costly than the joint facilities proposed to be constructed by Cardinal Extension. Thus, the proposed facilities will result in lower rates to consumers than would be the case if NCNG and PSNC were to construct separate facilities. Witnesses Yoho and Davis testified that TransCardinal's capital contribution to the project would enable the North Carolina LDCs to utilize their capital for other purposes, such as expanding natural gas service within North Carolina. The Commission concludes that the record in this docket supports the conclusion that Cardinal Extension provides the most economically competitive way to move gas from Transco's system to the area southeast of Raleigh where it is needed by PSNC and NCNG.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 29

The evidence for this finding is found in the application and the testimony of the Applicants and in the testimony of the Public Staff witnesses Curtis and Hoard.

In response to questions from the Commission, the Public Staff witnesses testified that affiliated transactions always require the Public Staff to investigate more thoroughly and that they will do so as to Cardinal. The Public Staff has clearly established their right to access and audit all necessary books and records. Witness Curtis testified that the Public Staff monitors gas and commodity costs on a monthly basis and would catch anything out of line. Further, he testified that Cardinal Extension's rates will be subject to review in the annual gas cost prudence reviews and that this review "backs up all the way to the O&M expenses and return and everything."

Although the Public Staff has agreed not to initiate an investigation of Cardinal's rates before January 15, 2003, the Commission does not interpret this agreement as in any way limiting the Public Staff's ability and responsibility to audit Cardinal Extension and to raise such issues as appropriate in the Public Staff's opinion, relating to the business relationships or other matters, in annual gas cost prudence reviews or complaint proceedings. Neither would the Commission be precluded from initiating a rate proceeding in appropriate circumstances. The Commission urges the Public Staff to monitor these relationships carefully in the context of its ongoing audits and reviews of the industry.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 30-34

The evidence for these findings is found in the verified application, the testimony at the hearing of witnesses Yoho, Davis, Ferazzi, Wicker, and intervenor witnesses Parker, Booth, Rountree, Jones and Sparrow, and in the late-filed exhibits of Cardinal and the intervenor landowners.

Cardinal's witnesses at the hearing provided little evidence of alternative routes that were considered for the pipeline. Witness Ferazzi identified only one alternative route through Chapel Hill and said, "there may have been other routes that were reviewed as well." He said, "I know that Transco's route was determined to be the most economic, and then we follow all the rules and regulations and have the protection of the environment as one of our utmost concerns." Witness Wicker testified to this same alternative, the PSNC right-of-way through Chapel Hill. He testified that they "concluded that this would not be a suitable corridor for installation of the 24-inch Cardinal Extension. This confirmed our choice with the southern routing which took us away from the Chapel Hill and Cary metropolitan areas."

Cardinal presented much more detailed evidence in its late-filed exhibit. Affiant Snowbarger explained the choice of route. He stated that the proposed pipeline had to commence at the terminus of the existing Cardinal pipeline and connect with the PSNC and NCNG systems at Clayton. He stated that the goal was to utilize as much existing utility right-of-way as possible and to avoid residential and commercial areas, areas of environmental concern, and areas with difficult terrain while still reaching the proposed delivery points. In 1995, several existing right-of-way corridors were identified for possible use and researched by fly-overs, ground investigations and maps. In late June 1995, a team visited North Carolina to investigate possible routes. Another preliminary field trip was conducted during early October 1995. In mid-December 1995, a new alternative, utilizing CP&L's rights-of-way south of Jordan Lake, was reviewed by fly-over. Snowbarger

stated that the following factors were considered in selecting the route: pipeline length; supply and delivery point locations; existing utility rights-of-way; terrain features, such as wetlands, especially forested wetlands; water body crossings; areas of population densities; road and railroad crossings; cultural resources; endangered species; existing residential areas and communities; planned residential areas and communities; and existing contours where the pipeline would be located. Exhibit K illustrates the four alternative routes that were analyzed.

Alternate I follows an existing PSNC right-of-way from Burlington through Chapel Hill to Durham County, intersects with an abandoned railroad right-of-way and follows it to the south, and then intersects with the Colonial Pipeline right-of-way near the Chatham/Wake County line. The existing PSNC right-of-way through Chapel Hill runs through highly congested and developed areas, along streets, adjacent to schools, and under apartment complexes, shopping malls, and other facilities. Further, the abandoned railroad right-of-way was found to have numerous encroachments and the existing cleared railroad corridor was not wide enough. It was concluded that this alternative was not feasible and that the preliminary route would have to leave the PSNC right-of-way west of Carrboro.

Alternate II was studied to avoid a Jordan Lake crossing; it would follow existing CP&L rights-of-way around Jordan Lake to the south. This route is approximately eleven miles longer than the other routes reviewed, would impact greater forest acreage and would require the crossing of two fingers of the Harris Reservoir and approximately two miles of forested wetlands. This alternative was eliminated based on the additional length and the environmental disturbance and landowner impact.

Alternate III was also reviewed in an effort to avoid a Jordan Lake crossing. Alternate III would parallel an existing Duke Power right-of-way north of the Lake. Alternate III would avoid the congested Chapel Hill/Carrboro area, but would impact a large area of forested wetlands associated with several creeks draining into Jordan Lake and would cross an eagle nesting area. Although this route would shorten the actual Jordan Lake crossing, the impact to forested wetlands and threatened and endangered species would be greater. This route would also require two additional directional drills, and the difficulties associated with the abandoned railroad right-of-way, discussed above, exist here as well.

Snowbarger stated that longitudinal occupancy of a controlled access highway right-of-way, such as the Interstate 40 corridor, is not allowed by the North Carolina Department of Transportation and that a right-of-way parallel to, but outside of, the Interstate 40 corridor would involve numerous private and commercial encroachments and would not be technically feasible.

The preferred route parallels the PSNC right-of-way from the terminus of the existing Cardinal pipeline to a point west of Dotsons Crossroads where the route turns south and runs to an intersection with the Colonial Pipeline right-of-way west of Jordan Lake. There was no existing right-of-way corridor that could be followed for this north-south portion of the route, and it is this part of the route that impacts the intervenor

landowners. Snowbarger stated that two alternative routes were considered through this area, identified as Alternatives A and B on his Exhibit C. He stated that the preferred route will impact fewer streams than either Alternate A or Alternate B, as indicated by the table on Exhibit C; that it will minimize the impact to the environment; and that it will avoid the majority of development in the area. Two other alternatives, C and D, were developed subsequent to the hearing. Alternative C, proposed by the intervenors, was rejected, but Alternative D, developed by Cardinal, was still being considered.

In conclusion, Snowbarger stated that the preferred route has the least impact on the environment as compared with the other three alternatives considered and that approximately 41.4 miles of the proposed 67-mile route would be located either on or adjacent to existing utility rights-of-way. Although the preferred route will require a crossing of Jordan Lake, horizontal directional drilling technology will minimize the impact on the area. Horizontal directional drilling offers the maximum depth of pipeline coverage, affording additional protection.

Considering the record as a whole, the Commission concludes that Cardinal did seriously consider alternative routes and reasonably chose the preferred route based on consideration of appropriate factors. The evidence shows that Cardinal identified four alternative routes for analysis and that the alternatives were considered in terms of the factors identified by affiant Snowbarger. Snowbarger explained the reasons for selecting the preferred route based on these factors. Landowners themselves presented a Cardinal chart, attached to their brief, comparing the alternatives based on the number of physical features (such as waterways, roads, towns, etc.) impacted. The landowners argue that important factors were omitted in the selection and that the alternatives not chosen were merely "straw men," destined to be eliminated from the start. In fact, they suggest that the alternatives may well have been concocted after the fact to make the selection appear more deliberate than it was. The evidence does not support these arguments. The alternative through Chapel Hill, which landowners now dismiss as a straw man, is essentially the alternative that one of the intervenor landowners advocated in his testimony during the hearing. In their proposed order, the landowners argue that Cardinal should be required to make a thorough investigation into alternative routes in accordance with federal guidelines and provide an explanation of the rational bases upon which the selection was made. The late-filed affidavits show that Cardinal has substantially done this already. The Commission concludes that appropriate factors were considered and that Cardinal acted in a reasonable manner in selecting the route for the pipeline.

These conclusions do not entirely resolve the issue of the pipeline route however. Witness Wicker testified at the hearing that although a general route had been determined, there could be changes to the exact location based on additional information obtained during the survey of individual properties. Affiant Snowbarger testified to meetings with intervenor landowners subsequent to the hearing at which Cardinal representatives explained their route selection and construction methods. The landowners filed a transcript of one such meeting as a late-filed exhibit. In addition to the group meetings, Cardinal met with individual landowners on site, considered the route across individual properties and in some cases made field realignments to accommodate individual landowners. Snowbarger testified, "Cardinal Operating is committed to working

with property owners in an effort to route the pipeline in areas that have the least impact on their respective properties when feasible from a technical and regulatory standpoint and without impacting adjoining property owners." Cardinal representatives also met with several Wake County property owners who had filed letters with Commission but not intervened. They explained that Cardinal's right-of-way across their properties would be contained entirely within the an existing right-of-way of CP&L and that it would not be necessary to acquire any additional property or impose any additional limitations on these landowners. Snowbarger stated that Cardinal will enter into an easement agreement with each impacted property owner under which they will be compensated for the acquisition of right-of-way and damages. The issue of compensation and the other terms of the right-of-way agreement will be individually negotiated between the property owners and Cardinal.

The Commission concludes and orders that Cardinal shall work with individual property owners in an effort to route the pipeline in areas that have the least impact on their respective properties when feasible from a technical and regulatory standpoint and without impacting adjoining property owners. Cardinal made this commitment in its late-filed exhibit, and the Commission orders that it follow through with this commitment. Snowbarger also stated that issues of compensation and the terms of the right-of-way agreements would be "individually negotiated" with property owners. The Commission concludes that Cardinal shall follow through with this commitment also and shall work with individual landowners as to the issues of compensation and the terms of the right-of-way agreements it enters with them. In their post-hearing brief, the landowners complain that the right-of-way agreement submitted by Cardinal is "dramatically overbroad," and they propose their own draft agreement with additional provisions. The Commission will not attempt to decree a standard agreement applicable to all situations. The Commission believes that the terms of the agreement should be subject to negotiation on an individual basis.

Much of the landowners' testimony at the hearing was devoted to complaints about Cardinal's entry on their properties during initial survey work. Five intervenors complained that Cardinal's representatives trespassed on their property for purposes of surveying the proposed pipeline. By exchange of letters after the hearing, Cardinal agreed to new procedures. In their brief, the intervenor landowners state that Cardinal has now agreed not to enter private property without first seeking written permission and obtaining prior consent of the landowner. The consent and the date and time of entry will then be confirmed in advance by telephone. The landowners state that they find these procedures appropriate, and the Commission concludes that the procedures shall be followed. The Utilities Commission has no authority to award monetary damages and thus cannot deal with the issue of damages for trespass presented by some landowners' testimony. Neither can the Commission award damages for loss of value to property crossed by the pipeline.

Finally, the issue of paralleling, rather than using, existing utility rights-of-way received considerable attention at the hearing. NCNG witness Davis was asked why it takes 50 feet of right-of-way to install a 2-foot pipe. He testified that, in addition to the size of the pipe, the right-of-way must accommodate concrete coatings (in some places), the width of the trench, the need for space for various spoil piles, work space for equipment

and room to string the pipe. Cardinal contended that it minimized environmental impact by paralleling the existing pipeline rights-of-way of PSNC and Colonial Pipeline. In the transcript of a meeting that was filed by the landowners as their late-filed exhibit of Nicholas P. Robinson, Cardinal explained that it would use the PSNC right-of-way for work space as much as possible, but purchase its own permanent right-of-way alongside. Cardinal affiant Snowbarger is quoted in this transcript as stating, "We prefer to keep our pipelines 25 feet at a minimum apart. In some cases the pipeline [is] adjacent to the easement, in some places it is in the middle of the easement. And so we have set up to keep our easements as close as we can to their easements without impacting their expansion capabilities and their right of way." Snowbarger also stated, "I think their easement is not defined in some places." The Commission notes that PSNC witness Yoho, speaking of Cardinal Extension, testified, ". . . as our system grows . . . our needs will grow off this pipeline. And it can be expanded through compression. So you don't have to lay any more pipeline, just put some compression on it."

The Commission is concerned about the cost and environmental impact of Cardinal Extension acquiring a full new right-of-way parallel to existing utility rights-of-way. As the survey work and final alignment of the proposed pipeline proceeds, the Commission urges Cardinal Extension to use the existing utility rights-of-way to the maximum extent possible, both for work space and placement of the pipeline, and to purchase the minimum of new right-of-way necessary, consistent with prudent business practices. Since PSNC is a partner in the Cardinal Extension project, the Commission urges PSNC to allow Cardinal Extension to locate on PSNC's existing right-of-way to the fullest extent consistent with prudent business practices. The Commission recognizes that many factors influence decisions on right-of-way width and will not impose rigid requirements. However, the Commission will monitor the situation to see what the parties are able to achieve. No later than sixty (60) days after completion of the Cardinal Extension pipeline, as to those portions of the route parallel to existing PSNC pipeline right-of-way, Cardinal Extension shall file with the Commission diagrams showing, in cross section, the PSNC and Cardinal Extension rights-of-way, the width of the rights-of-way, the location of the pipelines in the rights-of-way and the distances between pipelines and to the edges of the rights-of-way. The distances on the diagrams may be general representations of the distances over a given run of pipeline. A single diagram may cover as long a run of pipe as the diagram can reasonably represent.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 35

In response to Commission order, Cardinal presented the late-filed affidavit of Richard Mogensen, to which was attached a list of 14 federal, state, and local permits required for the Cardinal project. The list included the agency involved and the anticipated submittal and approval dates. The Commission concludes that Cardinal shall obtain and comply with all applicable environment-related regulations and permits as a condition of the certificate granted herein.

IT IS, THEREFORE, ORDERED as follows:

1. That a certificate of public convenience and necessity authorizing Cardinal Extension to construct, own and operate approximately 67 miles of 24-inch diameter pipeline commencing at the terminus of the existing Cardinal pipeline, and terminating at proposed new interconnections with PSNC and with NCNG near Clayton, North Carolina, is hereby granted;

2. That the merger of Cardinal Pipeline with and into Cardinal Extension pursuant to the terms and conditions of the Merger Agreement is approved;

3. That the transfer to Cardinal Extension of all of Cardinal Pipeline's rights and authorities to provide natural gas service in North Carolina is approved;

4. That the abandonment of gas service by Cardinal Pipeline upon the consummation of the merger of Cardinal Pipeline with and into Cardinal Extension and the commencement of service by Cardinal Extension is approved;

5. That Cardinal Extension is granted a waiver of those portions of Articles 4, 6 and 7 of Chapter 6 of the Commission's Rules to the extent necessary to give effect to the billing, measurement and quality standards with regard to firm transportation service provided by Cardinal Extension's Pro Forma Service Agreement;

6. That Cardinal Extension's cost of service shall reflect the transfer of the book value of the existing Cardinal pipeline, as it appears on the books of the two members of Cardinal Pipeline at the time of the proposed merger is consummated;

7. That Cardinal Extension is authorized to charge the rates set forth in Exhibit A to the Stipulation, which are designed to produce annual operating revenues of $17,124,065. Accordingly, Cardinal Extension shall, within thirty (30) days, file a tariff consistent with the Stipulation and this Order;

8. That the Zone 1 cost of service shall be assigned to Piedmont and PSNC based on their respective ownership shares in the existing Cardinal pipeline. The Zone 2 cost of service shall be assigned to PSNC and NCNG based on their peak day entitlements;

9. That after the Cardinal pipeline extension becomes operational and Cardinal Pipeline is merged into Cardinal Extension, Piedmont and PSNC shall add the annual Cardinal charges for Zone 1 to their respective gas costs consistent with the approved PGA procedures for demand and storage charges, as may be modified by the Commission from time to time, with the exception that 100% of Piedmont's Cardinal charges will be assigned to North Carolina. At the same time, Piedmont and PSNC shall reduce their respective margins by the same amount so that there will be no change in their overall rates. Should either Piedmont or PSNC file a rate case prior to the in-service date of the Cardinal pipeline extension and consummation of the proposed merger, the Public Staff has the right to propose that the cost of existing Cardinal pipeline be classified as gas

cost;

10. That Cardinal Extension shall file an application for a general rate case pursuant to G.S. 62-133 on or before January 15, 2003;

11. That the cost of future taps and modifications to existing taps on the existing and extended Cardinal pipeline shall be recovered from the entity requesting the tap, either through a contribution in aid of construction or through a surcharge;

12. That Cardinal Extension shall flow back to its capacity holders 100% of any excess CFT Revenues;

13. That the appropriate treatment of any revenues received from the resale of capacity on Cardinal Extension's pipeline by the holders of such capacity shall be determined in another proceeding. The parties to the Stipulation shall, within thirty (30) days, file a statement clarifying the circumstances in which these issues will be addressed;

14. That the effective AFUDC rate actually used by Cardinal Extension shall be the net-of-tax overall rate of return approved by this Commission.

15. That the Cardinal Extension pipeline and the capacity entitlements to be owned by PSNC, Piedmont and NCNG on Cardinal Extension will be operated in a manner consistent with CUCA Exhibit No. 1, subject to further order of the Commission;

16. That Cardinal Extension shall, within thirty (30) days of the completion of its financing, file a statement detailing the terms and conditions of the financing including the cost of debt and the calculated return on equity;

17. That the Commission urges the Public Staff to monitor the business relationships involved in the Cardinal Extension project carefully in the context of its ongoing audits and reviews of the industry;

18. That on those portions of the route of the Cardinal Extension pipeline parallel to existing pipeline rights-of-way, Cardinal Extension shall locate its line on existing rights-of-way and reduce the amount of additional right-of-way required to the fullest extent consistent with good business practices, and PSNC shall allow Cardinal Extension to locate on existing PSNC right-of-way to the fullest extent consistent with good business practices;

19. That no later than sixty (60) days after completion of the Cardinal Extension pipeline, as to those portions of the route parallel to existing PSNC pipeline right-of-way, Cardinal Extension shall file with the Commission diagrams providing information as hereinabove described;

20. That Cardinal Extension shall work with individual property owners in an effort to route the pipeline in areas that have the least impact on their respective properties when feasible from a technical and regulatory standpoint and without impacting adjoining

property owners and, further, shall work with individual landowners as to the issues of compensation and the terms of the right-of-way agreements;

21. That Cardinal Extension shall not enter private property without first seeking written permission, obtaining prior consent of the landowner, and confirming the consent and the date and time of entry in advance by telephone; and

22. That Cardinal Extension shall obtain and comply with all applicable environment-related regulations and permits.

ISSUED BY ORDER OF THE COMMISSION.

This the 6th day of November, 1997.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen, Chief Clerk

rg110597.06

Commissioners Hughes and Cobb did not participate in this decision.

Officers
Directors
NC District Managers
General Counsel

RH 1-11-00

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 80

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Transportation Service Provided by	)	ORDER REQUESTING
Natural Gas Local Distribution Companies	)	COMMENTS

BY THE COMMISSION: On November 22, 1999, the Public Staff filed a Petition for Investigation in the above matter. The Public Staff asked that the Commission open a comprehensive investigation into all aspects of transportation rates and services, including under what terms, rates, and conditions transportation-related services should be made available as separate offerings by the natural gas local distribution companies (LDCs). The Public Staff recommended that the Commission seek comment on the most appropriate way to proceed (i.e., evidentiary hearing, paper hearing, workshop or other informal proceeding, or some combination thereof) depending on the scope and nature of the issues to be addressed.

The Public Staff noted in its Petition that the Commission completed a transportation rate study and issued an Order in Docket No. G-5, Sub 386 on December 2, 1998. The Public Staff also noted that in that Order, the Commission acknowledged that, "the structure of the natural gas rates and services in North Carolina is by no means static and will continue to evolve in response to regulatory and market changes." The Public Staff contended that the public interest would be well served if the Commission continued to study the transportation issue in a larger context by opening a comprehensive investigation.

The Commission understands that there may be transportation service and rate issues that warrant additional formal study, but it is concerned that the Public Staff's Petition does not name them or elaborate on why initiating a study one year after the last study was completed is justified and in the public interest. The Petition is not clear as to what would be done with the results of the proposed study if it is undertaken. Finally, the Public Staff's Petition does not address why effort devoted to a more comprehensive study of transportation issues would be the best use of time and resources given that there are many other issues impacting gas service in North Carolina. Therefore, the Commission will ask the Public Staff and other interested parties to address the following questions:

1) Is a comprehensive investigation of transportation rates and services at this time in the public interest and, if so, why?

2) If such an investigation is warranted, what should be its focus? What issues would parties like to see addressed?

3) If such an investigation is warranted, what is the most appropriate manner in which to proceed?

IT IS, THEREFORE, ORDERED as follows:

1. That the present order shall be served on all persons on the Commission's natural gas mailing list and any interested person may petition to intervene on or before February 2, 2000.

2. That the Public Staff and other parties shall file responses to the questions in the body of this order on or before February 2, 2000.

ISSUED BY ORDER OF THE COMMISSION.

This the 4th day of January, 2000.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

WG010300.01

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Officers
Directors
NC District Managers
General Counsel

DOCKET NO. G-100, SUB 79

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DAVID CARPENTER TO COORDINATE

In the Matter of Rulemaking Proceeding to Modify, Correct or Rescind Certain Incorrect or Obsolete Gas-Related Commission Rules	)))))	ORDER REPEALING RULES, MAKING MINOR CORRECTIONS AND REQUESTING FURTHER COMMENTS

8-13-99

BY THE COMMISSION: On November 2, 1999, the Commission issued an order initiating a proceeding and requesting comments on the need to change gas-related Commission Rules because of obsolescence or error. The Commission noted that it is in the process of publishing a new edition of *North Carolina Public Utilities Laws and Regulations* and would like to delete obsolete Rules. Frontier Energy, LLC, North Carolina Natural Gas Corporation (NCNG), NUI North Carolina Gas, Piedmont Natural Gas Company, Inc., Public Service Company of North Carolina, Inc. (PSNC), the Public Staff and the Attorney General were deemed parties to the proceeding. No other parties intervened. The Commission identified three Rules, Rule R1-17(h), Rule R6-2.1, and Rule R6-71, that were believed to be obsolete and asked the parties to comment on whether there was any reason that those Rules should not be rescinded. Furthermore, parties were asked to comment on the need to rescind, update, modify or correct these or any other gas Rules based on solely on obsolescence or error. The Commission also noted that the publication deadline is close and only non-controversial deletions can be accommodated. It asked that parties respond within 15 days of the date of the Order and made it clear that, if for any reason, a party felt that a Rule should not be rescinded, the Rule in question would be left as is in the new edition of *North Carolina Public Utilities Laws and Regulations* until further comments establish that it should be modified, corrected or deleted from the publication in a future edition.

On November 17, 1999, three parties, NCNG, PSNC and the Public Staff, responded with comments. All three parties agreed that Commission Rule R1-17(h), Rule R6-2.1, and Rule R6-71 were obsolete and should be rescinded. PSNC and the Public Staff offered further suggestions.

PSNC commented that Commission Rule R6-19.2(f) as published in the 1995 Edition of *North Carolina Public Utilities Laws and Regulations* should be modified to correct an error. It asserted that the last two sentences of the Rule should be deleted. Those sentences stated:

> Each customer reclassified under this rule shall be notified of the change in rate schedule, along with a copy of the tariff sheets applicable to his old and new rate schedule, at least twenty-one days prior to the effective

date of the change. If the customer, within fourteen days of being notified that a rate change is pending, files appropriate documentation showing that any decline in usage during the updated period was due to alternate fuel usage, the company shall allow the customer to remain on his original schedule.

PSNC referenced the Commission's February 22, 1991 Order on Reopened Rulemaking Proceeding in Docket No. G-100, Sub 48. PSNC pointed out that those sentences had been included in the original version of Rule R6-19.2(f) but that in Docket No. G-100, Sub 48, the Commission had renumbered the Rule as Rule R6-12(7) and had replaced Rule R6-19.2(f) with new language that did not include the two sentences. In that Docket, PSNC had recommended the deletion of the sentences to prohibit a customer from staying on a rate schedule with a more favorable rate when it has reduced consumption due to the voluntary use of an alternative fuel. The Commission accepted PSNC's recommendation in its February 22, 1991 Order. The Commission has examined that Order and its Appendix A and agrees with PSNC's assertion. The Commission concludes that Rule R6-19.2(f) as published in the 1995 Edition of *North Carolina Public Utilities Laws and Regulations* was in error and the last two sentences should be deleted.

Public Staff also filed Comments on November 17, 1999 and, in paragraph two of its Comments, recommended changes as follows:

(a) Rule R6-2(l) defines "Interruption of service" in terms of pilot light flames being extinguished. Since electronic ignition systems are more prevalent than pilot lights in modern gas appliances, the Public Staff recommends that the definition in the Rule be updated to read:

> "Interruption of service" means any disturbance of the gas supply resulting in the cessation of natural gas service to at least 50 customers.

(b) The Public Staff also recommended that the language used to mark up tariff changes in Rule R6-5.1 should be modernized to include the words "strikeouts" and "redline inserts" rather than "cross-outs" and "italicized inserts."

(c) Rule R6-14 deals with information that must be provided on customers' bills. Subsection (6) now reads, "The date by which the customer must pay the bill in order to benefit from any discount or to avoid any late payment penalty." The Public Staff would revise subsection (6) of the Rule to recognize that discounts are no longer offered by striking the phrase, "to benefit from any discount or" from the Rule.

(d) The Public Staff suggested that the abbreviation "mcf" should be changed to "Mcf" in Rule R6-19.1(a)

(e) The Public Staff suggested that the abbreviation "c.f./hr." should be changed to "cfh" in Rule R6-25(5)(a).

(f) Finally, the Public Staff suggested that the Commission Rule which concerns

the adjustment of customers' appliances is obsolete and should be rescinded. The Public Staff listed that Rule as Rule R6-4. The Commission believes that the Public Staff was referring to Rule R6-34 and perhaps just Rule R6-34(c).

The Commission concludes that the changes in abbreviations recommended by Public Staff in subparagraphs (d) and (e) are appropriate and non-controversial and should be accepted.

The Commission appreciates the efforts of the parties to assist in correcting and revising the *North Carolina Public Utilities Laws and Regulations*. It recognizes that the time constraints imposed by the Commission's publishing deadline imposed a burden. The Commission does not wish to make any changes that are not clearly non-controversial unless parties have the opportunity to fully and carefully consider the changes. Therefore, the Commission will err on the side of caution and defer other recommended changes until all parties have had more time to comment and reply. Furthermore, the Commission would like to give the parties more time to consider whether other gas-related Rules should be rescinded, updated, modified or corrected based on solely on obsolescence or error.

IT IS, THEREFORE, ORDERED as follows:

1. That Commission Rules R1-17(h), R6-2.1, and R6-71 are rescinded.

2. That the abbreviation of "mcf" found in Rule R6-19.1(a) be changed to "Mcf" and the abbreviation of "c.f./hr." found in Rule R6-25(5)(a) be changed to "cfh."

3. That the last two sentences of Rule R6-19.2(f) as published in the 1995 Edition of *North Carolina Public Utilities Laws and Regulations* are deleted.

4. That parties shall file comments on those changes recommended in the November 17, 1999 Comments of the Public Staff and not implemented in this Order and comments on the need to rescind, modify or correct any other gas-related Commission Rule based solely on obsolescence or error on or before February 16, 2000. Reply comments will be due on or before March 17, 2000.

ISSUED BY ORDER OF THE COMMISSION.

This the 2nd day of December, 1999

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

wg120199.01

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Officers
Directors
NC District Managers
General Counsel

DOCKET NO. G-100, SUB 79

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DAVID CARPENTER TO COORDINATE DB 11/4

In the Matter of
Rulemaking Proceeding to Modify, Correct or Rescind Certain Incorrect or Obsolete Gas-Related Commission Rules) ORDER INITIATING PROCEEDING AND REQUESTING COMMENTS

BY THE COMMISSION: It has come to the attention of the Commission that certain Commission Rules dealing with gas issues as published in the *North Carolina Public Utilities Laws and Regulations - 1995* and supplemented by the *1997 Supplement* may be obsolete. The Rules in question are as follows:

1. Commission Rule R1-17(h) deals with the "Procedure for Participation in Exploration and Drilling Programs and Approval of Associated Changes in Natural Gas Rates." This Rule, established in 1975 in Docket No. G-100, Sub 22, was in response to a severe, nationwide gas shortage. This shortage no longer exists and the Exploration and Drilling Programs established under this Rule have been closed out. It appears to the Commission that this Rule no longer serves any useful purpose and should be rescinded.

2. Commission Rule R6-2.1 is entitled, "Deferred purchased gas expense account for emergency gas; recovery of costs; monthly reports." This Rule was established in 1976 in Docket No. G-100, Sub 28. It also was a product of the severe shortage of gas during and after 1975. It grew out of a settlement approved by the Federal Energy Regulatory Commission (FERC) on November 28, 1975 in Docket No. RP72-99 which permitted Transcontinental Gas Pipe Line Corporation (Transco) to purchase emergency gas and pass the costs through to its customers, including North Carolina local distribution companies. The FERC's 1992 Order 636 removed interstate pipelines from the business of wholesaling natural gas. The Transco commodity rates mentioned in the Rule no longer exist. It appears to the Commission that various provisions of Commission Rule R1-17(k) supersede and replace Rule R6-2.1 and that Rule R6- 2.1 should be rescinded.

3. Commission Rule R6-71 is entitled, "Procedures applicable to funds collected from non-exempt boiler fuel users." This Rule was promulgated in Docket No. G-100, Sub 38 and is also a product of the gas shortages of the mid-1970s. It was in reaction to federal legislation that attempted to conserve natural gas by pushing certain industrial customers who were using gas as a boiler fuel off gas and onto other fuels. Under Title II of the Natural Gas Policy Act of 1978 (NGPA) certain industrial boiler fuel users were charged a surcharge by their gas utility for the incremental cost of gas, up to the point where their ultimate purchase price for gas equaled the alternative fuel cost determined pursuant to §204 (e) of NGPA. Paragraph 2 of Commission Rule R6-71 under "Conditions" states, "This Rule shall automatically terminate upon termination or repeal of the federal plan." Section 2 of a 1987 amendment to the Fuel Use Act (PL 100- 42) repealed Title II of the NGPA. It appears to the Commission that Rule R6-71 terminated in 1987 and should be rescinded.

The Commission is in the process of publishing a new edition of *North Carolina Public Utilities Laws and Regulations* and would like to delete obsolete Rules. However, the publication deadline is close and only non-controversial deletions can be accommodated. In light of that, the Commission asks that parties respond within 15 days of the date of this Order if, for any reason, they feel that the

above Rules should not be rescinded. If any party objects to rescinding any Rule, the Rule in question will be left as is in the new edition of *North Carolina Public Utilities Laws and Regulations,* until further comments establish that it should be modified, corrected or deleted from the publication in a future edition.

Furthermore, there may be other gas-related Commission Rules that need to be modified, corrected or rescinded and the comments of the parties may also address the need to rescind, modify or correct any other gas-related Commission Rule based solely on obsolescence or error.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission initiates this proceeding to determine whether there is any reason that the Commission Rules listed above should not be rescinded and furthermore to request comments on the need to rescind, update, modify or correct these or any other gas rule based on solely on obsolescence or error.

2. That Frontier Energy, LLC, North Carolina Natural Gas Corporation, NUI North Carolina Gas, Piedmont Natural Gas Company, Inc., Public Service Company of North Carolina, Inc., the Public Staff and the Attorney General are hereby deemed parties to this proceeding.

3. That this order be mailed to the Commission's natural gas mailing list and other interested persons may petition to intervene and file comments on or before November 17, 1999.

4. That parties shall file comments as indicated above on or before November 17, 1999.

ISSUED BY ORDER OF THE COMMISSION.

This the 2nd day of November , 1999

NORTH CAROLINA UTILITIES COMMISSION
Geneva S. Thigpen, Chief Clerk

wg110299.01

Officers
Directors
NC District Managers
General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 78

RECEIVED
5-17-99

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Petition for Rulemaking to Implement Session Law 1998-22 (Senate Bill 1327)	)))	ORDER INITIATING RULEMAKING PROCEEDING

BY THE COMMISSION: On April 23, 1999, the Public Staff filed a petition asking the Commission to initiate a rulemaking proceeding to implement the tax changes required by North Carolina Session Law 1998-22 (Senate Bill 1327). North Carolina Session Law 1998-22 was ratified by the General Assembly and signed by the Governor on June 30, 1998. The Session Law imposes a new excise tax on piped natural gas received for consumption in the State, effective July 1, 1999, in lieu of the sales tax, use tax and gross receipts tax (GRT) that are currently applicable. The proposed rulemaking proceeding would incorporate the tax changes into the rates and tariffs of each LDC and into applicable Commission Rules.

In its petition, the Public Staff asserts that the current sales tax is not included in the cost of service of LDCs, but instead is collected by the LDCs as a surcharge to the customer's bill; that the current use tax is the responsibility of each transportation customer; and that the current GRT paid by the LDCs is embedded in the LDCs' rates since it is included in the cost of service as an operating revenue deduction in general rate cases. The Public Staff proposes that, effective July 1, 1999, each LDC rate, including facilities charges, demand charges and service charges, be decreased by an amount sufficient to remove the GRT that is presently embedded in rates and that the new excise tax be shown on customers' bills as a surcharge. In addition, the Public Staff proposes that the gas adjustment procedures set forth in the tariffs of the LDCs and in Commission Rule R1-17(k) be modified to remove the GRT component, and that references to the GRT be deleted from Commission Rule R6-19.2(c)(ii). The Public Staff recommends that each LDC be ordered to file appropriate modifications to its tariffs and service regulations for Commission review and that Commission Rules R1-17(k) and R6-19.2(c) be amended. The Public Staff's proposed amendments to the Rules are attached to this Order as Appendix A.

The Commission finds good cause to initiate a proceeding as proposed by the Public Staff. The Commission is aware that bills have been introduced to change the effective date of the tax changes. The Commission will proceed, but will take appropriate action if the effective date is changed.

IT IS, THEREFORE, ORDERED as follows:

DRC * 1. That each LDC shall file for review proposed modifications to its tariffs and service regulations implementing the tax changes required by North Carolina Session Law 1998-22 on or before June 4, 1999; and

2. That interested persons may intervene as parties on or before June 4, 1999, and parties may file comments on the proposed tariff modifications to be filed herein and on the proposed changes to Commission Rules R1-17(k) and R6-19.2(c) attached hereto, both on or before June 11, 1999.

ISSUED BY ORDER OF THE COMMISSION.

This the 13th day of May, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg051299.01

* DAVID CARPENTER WILL COORDINATE

5/13/99

Appendix A

PROPOSED RULE CHANGES

Deletions are shaded. Additions are shown in **bold type**.

1. Commission Rule R1-17(k)(3)(a)(i) would be amended as follows:

(i) Demand Charges and Storage Charges. Whenever an LDC anticipates a change in the Demand Charges and Storage Charges, the LDC may (as hereinabove provided) change its rates to customers under all rate schedules by an amount computed as follows:

> {[(Total Anticipated Demand Charges and Storage Charges - Prior Demand Charges and Storage Charges) + Gross Receipts Taxes] X NC Portion*]}/ Sales & Transportation Volumes* = Increase (Decrease) Per Unit
>
> *Established by the Commission in the last general rate case.

2. Commission Rule R1-17(k)(3)(a)(ii) would be amended as follows:

(ii) Commodity and Other Charges. Whenever the LDC's estimate of its Benchmark Commodity Gas Costs changes, an LDC may (as hereinabove provided) change the rates to its customers purchasing gas under all of its sales rate schedules by an amount computed as follows:

> {[Volumes of gas purchased* (excluding Company Use and Unaccounted For) X (New Benchmark Commodity Gas Costs - Old Benchmark Commodity Gas Costs) + Gross Receipts Taxes] X NC Portion*}/ {Volumes of gas purchased for System Supply* (excluding Company Use and Unaccounted For)* X NC Portion*}= Increase (Decrease) Per Unit
>
> *Established by the Commission in the last general rate case.

3. Commission Rule R1-17(k)(3)(b) would be amended as follows:

(b) Transportation Rate. Firm and/or interruptible transportation rates shall be computed on a per unit basis by subtracting the per unit Commodity and Other Charges and applicable gross receipts taxes included in the applicable firm or interruptible sales rate schedule from the applicable firm or interruptible rate schedule exclusive of any decrements or increments.

Commodity deferred account increments or decrements shall not apply to transportation rates unless the Commission specifically directs otherwise. Demand and storage increments or decrements shall apply to transportation rates.

4. The definition of "margin" in Commission Rule R6-19.2(c)(ii) would be amended as follows:

Margin: Margin is defined as the filed tariff rate per unit of gas or negotiated rate per unit of gas of a customer (exclusive of sales tax), less gross receipts tax, less the cost per unit of gas as determined in the Company's last general rate case or Purchased Gas Adjustment proceeding, adjusted for any temporary decrements or increments in the filed tariff rate.

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CC: JHM
WFS
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TES
PCG ✓

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 77

received
3-22-99

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Rulemaking Proceeding with Respect to Relationships Between Natural Gas Utilities and Their Marketing Affiliates	)))	ORDER GRANTING MOTION FOR LIMITED ADMISSION

BY THE CHAIR: On March 12, 1999, Craig G. Goodman, counsel for the National Energy Marketers Association (NEMA), filed a Motion for Limited Admission and also David L. Cruthirds, counsel for Dynegy Inc. filed a Motion for Limited Admission in the above-captioned proceeding.

The Chair is of the opinion that good cause exists to grant the Motions.

Mr. Goodman's address is:

National Energy Marketer Association
3333 K Street, NW
Suite 425
Washington, DC 20007

Mr. Cruthirds' address is:

Dynegy Inc.
1000 Louisiana Street, Suite 5800
Houston, Texas 77002

North Carolina counsel, to whom Mr. Goodman and Mr. Cruthirds are associated, is:

Benjamin R. Kuhn
Kilpatrick Stockton, LLP
4101 Lake Boone Trail, Suite 400
Raleigh, North Carolina 27607-6519

IT IS, THEREFORE, ORDERED that the Motions for Limited Admission filed by NEMA and Dynegy, Inc. on March 12, 1999, be, and the same hereby are, allowed.

ISSUED BY ORDER OF THE COMMISSION.

This the 18th day of March, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg031799.03

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 77

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Rulemaking Proceeding with Respect to Relationships Between Natural Gas Utilities and Their Marketing Affiliates	) ORDER INITIATING) PROCEEDING)

BY THE COMMISSION: In the recent general rate case of Public Service Company of North Carolina, in Docket No. G-5, Sub 386, an intervenor filed testimony dealing with relations between a natural gas local distribution company (LDC) and its marketing affiliate. The testimony in question essentially asserted that marketers affiliated with an LDC "have an unfair advantage to information and resources from LDCs" and that "granting affiliate access to customer information or providing cost-free ratepayer- subsidized services to an affiliate are examples of actions by an LDC which may place unaffiliated marketers at a distinct disadvantage."

On September 8, 1998, the Commission issued an order in Docket No. M-100, Sub 127, calling for comments by natural gas utilities, electric utilities and other interested parties on whether and, if so, how a rulemaking proceeding on utility/affiliate relations should be held. Specifically, the Commission requested that such comments address whether such a rulemaking proceeding on utility/affiliate relations should be initiated, what the scope of such a proceeding should be and what issues should be investigated in such a proceeding, and what procedures would be appropriate for such a proceeding. After careful consideration of the comments received, the Commission issued an order of the present date in that docket, concluding that it is appropriate to initiate a natural gas-specific rulemaking proceeding on utility/affiliate relations. The rulemaking will be conducted in the present docket, and the earlier docket will be closed.

In the earlier comments, some, but not all, parties recommended specific issues for investigation. The Public Staff indicated that it has drafted a code of conduct regarding natural gas utility/affiliate relations which could serve as a starting point in this proceeding and offered to provide it to the Commission. The Commission agrees, and requests that the Public Staff file its draft code of conduct and serve a copy on all parties. The Commission further requests that the parties review the Public Staff's draft code of conduct and file a list of specific issues recommended to be investigated in this proceeding. The Commission encourages the parties to work together, where possible, to jointly file a list of issues. The Commission will select and refine issues for investigation and issue a further order requesting written comments on these issues.

IT IS, THEREFORE, ORDERED as follows:

1. That, in addition to the Public Staff and the Attorney General, the following parties in Docket No. M-100, Sub 127, shall be deemed parties to this proceeding without the need to intervene -- Public Service Company of North Carolina, Piedmont Natural Gas Company, North Carolina Natural Gas Corporation, Frontier Energy, LLC, NUI North Carolina Gas, Carolina Utility Customers Association, Carolina Industrial Groups for Fair Utility Rates I & II, and Southeastern Gas & Power;

2. That the present order shall be served on all persons on the Commission's natural gas mailing list; and any other interested person may petition to intervene on or before March 5, 1999;

3. That the Public Staff shall file with the Commission and serve on all parties on or before

February 5, 1999, its draft code of conduct regarding natural gas utility/affiliate relations;

4. That on or before March 5, 1999, parties shall file a list of specific issues recommended to be investigated, as hereinabove provided; and

5. That the Commission will proceed by issuing a further order requesting written comments on a selected list of issues.

ISSUED BY ORDER OF THE COMMISSION.

This the 28th day of January , 1999.

NORTH CAROLINA UTILITIES COMMISSION
Geneva S. Thigpen, Chief Clerk

rg012799.02

Officers
Directors
NC District Managers
General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 78

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Petition for Rulemaking to Implement Session Law 1998-22 (Senate Bill 1327)	)))	ORDER CLOSING DOCKET

BY THE CHAIR: North Carolina Session Law 1998-22 was ratified by the General Assembly and signed by the Governor on June 30, 1998. The Session Law imposes a new excise tax on piped natural gas received for consumption in the State, effective July 1, 1999, in lieu of the sales tax, use tax and gross receipts tax (GRT) that are currently applicable. The Commission issued an Order on May 13, 1999, initiating a proceeding to modify utility tariffs and Commission Rules to implement the tax changes required by North Carolina Session Law 1998-22. The Commission issued an Order on June 30, 1999, modifying the LDCs' tariffs and amending Commission Rules.

The Chair finds good cause to close this docket. Any further filings related hereto shall be made in appropriate LDC dockets.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 23rd day of December, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

mz122299.04

Officers
Directors
NC District Managers
General Counsel

9# 7-1-99

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 78

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	) ORDER APPROVING TARIFFS,
Petition for Rulemaking to Implement Session	) AMENDING COMMISSION RULES, AND
Law 1998-22 (Senate Bill 1327)	) REQUIRING NOTICE

BY THE COMMISSION: North Carolina Session Law 1998-22 was ratified by the General Assembly and signed by the Governor on June 30, 1998. The Session Law imposes a new excise tax on piped natural gas received for consumption in the State, effective July 1, 1999, in lieu of the sales tax, use tax and gross receipts tax (GRT) that are currently applicable. On April 23, 1999, the Public Staff filed a petition asking the Commission to initiate a rulemaking proceeding to implement the tax changes required by North Carolina Session Law 1998-22 by incorporating the tax changes into the rates and tariffs of each natural gas local distribution company (LDC) and into applicable Commission Rules.

In its petition, the Public Staff asserted that the current sales tax is not included in the cost of service of LDCs, but instead is collected by the LDCs as a surcharge to the customer's bill; that the current use tax is the responsibility of each transportation customer; and that the current GRT paid by the LDCs is embedded in the LDCs' rates since it is included in the cost of service as an operating revenue deduction in general rate cases. The Public Staff proposed that, effective July 1, 1999, each LDC rate, including facilities charges, demand charges and service charges, be decreased by an amount sufficient to remove the GRT that is presently embedded in rates and that the new excise tax be shown on customers' bills as a surcharge. In addition, the Public Staff proposed that the gas adjustment procedures set forth in the tariffs of the LDCs and in Commission Rule R1-17(k) be modified to remove the GRT component, and that references to the GRT be deleted from Commission Rule R6-19.2(c)(ii). The Public Staff recommended that each LDC be ordered to file appropriate modifications to its tariffs and service regulations for Commission review and that Commission Rules R1-17(k) and R6-19.2(c) be amended.

The Commission issued an Order on May 13, 1999, initiating a proceeding as proposed by the Public Staff. The order provided for each LDC to file for review proposed modifications to its tariffs and service regulations implementing the tax changes required by North Carolina Session Law 1998-22 and further provided for interested persons to intervene and file comments on the proposed tariff modifications and on the proposed changes to Commission Rules. By subsequent Order, the Commission provided for reply comments.

North Carolina Natural Gas Corporation (NCNG), Piedmont Natural Gas Company, Inc. (Piedmont), Public Service Company of North Carolina, Inc. (PSNC), NUI North Carolina Gas, and Frontier Energy, L.L.C. filed proposed modifications to their tariffs on June 3 and 4, 1999. NCNG filed a revision on June 14, 1999.

Initial comments were filed on June 16, 1999, by the Public Staff and the Carolina Utility Customers Association, Inc. (CUCA). The Public Staff commented that the LDCs' proposed tariff modifications are correct and in compliance with the new law. The Public Staff recommended that public notice of the rate changes be mailed as a bill insert. CUCA agreed that the Commission has "limited legal authority" to adopt the rate changes without general rate cases, but asked the Commission to make clear in its order the limited basis upon which it acts. Next, CUCA stated that several of the tariffs contain errors, such as an August 1, instead of July 1, effective date and spelling errors. Finally and most importantly, CUCA stated that the rate changes proposed by the LDCs are incomplete. CUCA noted the franchise tax under G.S. 105-122 and stated that "presumably, the LDCs have already included in their rates their preexisting franchise tax obligation." CUCA then noted that the new law provides for an offset to this franchise tax based on 50% of the new excise tax and concludes that ratepayers are entitled to have this offset incorporated into rates.

The Public Staff, Piedmont, PSNC, and NCNG filed reply comments. The Public Staff says that there is no dispute as to the Commission's authority in this proceeding and that there is therefore no need for special language in the order, as suggested by CUCA. The Commission agrees. As to the proper effective date, reply comments point out that the Department of Revenue has interpreted the new excise tax as applying to gas consumption in billing months after July 1. The Commission concludes that the LDCs shall implement the new tax law as interpreted by the Department of Revenue. Finally, as to the franchise tax issue raised by CUCA, all three LDCs, and the Public Staff as well, argue that CUCA has misintrepreted the LDCs' franchise tax obligation. Reply comments point out that, due to the alternative tax provisions of G.S. 105-116, the LDCs have never had to pay the franchise tax under G.S. 105-122 and, therefore, the franchise tax under G. S. 105-122 is not reflected in current rates and no further rate modifications are appropriate. CUCA has filed nothing further with respect to this issue. The Commission rejects CUCA's franchise tax argument. No party commented on the proposed changes to Commission Rules, and the Commission amends Commission Rules accordingly.

IT IS, THEREFORE, ORDERED as follows:

1. That the proposed tariff modifications filed by the LDCs in this docket should be, and hereby are, approved;

2. That Commission Rules R1-17(k) and R6-19.2(c) should be, and hereby are, amended to read as shown on Appendix A attached hereto; and

3. That the LDCs shall give public notice by sending the notice attached hereto as Appendix B to each of their customers during the billing cycle in which the tax changes take effect.

ISSUED BY ORDER OF THE COMMISSION.

This the 30th day of June, 1999.

NORTH CAROLINA UTILITIES COMMISSION
Gail L. Mount, Deputy Clerk
RG063099.01

X DAVID CARPENTER TO COORDINATE
7/1

Appendix A

COMMISSION RULE CHANGES

1. Commission Rule R1-17(k)(3)(a)(i) is amended to read as follows:

(i) Demand Charges and Storage Charges. Whenever an LDC anticipates a change in the Demand Charges and Storage Charges, the LDC may (as hereinabove provided) change its rates to customers under all rate schedules by an amount computed as follows:

[(Total Anticipated Demand Charges and Storage Charges - Prior Demand Charges and Storage Charges) X NC Portion*]/ Sales & Transportation Volumes* = Increase (Decrease) Per Unit

*Established by the Commission in the last general rate case.

2. Commission Rule R1-17(k)(3)(a)(ii) is amended to read as follows:

(ii) Commodity and Other Charges. Whenever the LDC's estimate of its Benchmark Commodity Gas Costs changes, an LDC may (as hereinabove provided) change the rates to its customers purchasing gas under all of its sales rate schedules by an amount computed as follows:

{[Volumes of gas purchased* (excluding Company Use and Unaccounted For) X (New Benchmark Commodity Gas Costs - Old Benchmark Commodity Gas Costs)] X NC Portion*}/ {Volumes of gas purchased for System Supply* (excluding Company Use and Unaccounted For)* X NC Portion*}= Increase (Decrease) Per Unit

*Established by the Commission in the last general rate case.

3. Commission Rule R1-17(k)(3)(b) is amended to read as follows:

(b) Transportation Rate. Firm and/or interruptible transportation rates shall be computed on a per unit basis by subtracting the per unit Commodity and Other Charges included in the applicable firm or interruptible sales rate schedule from the applicable firm or interruptible rate schedule exclusive of any decrements or increments. Commodity deferred account increments or decrements shall not apply to transportation rates unless the Commission specifically directs otherwise. Demand and storage increments or decrements shall apply to transportation rates.

4. The definition of "margin" in Commission Rule R6-19.2(c)(ii) is amended to read as follows:

Margin: Margin is defined as the filed tariff rate per unit of gas or negotiated rate per unit of gas of a customer, less the cost per unit of gas as determined in the Company's last general rate case or Purchased Gas Adjustment proceeding, adjusted for any temporary decrements or increments in the filed tariff rate.

Appendix B

NOTICE
DOCKET NO. G-100, SUB 78

On June 30, 1998, North Carolina Session Law 1998-22 was ratified by the General Assembly and signed by the Governor. This statute imposes, effective July 1, 1999, an excise tax (hereinafter "gas tax") on piped natural gas received for consumption in the State which replaces the sales and use taxes and gross receipts tax (GRT) that were previously applicable to piped natural gas.

The monthly amount of the gas tax payable by each natural gas local distribution company (LDC) will be based on the number of therms it delivers during the month to each of its customers. The tax will be calculated using a declining block rate structure. The applicable gas tax rates based on the monthly deliveries by the LDC to each customer will be as follows:

First 200 therms	$0.047 per therm
201 to 15,000 therms	$0.035 per therm
15,001 to 60,000 therms	$0.024 per therm
60,001 to 500,000 therms	$0.015 per therm
Over 500,000 therms	$0.003 per therm

Under previous law, all revenues associated with the provision of gas service by an LDC (including revenues derived from facilities charges, demand charges, and service charges) were subject to GRT at the rate of 3.22%. The GRT paid by the LDC to the State was included in the cost of service as an operating revenue deduction in a general rate case. The sales tax was not included in the cost of service for an LDC, but instead was collected by the LDC as a surcharge to the utility bill and remitted to the State. The sales tax rate was 3%, except for sales to manufacturers and certain other groups, for which the applicable rate was 2.83%.

Effective July 1, 1999, the GRT and sales tax on piped natural gas terminated and was replaced by the new gas tax. The intent of the gas tax is not to increase or decrease taxes, but to replace the combination of the GRT and sales taxes that are currently in effect.

For individual customers, total natural gas bills with the new gas tax could be higher or lower than under previous law, depending on the amount of gas used at particular times of the year, and the level of the LDC's tariff rates. Please contact your LDC if you want a more detailed explanation and/or analysis of how the change in the law affects your own gas bill.

RCH

DOCKET NO. G-100, SUB 78

received
4-22-97

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Petition for Rulemaking to Implement	)	PUBLIC STAFF'S
Session Law 1998-22 (Senate Bill 1327)	)	RULEMAKING PETITION

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission, by and through its Executive Director, Robert P. Gruber, and petitions the Commission to initiate a rulemaking proceeding to implement the tax changes required by North Carolina Session Law 1998-22 (Senate Bill 1327). In support of this petition the Public Staff respectfully shows unto the Commission:

1. On June 30, 1998, North Carolina Session Law 1998-22 was ratified by the General Assembly and signed by the Governor. This statute imposes, effective July 1, 1999, an excise tax (hereinafter "gas tax") on piped natural gas received for consumption in the State, in lieu of the sales and use taxes and gross receipts tax (GRT) that are currently applicable to piped natural gas.

2. The monthly amount of the gas tax payable by each Local Distribution Company (LDC) is based on the number of therms it delivers during the month to each of its customers. The tax replaces the present GRT, sales, and use taxes; it is computed using a declining block rate structure. The applicable gas tax rates based on the monthly deliveries by the LDC to each customer are as follows:

First 200 therms	$0.047 per therm
201 to 15,000 therms	$0.035 per therm
15,001 to 60,000 therms	$0.024 per therm
60,001 to 500,000 therms	$0.015 per therm
Over 500,000 therms	$0.003 per therm

3. Under current law, all revenues associated with the provision of gas service by an LDC are subject to GRT at the rate of 3.22%, including revenues derived from facilities charges, demand charges and service charges. The GRT paid by the LDC to the State is currently included in the cost of service as an operating revenue deductionin a general rate case. The sales tax is not included in the cost of service for an LDC, but instead is collected by the LDC as a surcharge to the utility bill and remitted to the State. Use tax, at the rate of 3% on the value of the gas transported, is the responsibility of each transportation customer. The sales tax rate is 3%, except for sales to manufacturers,for which the applicable rate is 2.83%.

4. Session Law 1998-22 significantly changes the manner in which the taxes applicable to the provision of natural gas service are determined. It is therefore necessary for the Commission to incorporate the tax changes into the rates and tariffs of each LDC and Commission Rules R1-17(k) and R6-19.2(c).

5. Because of the many gas tax rate blocks, the easiest method for incorporating the new tax into rates is for each LDC rate to be reduced by the amount of GRT and for the gas tax to be shown on the customer's bill as a surcharge. The Public Staff therefore proposes that each LDC rate, including facilities charges, demand charges and service charges, be decreased by an amount sufficient to remove the 3.22% GRT that is presently embedded in rates. In addition, the gas adjustment procedures set forth in the tariffs of the LDCs and in Commission Rule R1-17(k) should be modified to remove the GRT component, and references to GRT should be deleted from the regulations on curtailment priorities in Rule R6-19.2(c).

6. In order to carry out these changes, the Public Staff recommends that each LDC be ordered to make appropriate changes in its tariffs and service regulations and file them for Commission review by a specified deadline. The Public Staff further recommends that Commission Rules R1-17(k) and R6-19.2(c) be amended as set forth in Exhibit A hereto.

WHEREFORE, the Public Staff prays:

1. That each of the State's LDCs be ordered to file modifications to its tariffs and service regulations, implementing the tax changes required by North Carolina Session Law 1998-22, by a specified deadline;

2. That the Commission request comments from parties on the attached changes to Commission Rules R1-17(k) and R6-19.2(c); and

3. For such other and further relief as the Commission may deem just and proper.

This the 23rd day of April, 1999.

PUBLIC STAFF
Robert P. Gruber
Executive Director

Antoinette R. Wike
Chief Counsel

Robert S. Gillam

Robert S. Gillam
Staff Attorney

430 North Salisbury Street
Post Office Box 29520
Raleigh, North Carolina 27626-0520
Telephone: (919) 733-6110

CERTIFICATE OF SERVICE

I certify that a copy of this Rulemaking Petition has been served on each of the following or their attorneys of record: all of the natural gas local distribution companies certified in North Carolina, the Carolina Utility Customers Association, Inc., the Attorney General, and all other persons on the natural gas mailing list of the Chief Clerk of the Commission, by depositing a copy of the same in the United States Mail, postage prepaid, properly addressed to each.

This the 23rd day of April, 1999.

Robert S. Gillam

Robert S. Gillam

EXHIBIT A

PUBLIC STAFF'S PROPOSED RULE CHANGES

Deletions are shaded. Additions are shown in **bold type**.

1. Commission Rule R1-17(k)(3)(a)(i) should be amended as follows:

(i) Demand Charges and Storage Charges. Whenever an LDC anticipates a change in the Demand Charges and Storage Charges, the LDC may (as hereinabove provided) change its rates to customers under all rate schedules by an amount computed as follows:

{[(Total Anticipated Demand Charges and Storage Charges - Prior Demand Charges and Storage Charges) + Gross Receipts Taxes] X NC Portion*}]/ Sales & Transportation Volumes* = Increase (Decrease) Per Unit

*Established by the Commission in the last general rate case.

2. Commission Rule R1-17(k)(3)(a)(ii) should be amended as follows:

(ii) Commodity and Other Charges. Whenever the LDC's estimate of its Benchmark Commodity Gas Costs changes, an LDC may (as hereinabove provided) change the rates to its customers purchasing gas under all of its sales rate schedules by an amount computed as follows:

{[Volumes of gas purchased* (excluding Company Use and Unaccounted For) X (New Benchmark Commodity Gas Costs - Old Benchmark Commodity Gas Costs) + Gross Receipts Taxes] X NC Portion*}/ {Volumes of gas purchased for System Supply* (excluding Company Use and Unaccounted For)* X NC Portion*}= Increase (Decrease) Per Unit

*Established by the Commission in the last general rate case.

3. Commission Rule R1-17(k)(3)(b) should be amended as follows:

(b) Transportation Rate. Firm and/or interruptible transportation rates shall be computed on a per unit basis by subtracting the per unit Commodity and Other Charges and applicable gross receipts taxes included in the applicable firm or interruptible sales rate schedule from the applicable firm or interruptible rate schedule exclusive of any decrements or increments. Commodity deferred account increments or decrements shall not apply to

transportation rates unless the Commission specifically directs otherwise. Demand and storage increments or decrements shall apply to transportation rates.

4. The definition of "margin" in Commission Rule R6-19.2(c)(ii) should be amended as follows:

Margin: Margin is defined as the filed tariff rate per unit of gas or negotiated rate per unit of gas of a customer (exclusive of sales tax), less gross receipts tax, less the cost per unit of gas as determined in the Company's last general rate case or Purchased Gas Adjustment proceeding, adjusted for any temporary decrements or increments in the filed tariff rate.

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 76

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Motion of Gas Research Institute for the Entry of an Order Authorizing Local Distribution Companies in North Carolina to Continue to Make Research Contributions to Gas Research Institute	)))))	ORDER ON MOTION OF GAS RESEARCH INSTITUTE

BY THE COMMISSION: On January 6, 1999, Gas Research Institute (GRI) filed a motion requesting the Commission to enter an order authorizing the local distribution companies (LDCs) in North Carolina to make voluntary contributions to GRI for research and to recover such contributions in their annual gas cost adjustment proceedings pursuant to G.S. 62-133.4. In support of this motion, GRI states that it is the cooperative research and development organization of the natural gas industry and that it has been funded primarily by surcharges collected by its interstate pipeline member companies pursuant to tariffs approved by the Federal Energy Regulatory Commission (FERC) for natural gas transportation services. Payments by North Carolina LDCs under such tariffs are recoverable pursuant to G.S. 62-133.4 as part of the LDCs' cost of gas. However, on April 29, 1998, the FERC approved a negotiated settlement providing for the funding of GRI at progressively reduced levels beginning in 1999 and continuing until the surcharges are eliminated in their entirety after December 31, 2004.

GRI states that its research has benefited the natural gas industry and the LDCs in particular over the years and has resulted in cost reductions and improved safety for the consuming public. Therefore, GRI has proposed to LDCs around the country that they continue to fund GRI at present levels by voluntarily contributing the difference between the 1998 FERC-approved surcharge level and the future, reduced FERC-approved surcharge levels. Total funding under this proposal would not exceed the current surcharge level, which is equivalent to 1.74 cents per dekatherm. In return for making voluntary contributions, the LDCs would be allowed to allocate the funds to the types of research they wish to support. GRI states that the Alabama Public Service Commission has authorized Alabama Gas Corporation to make such voluntary contributions and that numerous other LDCs and municipal gas authorities throughout the country have agreed to join the program and are seeking regulatory approval where necessary. The North Carolina LDCs have expressed an interest in joining the program.

The Public Staff presented GRI's proposal to the Commission at its Regular Staff Conference on January 25, 1999. The Public Staff stated that the proposal raises a number of important legal and policy issues, and the Public Staff recommended that the

Commission issue an order requesting comments on the proposal and requesting GRI to describe in further detail how other state commissions have addressed the matter. The Public Staff also recommended that the order direct each LDC to respond to certain questions generally dealing with the LDC's level of past contributions to GRI, its use and support of GRI research, and possible ways to recover future contributions to GRI.

On January 27, 1999, the Commission issued an Order Requesting Comments based on the Public Staff's recommendations. Piedmont Natural Gas Company, Inc. (Piedmont), Public Service Company of North Carolina, Inc. (PSNC), North Carolina Natural Gas Corporation (NCNG), NUI North Carolina Gas (NUI) and Frontier Energy LLC (Frontier) were requested to file comments. Carolina Utility Customers Association, Inc. (CUCA) and the Public Works Commission of the City of Fayetteville (PWC) also intervened in this docket.

Initial comments were filed by GRI, CUCA, NCNG, NUI, Piedmont and PSNC. Reply comments were filed by GRI, CUCA, Frontier, NCNG, Piedmont, the Public Staff, and the Attorney General. Subsequently, GRI filed a Motion for Permission to Respond to Public Staff's Reply Comments and a Response to Public Staff's Reply Comments. The Public Staff filed a Clarification of Public Staff's Reply Comments, and GRI filed a Response to Clarification of Public Staff's Reply Comments. All comments have been accepted and considered.

From the comments and filings herein, the following facts appear undisputed:

1. GRI is the natural gas industry's voluntary, cooperative research organization. GRI was founded in 1976 in response to a Federal Power Commission (now the FERC) finding that interstate pipelines were conducting insufficient research.

2. In the past, GRI has been funded primarily by surcharges collected by member interstate pipelines and passed on to LDCs and their customers through the interstate pipelines' FERC-approved transportation tariffs.

3. G.S. 62-133.4 provides for gas cost adjustment proceedings for North Carolina LDCs "to track changes in the cost of natural gas supply and transportation." The statute allows the Commission to define gas costs by rule or order, but limits the definition to costs "related to the purchase and transportation of natural gas to the natural gas local distribution company's system." Commission Rule R1-17(k)(2)(b) defines "Gas Costs" as "the total delivered cost of gas paid or to be paid to Suppliers, including but not limited to all commodity/gas charges, demand charges, peaking charges, surcharges . . . service fees and transportation charges, and any other similar charges in connection with the purchase, storage or transportation of gas for the LDC's system supply."

4. North Carolina LDCs paid net GRI interstate pipeline surcharges of $3,648,370 in 1997 and $3,439,409 in 1998. Since they were a part of the interstate pipelines' tariffs, these surcharges were recoverable by North Carolina LDCs as "gas costs" pursuant to G.S. 62-133.4 and Commission Rule R1-17(k)(2)(b). They were recorded in each LDC's deferred gas cost account and trued-up in the annual gas cost adjustment proceeding.

5. In 1998, FERC approved a settlement pursuant to which the FERC-approved surcharges supporting GRI will be reduced from $164,000,000 in 1998 down to $132,000,000 in 1999, $98,000,000 in 2000, $70,000,000 in 2001, $60,000,000 in 2002, 2003 and 2004, and zero in 2005.

6. GRI has proposed that LDCs continue to support GRI on a voluntary basis at the 1998 surcharge level, with the LDCs making up the difference between the 1998 level and the shrinking FERC-approved surcharges through voluntary contributions to GRI.

7. In this docket, GRI requests that the North Carolina LDCs be authorized by this Commission to make voluntary contributions to GRI and to recover such contributions in their annual gas cost adjustment proceedings pursuant to G.S. 62-133.4. Alternatively, GRI proposes that the Commission authorize the recovery of contributions to GRI through a surcharge mechanism in a rulemaking proceeding.

8. The Public Staff proposes that voluntary contributions to GRI be treated as operation and maintenance (O&M) expenses and considered in general rate case proceedings. However, the Public Staff proposes a special accounting treatment for such contributions which includes a deferred charges account for contributions made through the end of 2004 or until the time of each LDC's next rate case, whichever is earlier, and the accrual of carrying charges on the deferred contributions. The Public Staff further proposes to reclassify a reasonable ongoing level of GRI funding, whether FERC-approved or voluntary, as O&M expenses in each LDC's next general rate case. The Public Staff contends that its proposal "permits full recovery of all reasonable and prudently incurred GRI contributions."

9. Electric utilities' contributions to the Electric Power Research Institute have not been treated as a part of fuel costs or as a surcharge; they have been treated as O&M expenses in the electric utilities' general rate cases.

Based on the undisputed facts and upon the comments and arguments herein, the Commission reaches the following conclusions:

First, GRI's motion was not verified as required by Commission Rule R1-5(d). CUCA states that "GRI's unverified request is deficient and should be rejected on that basis alone." GRI responds by referring to Rule R1-5(e), which states that pleadings shall be "liberally construed" and that "errors or defects which do not mislead or affect the

substantial rights of the parties involved shall be disregarded." The Commission concludes that no party's substantial rights were affected by the lack of verification, and the Commission will consider GRI's motion.

Turning to the merits of the motion, GRI requests that the LDCs be authorized to make voluntary contributions to GRI and to recover such contributions in their annual gas cost adjustment proceedings under G.S. 62-133.4. GRI argues that Rule R1-17(k)(2)(b) defines "gas costs" in terms of a lengthy list of fees and charges including "surcharges" and that the Commission has the authority to amend the definition of gas costs by rule or order. GRI points out that Rule R1-17(k)(3)(c) states that the intent of the gas cost adjustment procedures "is to permit an LDC to recover its actual prudently incurred Gas Costs," and GRI contends that if payments to GRI were recoverable as a legitimate gas cost when included in interstate pipeline rates, then "the mere change from being totally FERC authorized to partially FERC and partially Commission authorized (and ultimately fully Commission authorized) should not affect their recoverability." GRI states that the Commission, in this docket, could find that gas research is essential for an LDC to furnish adequate, reliable and economical utility service to its customers and could characterize contributions to GRI as a prudently incurred gas cost recoverable under G.S. 62-133.4.

NCNG argues that when G.S. 62-133.4 was enacted, the General Assembly decided to allow the Commission to define costs for gas cost adjustment purposes. G.S. 62-133.4(e) delegates that authority to the Commission to be exercised through rule or order. NCNG contends that Commission Rule R1-17(k) defines gas costs broadly, so as to cover "100 percent of prudently incurred costs applicable to North Carolina operations." NCNG asserts that the Commission could further amend the definition by order in this docket to include voluntary contributions to GRI. NUI agrees that voluntary contributions to GRI should be considered a cost of gas and recovered as such. Piedmont agrees that a case can be made for treating GRI contributions as gas costs under G.S. 62-133.4, but Piedmont instead focuses on the more general argument that the Commission has the authority to adopt a surcharge mechanism to recover voluntary contributions through a rulemaking in this proceeding. PSNC supports continuation of current procedures at least until its next rate case.

CUCA argues that the Commission's authority to modify rates through G.S. 62-133.4 is limited to modifications that "track changes in the costs of natural gas supply and transportation." Since GRI is neither a supplier nor a transporter of natural gas, the definition of gas costs under Rule R1-17(k) cannot be stretched to include voluntary payments by the LDCs to GRI. GRI surcharges were appropriately considered a part of gas costs as long as they were surcharges assessed and collected in interstate pipeline rates; however, voluntary LDC contributions to GRI cannot be considered as part of gas costs under G.S. 62-133.4.

The Attorney General agrees with CUCA, pointing out that as long as FERC authorized recovery of GRI payments as part of interstate pipeline rates, the GRI payments were part of the cost of obtaining pipeline service. The LDCs did not have any discretion about whether to pay the GRI component of interstate pipeline rates and FERC, not the North Carolina Utilities Commission, was charged with oversight of the prudence of payments to GRI.

The Public Staff also agrees with CUCA that voluntary contributions to GRI cannot be treated as gas costs. In addition, the Public Staff argues that the LDCs' annual gas cost adjustment proceedings should not be broadened to encompass a review of the prudence of GRI expenditures since GRI expenditures present entirely different issues and require a different type of investigation.

The Commission concludes that the plain language of G.S. 62-133.4 decides this issue. GRI is not a supplier of gas, and voluntary contributions to GRI are not costs "related to the purchase and transportation of natural gas to the [LDC's] system." Therefore, such contributions do not come within the scope of gas cost adjustment proceedings now, and G.S. 62-133.4(e) cannot be used to expand the definition of gas costs to cover such contributions. The Commission concludes that voluntary contributions made by the LDCs to GRI cannot be considered gas costs recoverable under G.S. 62-133.4.

GRI next contends that even if the Commission lacks authority to allow the recovery of GRI contributions as gas costs, the Commission does have the authority to authorize recovery of GRI contributions through a surcharge and true-up mechanism in a rulemaking proceeding. GRI notes two occasions in which the Commission altered rates and charges through a rulemaking proceeding and was subsequently upheld by the North Carolina Supreme Court. Piedmont supports GRI, stating, "The North Carolina Supreme Court has clearly and unambiguously established the authority of the Utilities Commission to make and enforce rules and regulations relating to the public utilities it regulates, including the power and authority to change rates and charges . . . through a rulemaking proceeding."

In 1975, the Commission ordered the establishment of an exploration and drilling program and set up a mechanism for the recovery of its costs through a rulemaking proceeding. Among other things, the Commission found that: (1) an emergency gas shortage existed; (2) unless the LDCs were able to obtain additional gas supplies, they would be unable to render adequate and efficient service to their customers; (3) without additional supplies, many industries in North Carolina would be unable to continue operations; and (4) without additional supplies, substantial increases in rates would be necessary to meet increases imposed by the sole interstate supplier as well as to cover the spreading of fixed costs over smaller sales volumes. The Commission also found that prudent expenditures of funds for exploration purposes during periods of severe and deepening curtailment of gas supplies were ordinary and reasonable operating expenses

of an LDC. The North Carolina Supreme Court held that the recovery of exploration and drilling surcharges could be allowed through a tracking mechanism set up in a rulemaking proceeding and that it was not necessary that general rate cases be instituted. *State ex rel. Utils. Comm'n v. Edmisten*, 294 N.C. 598, 242 S.E.2d 862 (1978). The Court took note of the findings of fact in the Commission's Order and ruled as follows:

> In view of these findings of fact, we hold that the Commission, in ordering that the reasonable costs of approved exploration projects were to be recoverable through tracking rate increases, acted within its acknowledged duty and authority to compel adequate and efficient utility service to the citizens of this State. It is clear from the Commission's findings that, without additional gas supplies, the gas utilities would be unable to render adequate service to their customers, that exploration programs were the most feasible means for obtaining these additional supplies, and that the utilities were unable, through traditional methods of financing, to fund sufficient exploration projects to obtain these supplies. Under those circumstances, the Commission was well within its authority in approving the exploration concept and including the excess gas costs in the price of gas to consumers, since these expenses were incurred for their benefit and the excess profits, under the Commission's order, were preserved for the customers paying the rate increase.

In the second case cited by GRI and Piedmont, the Commission ordered that the benefits of the Tax Reform Act of 1986 be passed on to ratepayers by all utilities through a rulemaking proceeding, rather than in individual rate cases. The North Carolina Supreme Court held this to be an appropriate procedure. *State ex rel. Utils. Comm'n v. Nantahala Power & Light Co.*, 326 N.C. 190, 388 S.E.2d 118 (1990). The Court referenced the *Edmisten* decision and added the following:

> The Commission properly formulated a rule which applied uniformly to the affected utilities which were similarly situated. The circumstances surrounding this procedure made it appropriate for the Commission to use a rulemaking procedure because: (1) the tax reduction affected all utilities uniformly; (2) a large number of utilities were affected, making individual hearings for all inappropriate; and (3) no adjudicative-type facts were in dispute so as to require a trial-type hearing for each individual utility.

Relying on these cases, Piedmont argues that the Commission could establish a GRI surcharge in this docket by finding that GRI research serves the public interest and that the surcharge is a reasonable and necessary way to support GRI research. Piedmont points to the "numerous research and development projects which positively impact ratepayers and citizens . . . through lower costs, more efficient utilization of energy resources, and greater safety in the transmission and distribution of natural gas within the

state." In addition, Piedmont notes the fact that GRI funding is already being paid for in rates and concludes that "the continuation of reasonable levels of GRI funding through a state-sponsored surcharge is imminently reasonable." Piedmont argues that the adoption of a surcharge would be consistent with several State policies, including those set forth in G.S. 62-2(3), G.S. 62-2(3a), G.S. 62-2(4), G.S. 62-2(5), and G.S. 62-2(8).

The Public Staff states that it does not believe that any automatic surcharge or flow-through mechanism for voluntary GRI contributions is in the public interest. The Public Staff points out that while the Commission had no authority to rule on the prudence of FERC-imposed GRI surcharges, voluntary contributions to GRI by an LDC are clearly subject to Commission review as to prudence. It contends that LDC management should take an active role in assessing participation in GRI and that LDC management would be "less vigilant in evaluating the worthwhileness of its contribution if recovery is guaranteed." The Public Staff also points to the "free rider" issue (entities not participating in funding GRI but enjoying the benefits of the research) and the ability of GRI to tailor research and development activities to the specific needs of North Carolina ratepayers.

The Attorney General points out that changing rates through a rulemaking is "an exception to the general rule of ratemaking which favors an examination of all costs and factors affecting rates in a general rate case before rates are changed rather than ad hoc adjustments to rates due to changes in particular costs." A general rate case allows regulators to maintain oversight over the utility's overall expenses and revenues. Various changes between rate cases can be expected, with some increasing costs and decreasing revenues and others having the opposite effect. When only particular costs are considered, customers may face rate increases even though there are other offsetting costs. The Attorney General also points out that the Commission declined to authorize a proposed tracker for manufactured gas plant (MGP) cleanup costs in a recent PSNC rate case. In that case, the Commission described a pass-through or tracking mechanism as "an extraordinary rate mechanism" and concluded that such a mechanism should be allowed only in limited circumstances. The Commission noted various prudency issues and concluded that the proposed MGP tracker would provide a limited opportunity for review of these prudency issues. The Commission also concluded that the pass-through of MGP cleanup costs to current ratepayers would undermine the Company's motivation to minimize costs. The MPG tracker proposal is similar to GRI's proposal in this docket in that it would have removed particular costs from the normal ratemaking process. Finally, the Attorney General states that electric utilities' contributions to the Electric Power Research Institute have been treated as expenses in general rate case proceedings and have not been handled as a surcharge or as part of fuel costs.

The Commission agrees that it has authority to change rates in a rulemaking proceeding in certain limited circumstances. The question is whether such an approach is appropriate here. The Commission is not persuaded that it is appropriate to establish a surcharge or flow-through mechanism for GRI contributions in a rulemaking proceeding.

In *Edmisten*, the Commission acted to avert a crisis. Without gas to sell, the LDCs would not have been able to provide adequate and efficient service, and the Court pointed to that in its decision in *Edmisten*. In this docket, while there is much evidence that GRI research has been and will continue to be beneficial to the ratepayers of North Carolina (the Commission notes that the record reflects that not all parties agree on the cost-effectiveness of GRI spending and the Commission does not rule here on its cost-effectiveness), still the Commission cannot conclude that future adequate and efficient service depends on the establishment of a GRI surcharge. The *Nantahala* case cited by GRI is also distinguishable from the present situation. In *Nantahala*, the Court stated that a rulemaking procedure was appropriate because issues relating to the Tax Reform Act of 1986 lent themselves to a generic solution: many utilities were affected, they were affected uniformly, and there were no adjudicative-type facts that required hearings for individual utilities. Such is not the case here. There are a number of differences among the utilities in this docket. Different utilities noted different GRI research programs that they had utilized and different preferences for future research. PSNC and NC Gas expressed a preference for core research projects while Piedmont, NCNG and Frontier expressed a preference for non-core projects. Estimates of the value of GRI research varied widely. NCNG noted the need to exempt its Price Sensitive Volume Adjustment (PSVA) customers from any surcharge; NCNG is the only LDC with a PSVA. CUCA raised numerous issues and contends that an evidentiary hearing would be necessary to examine how benefits are quantified. CUCA argues that ratepayers should not have to bear the full costs since shareholders also benefit from GRI research. CUCA argues that a purely volumetric surcharge would not be equitable to large customers and questions what various customer classes are getting for their money. Given that customer mixes are not uniform and that different LDCs are on record as wanting to invest their GRI research dollars in different ways, the Commission cannot conclude that a generic solution is appropriate herein. Moreover, the Attorney General's argument that all cost and revenue changes should be considered together in the context of a general rate case is well taken. The Commission concludes that it must exercise its authority to change rates in a rulemaking proceeding only in limited circumstances and that such an approach is not appropriate here.

CUCA, the Attorney General and the Public Staff all state that any voluntary GRI contributions should properly be classified as O&M expenses and recovered through general rate case proceedings. However, given the unique circumstances of the situation, the Public Staff proposes that the Commission approve a special accounting treatment as a transitional recovery mechanism to bridge the change from FERC-approved gas costs to normal O&M expenses. The Public Staff proposes to allow each LDC to record voluntary contributions made to GRI through December 31, 2004 or the next rate case, whichever is earlier, in a deferred charges account. At the time of each LDC's next rate case, GRI costs would be recoverable to the extent they are found to be reasonable and prudently incurred. The balance in the deferred charges account would be amortized. As a condition of recovery, each LDC should be required to maintain adequate documentation

that supports the prudence of its overall contributions. The documentation should include specifics regarding benefits received as the result of participating in GRI research. The Public Staff contends that, with deferred accounting treatment, the LDCs would be allowed "a reasonable opportunity to collect amounts paid to GRI."

GRI opposes the Public Staff proposal. GRI points out that handling GRI costs as an O&M expense in individual rate cases could result in an LDC being unable to recover some of its GRI contributions even though they are found to be prudent. This is because the level of expenses considered in a general rate case is based on a test year. The FERC-approved interstate pipeline surcharge is being phased down in uneven steps until it is eliminated altogether beginning in 2005. At the same time, the amount of the LDC's voluntary contributions to GRI would increase in uneven steps until 2005, assuming the LDC increases its voluntary contributions to maintain the same level of GRI funding and to make up for the decrease in FERC surcharges. Thus, according to GRI, a test year ending before December 31, 2005 would not necessarily cover all of the LDC's GRI costs on an ongoing basis. With the deferred charges account terminating at the time of the rate case and with the FERC-approved surcharges declining and voluntary contributions increasing, the LDC would fail to recover all its prudently incurred GRI contributions. Several of the LDCs also oppose treatment of GRI costs as O&M expenses in rate cases, raising concerns about possible undercollection.

The Commission recognizes the problem identified by GRI. However, the Commission believes that the problem is addressed by the Public Staff in its latest filing. In its Clarification, the Public Staff explains that it "does not propose that the Commission disallow the recovery of GRI contributions by the LDCs that are found to be reasonable and prudently incurred." To that end, the Public Staff asserts that it is its intention "that the reasonable ongoing level of the full GRI contributions be reclassified in the next general rate case from gas costs to O&M expenses." Furthermore, the Public Staff states that it would not oppose allowing the LDC to accrue carrying charges on the contributions in the deferred charges account "to encourage them to continue to support worthwhile research through GRI."

GRI seems to interpret the proposal in the Public Staff's Clarification differently than the Commission. GRI interprets the proposal as involving recovery procedures drawn out over two rate cases, and GRI argues that the proposal is extremely cumbersome, contrary to sound ratemaking policies and could be deemed retroactive ratemaking. GRI goes on to propose that any payment to GRI found to be prudent but not recovered as a gas cost or an O&M expense should be recovered as a "Transitional Gas Research Surcharge." However, as the Commission interprets the Public Staff's proposal, no such transitional surcharge would be necessary.

The Commission's interpretation of the Public Staff's proposal is as follows: As FERC-approved surcharges decrease, we assume that each LDC will make some level of

voluntary contributions to GRI. The LDC will be allowed to record the voluntary contributions made until December 31, 2004 or until the time of the LDC's next rate case in a deferred charges account; such deferrals will end on December 31, 2004 or at the time of the LDC's next rate case, whichever is earlier. In the LDC's next rate case, whenever it occurs, a reasonable ongoing level of GRI funding – whether through FERC-approved surcharges being recovered as gas costs or voluntary contributions of the LDC – will be treated as O&M expenses in the rate case and reflected in rates. The deferred charges account balance, if found reasonable and prudent, will be amortized in this rate case. The Commission recognizes that if these procedures require that FERC-approved surcharges collected under the interstate pipelines' tariffs be reclassified as O&M expenses in the rate case, an appropriate adjustment would have to be made in the LDC's gas cost accounts to prevent the double-collection of the surcharges in the gas cost adjustment proceedings. The Commission also recognizes that it has no authority to rule that a surcharge approved by the FERC is unreasonable or imprudently incurred and, therefore, surcharges collected through FERC-approved tariffs but reclassified from gas costs to O&M expenses in the rate case would not be subject to Commission prudency review. The Commission believes that these procedures will allow recovery of an LDC's reasonable and prudent funding of GRI and will protect the LDC from a shortfall in recovery during the transition as FERC-approved surcharges decrease and voluntary contributions increase. Furthermore, allowance of carrying charges on the amount in the deferred charges account will make the LDC whole for the delay in recovery. The Commission concludes that the ratemaking procedures described above should be followed in each LDC's next general rate case in order to effect the transition from FERC-approved funding of GRI to funding by voluntary contributions of the LDCs.

It appears to the Commission that the significant difference between what GRI wants and what the Public Staff proposes is that GRI wants the LDCs to recover their GRI contributions on a collect-as-you-go basis, before the next rate case. The Public Staff proposal requires the LDCs to wait until the next rate case is decided and the Commission scrutinizes the reasonableness and prudency of the voluntary contributions to GRI. The only significant risk faced by the LDCs under the Public Staff's proposal is that the Commission might disallow some of their contributions as unreasonable or imprudent. However, the Commission believes that this risk will have the salutary effect of focusing the LDCs' management on how the money is being spent by GRI.

As to the concern that LDCs might choose not to fund GRI under the procedures approved herein, the Commission can only note that the electric utilities fund the Electric Power Research Institute under general rate case recovery procedures. Other than the transitional procedures which are explained above, the Commission cannot justify different treatment for GRI.

After carefully considering all of the filings in this docket, the Commission concludes that the Public Staff's proposal as described above is reasonable and should be adopted.

The Commission further concludes that the facts and arguments in this docket do not warrant either treatment of voluntary contributions to GRI through gas cost adjustment proceedings or the establishment of a surcharge for GRI funding through a rulemaking proceeding.

IT IS, THEREFORE, ORDERED as follows:

1. That the motion filed by GRI herein should be decided as hereinabove provided;

2. That LDCs desiring to make voluntary contributions to GRI shall establish a deferred charges account in which to record such voluntary contributions to GRI in accordance with the procedures described above;

3. That LDCs making voluntary contributions to GRI shall maintain adequate documentation to support the reasonableness and prudence of overall GRI contributions and to document benefits received as a result of participating in GRI research; and

4. That the ratemaking procedures described above shall be followed in the next general rate case of each LDC making voluntary contributions to GRI.

ISSUED BY ORDER OF THE COMMISSION.

This the 17th day of August, 1999.

NORTH CAROLINA UTILITIES COMMISSION

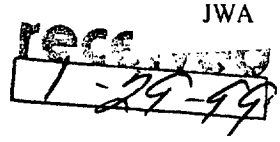
Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg081699.05

Commissioner Ervin did not participate.

Officers
Directors
NC Dist Mgrs
SCF
JWA



STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 76

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Motion of Gas Research Institute for the Entry of an Order Authorizing Local Distribution Companies in North Carolina to Continue to Make Research Contributions to Gas Research Institute	))))	ORDER REQUESTING COMMENTS

BY THE COMMISSION: On January 6, 1999, Gas Research Institute (GRI) filed a motion requesting the Commission to enter an order authorizing the local distribution companies (LDCs) in North Carolina to make voluntary contributions to GRI for research and to recover such contributions in their annual gas cost adjustment proceedings pursuant to G.S. 62-133.4. In support of this motion, GRI states that it is the cooperative research and development organization of the natural gas industry and is funded primarily by surcharges collected by its interstate pipeline member companies through tariffs approved by the FERC for natural gas transportation services. Thus, payments by the LDCs under such tariffs are recoverable pursuant to G.S. 62-133.4 as part of the cost of gas. GRI further states that in recent years, its members have debated this funding mechanism because of the "free rider" problem created when the surcharge is discounted. On April 29, 1998, the FERC approved a negotiated settlement providing for the continued funding of GRI at reduced levels beginning in 1999 and continuing until the surcharge is eliminated in its entirety after December 31, 2004.

GRI states that it has proposed to LDCs around the country that they continue to contribute to GRI at present levels by voluntarily collecting and contributing the difference between the existing 1998 surcharge level and the future surcharge levels in addition to the reduced FERC-approved surcharges and to recover the total contributions in their gas costs. According to GRI, the total recovery under this proposal would not exceed the current surcharge equivalent of 1.74 cents per dekatherm. In return for these voluntary contributions, the LDCs would be entitled to allocate the funds to the types of research they wish to support.

GRI states that the Alabama Public Service Commission has authorized Alabama Gas Corporation to make such voluntary contributions, and numerous other LDCs and municipal gas authorities throughout the country have agreed to join the program and are seeking regulatory approval where necessary. North Carolina LDCs have expressed an interest in joining the program.

GRI further states that its research has benefited the natural gas industry and particularly the LDCs over the years and has resulted in cost reductions and improved safety for consuming public. Attached to the motion is a list of GRI research and development results that have been placed in commercial use from 1993 through 1997.

GRI's proposal was presented to the Commission at its Regular Staff Conference on January 25, 1999. The Public Staff stated that the proposal raises a number of important legal and policy issues, including whether *voluntary* contributions to research (as opposed to mandatory contributions through interstate pipeline tariffs) are Gas Costs as provided in G.S. 62-133.4 and whether dollar for dollar rate recovery (as opposed to recovery as an O & M expense in basic rates) is warranted. The Public Staff recommended that the Commission issue an order requesting comments on GRI's proposal from interested parties and requesting GRI to describe in further detail how other state commissions have addressed the GRI funding issue. The Public Staff also recommended that the order direct each LDC to respond to the following questions in its comments:

1. What was the LDC's level of contributions to GRI (North Carolina portion) for each of the last two calendar years? Provide computations showing the billing quantities, jurisdictional allocation factors, surcharge rates, and other relevant data.

2. Which GRI research programs have been utilized by the LDC? Are these programs and related benefits available only to members of GRI? What benefits have the LDC and its ratepayers received from the research conducted by GRI? Provide computations showing all quantifiable benefits.

3. Does the LDC consider it appropriate to fully fund both the core and non-core R&D programs? If allowed to allocate funds, what areas of research would the LDC elect to support with its contributions?

4. What is the LDC's level of interest in continued participation in the GRI research and development programs?

5. If GRI funding contributions are determined to be recoverable Gas Costs as proposed by GRI, how would the LDC propose to collect the contributions from its ratepayers? Describe the methodology that would be utilized for recovering the contributions from ratepayers and explain why the particular methodology of collection was selected. Provide calculations showing, on a pro forma basis, how rates would be affected.

6. If the GRI funding contributions are determined by the Commission to be properly classified as O&M expenses and recoverable through normal rate

case procedures, what level of voluntary contributions would the LDC support? Are there facts and circumstances unique to GRI that make such a funding procedure inappropriate?

Based on careful consideration, the Commission is of the opinion that the Public Staff's recommendations should be adopted.

IT IS, THEREFORE, ORDERED as follows:

1. That all interested parties are invited to file comments on GRI's motion for an order authorizing LDCs in North Carolina to make voluntary contributions to GRI for research and to recover such contributions as Gas Costs pursuant to G.S. 62-133.4.

2. That GRI is requested to file further detail describing how other state commissions have addressed the GRI funding issue.

3. That each LDC is requested to file a response to the questions set forth above and that each LDC is hereby deemed to be a party to this proceeding.

4. That initial comments and filings by all parties are due on or before Monday, April 26, 1999. Reply comments are due on or before Wednesday, May 26, 1999.

5. That a copy of this order and of GRI's motion be served on all parties to the LDCs' most recent general rate cases.

ISSUED BY ORDER OF THE COMMISSION.

This the 27th day of January, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

received
1-29-99

DOCKET NO. G-100, SUB 76

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Motion of Gas Research Institute for the Entry of an Order Authorizing Local Distribution Companies in North Carolina to Continue to Make Research Contributions to Gas Research Institute	)))))	ORDER GRANTING PETITION TO INTERVENE

BY THE COMMISSION: On January 25, 1999, Carolina Utility Customers Association, Inc. (CUCA), filed a Petition to Intervene in the above-captioned proceeding.

The Commission is of the opinion that good cause exists to grant the petition.

The name and address of counsel for CUCA, to whom all correspondence should be addressed, is:

James P. West
West Law Offices, P.C.
Suite 1735, Two Hannover Square
434 Fayetteville Street Mall
Raleigh, North Carolina 27601

IT IS, THEREFORE, ORDERED that the Petition to Intervene filed by CUCA on January 25, 1999, be, and the same hereby is, granted.

ISSUED BY ORDER OF THE COMMISSION.

This the 27th day of January, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg012699.01

Officers
Directors
NC District Managers
General Counsel

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 75

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Rulemaking Proceeding to Implement G.S. 62-159 which Authorizes the Commission to Provide Funding From the Proceeds of General Obligation Bonds or Appropriations for the Construction of Infeasible Natural Gas Infrastructure Projects to Unserved Areas	)	ORDER ADOPTING GUIDELINES, AMENDING COMMISSION RULES, AND CALLING FOR WORKSHOP

BY THE COMMISSION: Session Law 1998-132, the Clean Water and Natural Gas Critical Needs Bond Act of 1998, authorized bonds for water and natural gas infrastructure. It includes G.S. 62-159, which authorizes the Utilities Commission to provide funding through the proceeds of general obligation bonds for the construction of natural gas facilities in unserved areas that would otherwise not be economically feasible. It also requires the Commission to adopt rules to implement the legislation. Voters approved issuance of $200 million in general obligation bonds for natural gas expansion on November 3, 1998.

On November 16, 1998, the Commission initiated this rulemaking proceeding. On March 8, 1999, the Commission issued its Order Adopting Preliminary Rules in this docket. The March 8 Order adopted Rules R6-90 through R6-94 for implementing G.S. 62-159, provided for parties to hold a workshop on certain issues that needed further clarification, and asked the Public Staff to file a report and recommendations following the workshop. That report was filed on June 16, 1999.

Adoption of Guidelines for Net Present Value Analysis

One of the matters identified as needing further clarification was guidelines for net present value (NPV) analysis. G.S. 62-159 provides that in administering the general obligation bonds for natural gas expansion, the Commission

> shall employ the net present value method of analysis on a project specific basis. Only those projects with a negative net present value shall be determined to be economically infeasible for the company, person, or gas district to construct. In no event shall the Commission provide funding under this section of an amount greater than the negative net present value of any proposed project as determined by the Commission.

Commission Rule R6-90(b) requires that applications to use bond funds shall include "A net present value (NPV) analysis conducted in a generally accepted manner that provides support for the amount of natural gas bond funding requested..." Commission Rule R6-91(c) provides that the Commission's order approving a project "shall specifically find the negative NPV of the approved project and shall limit the bond funding pursuant to G.S. 62-159 to that negative NPV." The Commission's March 8 Order recognized that the Commission may sometimes have to choose between competing proposals for the same unserved area and that it would need to compare such competing proposals on an equal basis. The Commission therefore provided for a workshop to get input from the parties on guidelines for NPV analysis.

In the June 16 report, the Public Staff stated that there was "a substantial amount of agreement about the guidelines and an acknowledgment by all that if an applicant varied from the guidelines, a detailed explanation of why such a variation is appropriate should accompany the application." The Commission commends the Public Staff and other parties for their efforts during the workshop. Their agreement should greatly facilitate the Commission's administration of G.S. 62-159. The NPV guidelines agreed upon are attached hereto as Appendix A, and the Commission adopts them for purposes of administering G.S. 62-159 and the related Commission Rules. Any application that varies from the guidelines must include a detailed explanation of why such a variation is appropriate.

Amendment of Commission Rules

A second matter discussed during the workshop was how to coordinate the application process so that competing applications could be presented and considered together. Again, there was substantial agreement. The Public Staff reported as follows:

> The parties generally agreed that the process should be application driven, not driven by pre-established deadlines. The approach for applications involving a county or counties for which the applicant does not have an exclusive franchise generally agreed to is as follows:
>
> (1) A potential applicant would be required to file a letter of intent 30 days before it intended to file an application for a certificate of public convenience and necessity and to use bond money. No letter of intent would be necessary if the applicant has the exclusive franchise for the county or counties proposed to be served.
>
> (2) The Commission would issue an order as soon as possible establishing a deadline for competing letters of intent. This deadline typically would be 30 days from the date of the Commission's order, and the order would be sent to the Commission's natural gas service

list and all other interested parties.

(3) Upon the expiration of the deadline, a filing deadline for all applications that include one or more of the same counties would be set. Sixty days was generally considered a long enough period for the filing of applications, but the Commission could shorten it or lengthen it as appropriate.

(4) After one or more applications were filed, the Commission would set the application or applications for hearing, consolidate them if appropriate, and establish a procedural schedule.

The parties were in general agreement that every effort should be made to limit the potential for an applicant to manipulate the process in its favor. To this end, the Public Staff recommends that the Commission require applications to be as accurate as possible, particularly the estimates used in the calculation of a project's negative NPV.

In addition, because there are (a) time limitations on the use of bonds after their issuance, (b) budget constraints on bond issuances, and (c) negative effects of changes in bond awards on the quarterly reports required of the Commission to various government bodies, more accurate estimates of costs and revenues (e.g., construction costs based on actual bids, substantial progress toward obtaining rights-of-way and permits) are necessary than have been required for expansion fund projects. Amendments should be discouraged.

Because of the expense involved, however, actual construction bids and the like should not be required in cases involving competing applications during the initial stage. A preliminary award of a certificate and bond money should be made, and the winner should then be required to refine estimates and get final approval of the amount of bond money to be awarded. If significant changes to the project or to the negative NPV were made, the Commission could reopen the preliminary award to reconsider its decision. Once a final negative NPV was approved, the Treasurer's office could sell the required amount of bonds during the time it would take for construction contracts to be awarded, rights-of-way and permits to be obtained, and all other pre-construction activities finalized.

The Public Staff recommended that the Commission amend its Rules accordingly. The Commission has incorporated these recommendations into Rule R6-90. The Commission finds it appropriate to require letters of intent both when there is an exclusive franchise to the unserved area and when there is not, since even an application from a public utility with an exclusive franchise may face a competing application from a natural gas district, and the purpose of the letter of intent is to group competing applications

together for consideration. The Commission has also made some editing changes, for clarification, to Rule R6-90, and amended Rule R6-90 is attached hereto as Appendix B.

Second Workshop

Certain matters relating to implementation of G.S. 62-159 still require clarification. The first such matter is the buyback provision. G.S. 62-159(b) provides

> If at any time a project is determined by the Commission to have become economically feasible, the Commission shall require the recipient of funding to remit to the Commission appropriate funds related to the project, and the Commission may order those funds to be returned with interest in a reasonable amount to be determined by the Commission.

At the time of the March 8 Order, the Commission noted numerous concerns that had been raised as to the buyback provision. However, the Commission also noted uncertainty as to whether the bonds would be issued as taxable or tax-exempt, and (since this matter is related to the buyback) the Commission took no action. It now appears that the bonds will be issued as taxable bonds. It is therefore appropriate and necessary to proceed with clarification of how the buyback provision will be implemented. The first workshop was successful in dealing with the issues under consideration, and the Commission believes it best to call upon the parties to conduct a second workshop to discuss and make recommendations as to issues related to the buyback provision. Piedmont raised a related issue in its earlier comments, namely the priority of claims against a project funded in part with natural gas bonds. This issue should also be discussed in the second workshop.

Finally, the June 16 report stated that reports by recipients to the Commission on the use of the natural gas bond funds will need to be more detailed than the reports currently required for use of natural gas expansion funds and that, pursuant to statute, the Commission itself will have to make a number of quarterly reports on expenditure of bond funds. The Public Staff suggested that it propose reporting requirements and formats which would be discussed at the second workshop. The Commission agrees and urges the parties to consider this matter as well.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby adopts the NPV guidelines attached hereto as Appendix A for purposes of administering G.S. 62-159 and the related Commission Rules and that any application that varies from the guidelines must include a detailed explanation of why such a variation is appropriate;

2. That the Commission hereby amends Commission Rule R6-90 to read as set forth in Appendix B attached hereto; and

3. That the Public Staff shall take the initiative to convene a second workshop of interested parties to discuss the matters cited above and any other matters relating to use of natural gas bond funds that need clarification and to make recommendations to the Commission, all within 75 days from the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 4th day of August, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg080299.04

Commissioner Judy Hunt filed a concurring opinion.
Commissioner Ervin did not participate.

Docket No. G-100, Sub 75

Commissioner Judy Hunt, Concurring:

While I agree with the part of the order amending rules and requiring workshop, I am skeptical of the net present value analysis. My past concerns about NPV validity have been expressed in the gas expansion fund dockets. As the Commission endeavors to fairly allocate the gas bond money, the negative net present value analysis is equally significant, if not more so. I believe the strength of the Commission's decisions could be enhanced by NPV analysis from outside, independent sources.

Judy Hunt

Commissioner Judy Hunt

Appendix A

Guidelines for Net Present Value Studies
Filed in Support of Applications for Gas Bond Funds
Docket No. G-100, Sub 75

1. Studies should be prepared for a 40-year period.

2. The discount rate should be computed on a net of income taxes basis.

3. For a utility company, the discount rate should reflect the weighted cost of capital as approved by the Commission in the company' s last general rate case. For other entities, the discount rate should reflect the weighted cost of capital that results from the financing plan for the feasible part of the project in accordance with Rule R6-90(c)(7). The same discount rate should be used for each year of the 40-year period and encompass all security issuances for each type of financing regardless of when they are executed. The financing plan for the feasible portion should specify each type of financing: debt (short-, medium-, and long-term); preferred stock; common equity; and other types of financing - please specify. For each type of financing, each individual security that has been or is anticipated to be issued should be clearly identified by: date of issuance; amount; cost rate(s); source(s) of funds such as underwriter, bank, government, taxpayers, and/or other - please specify; debt or preferred stock rating by a rating agency or private service; provisions for sinking funds, call, etc.; amortization schedule; and other relevant features.

4. Periodic cash flows should be discounted based on the assumption that they occur at the mid-point of the period.

5. Interest expense and other financing costs should not be reflected as a cash flow item. Instead, the cost of debt and other financing costs should be reflected as an element in the computation of the discount rate.

6. The effects of inflation should be incorporated in the determination of all cash flows.

7. The inflation rate applicable to all cash flow items should represent a forecasted long-term inflation rate.

8. The timing for receipt of the gas bond proceeds by the applicant should be reflected in the study in accordance with the provisions of Rule R6-92.

9. Interstate pipeline capacity and storage charges should, for applicants that do not presently have a Commission-approved fixed gas cost true-up mechanism, represent the incremental costs that the applicant expects to incur as the direct result of the project. If an applicant that presently has a Commission-approved fixed gas cost

true-up mechanism elects to use its existing rate structure in the study, interstate pipeline capacity and storage charges should be assigned to the project in a manner that is consistent with its true-up mechanism.

10. Operation and maintenance expenses should represent the incremental expenses that the applicant expects to incur as the direct result of the project.

11. Property and other general taxes (except the gas tax) should represent the incremental taxes that the applicant expects to incur as the direct result of the project.

12. Income tax expenses or savings should represent the incremental tax effect of the project on the applicant.

13. The NPV study should clearly cross-reference the engineering study provided in accordance with Rule R 6-90(c)(4). Construction estimates for the initial system should clearly show the cost components for the project. Details regarding the number of units (e.g. feet of pipe, acres of ROW) and the related unit costs for items such as materials, contractor installation, directional drilling, rights-of-way, permitting, engineering, surveying, design, etc. that the applicant expects to incur should be provided.

14. The tax basis of the assets constructed by an applicant that is a taxable entity should be adjusted to incorporate the impact of the gas bond proceeds.

15. Detailed estimates of the cost to attach each type of customer should be provided. The estimates should clearly show the cost related to attaching customers, including the cost for service lines and meter sets. Contributions in aid of construction that the applicant expects to collect from potential customers should be deducted in determining the applicant's cost to attach customers.

16. The NPV study should clearly cross-reference the market study of potential large users provided in accordance with Rule R6-90(c)(3). The large user market study should include a survey of each potential large user in the area. The survey should present for each potential large user, the name, identity of the contact person, location, current fuel use by fuel type, the natural gas equivalent usage, a description of any prospective facility modifications that might utilize gas, and an evaluation by the applicant as to the likelihood that the customer will convert to natural gas if made available.

17. The NPV study should clearly cross-reference the market study of the residential and small general service market provided in accordance with Rule R6-90(c)(3). Market studies of large geographic areas should be broken into segments that can be evaluated separately. The small user market study should include a compilation of the potential number of customers, an analysis of prices for current energy

sources (electricity, propane, oil, etc.) in the market area and an evaluation of the likelihood that users of other energy sources will convert to natural gas, expected usage and the expected customer growth rate. The study should also set forth the percentage of customers expected to ultimately convert to natural gas for each fuel type and the portion expected to convert in each year after gas service is made available.

18. A computation of the margin rates that the applicant plans to charge each type of customer should be provided. The margin rate is defined as the price charged to the customer less the commodity cost of gas (including the cost of unaccounted for and company use gas costs), temporary increments and decrements, and the gas tax. The computation of the margin rates should be cross-referenced to the proposed rates provided accordance with Rule R6-90(c)(9).

19. A narrative explanation of the assumptions and computational conventions used in the study by the applicant should be provided.

20. Studies should conform as nearly as possible to the generic NPV study format attached as Exhibit I to the Public Staff's filing of June 16, 1999, in this docket. An electronic version of the generic NPV study is available in Excel (Office 97 and 5.0) format at the Public Staff s web site (http://www.pubstaff.commerce.state.nc.us/).

21. Each applicant should provide a fully functional electronic version of its NPV study spreadsheet model in either Excel (Office 97 or lower version) or Lotus I-2-3 (97 Edition or lower version) format.

RULE R6-90. Application Process.

(a) *Purpose.* The purpose of these Rules is to implement G.S. 62-2(a)(9) and G.S. 62-159 by providing a process pursuant to which funding from the proceeds of the general obligation natural gas bonds approved by referendum in November 1998 can be made available to (i) existing North Carolina local distribution companies (LDCs) or (ii) a person awarded a new franchise or a regional gas district for the construction of natural gas facilities in unserved areas that would otherwise not be economically feasible to construct (hereinafter collectively referred to as "eligible recipients" or "applicants"). For purposes of these Rules, a "project" is defined as all of the natural gas facilities, including but not limited to, transmission and distribution lines, metering facilities, and compressors, and all of the activities necessary to extend and provide natural gas service to an unserved area that is eligible under the statutes for funding from the natural gas bonds.

(b) *Letters of intent.* All applicants who intend to file an application for approval to use natural gas bond funds shall first file a letter of intent 30 days before the projected filing date of the application. The letter shall give notice of the intention to file an application and shall identify the counties involved in the project to be proposed. Upon the filing of such a letter of intent, the Commission will promptly issue an order establishing a filing deadline for competing letters of intent, i.e., letters of intent as to applications that include one or more of the same counties. Typically, this deadline will be 30 days from the date of the Commission's order, and the order will be sent to those on the Commission's natural gas service list, representatives of the counties involved, and all other known interested persons. Upon expiration of the deadline for competing letters of intent, if no competing letter of intent has been filed, the applicant shall file its application for approval to use natural gas bond funds forthwith. If a competing letter of intent is filed, the Commission will promptly issue an order establishing a filing deadline for all applications that include one or more of the same counties. Typically, this deadline will be 60 days from the date of the Commission's order, but the Commission may establish some other period as appropriate. Upon expiration of the deadline and upon the filing of a competing application, the Commission shall consolidate the competing applications as appropriate, set the applications for hearing, and establish a procedural schedule.

(c) *Projects involving a county or counties for which an existing LDC has the exclusive franchise.* For projects involving a county or counties for which an existing LDC has the exclusive franchise, applications for approval to use natural gas bond funds pursuant to G.S. 62-159 and this Rule may be filed only by the existing LDC or by a regional gas district. An application for approval to use bond funds shall contain the following information:

(1) A precise geographic description, a map or maps of the area(s) proposed to be served, a detailed description of the proposed physical facilities, including their projected operating

parameters and characteristics, the arrangements that have been or are proposed to be made to obtain rights-of-way and plans for obtaining capacity to supply the projected demand;

(2) Details about any special permitting or licensing that may be required, such as from the National Park Service, the National Forest Service, the Federal Energy Regulatory Commission or the Army Corp of Engineers, and a statement as to how much time the permitting or licensing is likely to take;

(3) A market study, including an analysis of potential customers and volumes, probable conversions from other fuels, and projected growth resulting from population growth and economic development;

(4) An engineering study that includes the proposed design of the system (including a pipe network flow analysis), routing (including a review of planned or proposed state highway improvements), and construction cost estimates;

(5) A net present value (NPV) analysis conducted in a generally accepted manner that provides support for the amount of natural gas bond funding requested in the eligible recipient's application;

(6) A demonstration of the applicant's technical, operational, and financial management capabilities that will ensure the successful and safe construction and operation of the project;

(7) A financing plan for the feasible part of the project that includes the amounts, sources, and costs for common equity, debt, and/or other types of financing;

(8) The estimated beginning and ending dates of the proposed construction, including the date service to one or more customers is proposed to begin, specific itemized construction budgets and a timetable for disbursements from the bond fund; and

(9) A schedule or schedules of proposed rates.

(d) *Projects involving a county or counties for which no LDC has an exclusive franchise*. For projects involving a county or counties for which no LDC has an exclusive franchise, applications for approval to use natural gas bond funds may be filed by any person, including an existing LDC, that is a public utility or would become a public utility by constructing, owning or operating the proposed natural gas facilities or by a regional gas district. For projects involving such counties, a person, including an existing LDC, that is a public utility or would become a public utility by constructing, owning or operating the proposed natural gas facilities also must file an application for a certificate of public convenience and necessity pursuant to G.S. 62-110. All applications for approval to use natural gas bond funds must include the information required by subsection (c) of this Rule.

(e) *Accuracy required.* In all cases, applications for approval to use natural gas bond funds shall be as accurate as possible when filed, particularly as to the estimates used in the NPV analysis of the project. Amendments are discouraged. In cases of competing applications, the Commission shall first give preliminary approval to use natural gas bond funds, and the winning applicant shall then be required to refine the estimates and move for final approval of the amount of bond money to be awarded. If significant changes to the project or to the NPV analysis are made, the Commission may in its discretion re-open the preliminary approval and conduct such further proceedings as appropriate to reconsider the decision.

(f) *Other applications.* If not otherwise addressed in its application, an applicant that is a public utility or would become subject to regulation as a public utility if its application were granted, shall file for approval of its proposed financing for the feasible portion of an approved project to the extent required by G.S. 62-160 through G.S. 62-171 and Commission Rule R1-16. A regional gas district proposing to use revenue bonds to finance the feasible portion of a project for which bond funds have been approved shall file for a certificate of convenience and necessity in accordance with G.S. 159-95.

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-21, SUB 381
DOCKET NO. G-100, SUB 75

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Petition by North Carolina Natural Gas Corporation for Declaration that Partially Served Counties are Eligible for G.S. 62-159 Expansion Funds	)))))	ORDER ALLOWING RESPONSES

BY THE CHAIR: On July 2, 1999, North Carolina Gas Corporation filed a Petition requesting that the Commission enter an order "declaring that the counties of Columbus, Montgomery and Robeson, which are only partially served by an existing natural gas local distribution company (LDC), are eligible for expansion funds through appropriations from the General Assembly or from the proceeds of general obligation bonds pursuant to G.S. 62-159 and NCUC Rule R6-90."

The Chair is of the opinion that good cause exists to establish a deadline for interested persons to intervene and to file responses to the Petition.

IT IS, THEREFORE, ORDERED that interested persons shall have to and including August 19, 1999, within which to file petitions to intervene and responses to the Petition of July 2, 1999.

ISSUED BY ORDER OF THE COMMISSION.

This the 4th day of August, 1999.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg080399.01

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

Officers
Directors
NC District Managers
General Counsel

DOCKET NO. G-100, SUB 75

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Rulemaking Proceeding to Implement G.S. 62-159 which Authorizes the Commission to Provide Funding From the Proceeds of General Obligation Bonds or Appropriations for the Construction of Infeasible Natural Gas Infrastructure Projects to Unserved Areas	))))))	ORDER ADOPTING PRELIMINARY RULES

BY THE COMMISSION: Session Law 1998-132, the Clean Water and Natural Gas Critical Needs Bond Act of 1998, authorized bonds for water and natural gas infrastructure. It includes G.S. 62-159, which authorizes the Utilities Commission to provide funding through the proceeds of general obligation bonds for the construction of natural gas facilities in unserved areas that would otherwise not be economically feasible. It also requires the Commission to adopt rules to implement the legislation. Voters approved issuance of $200 million in general obligation bonds for natural gas expansion on November 3, 1998. On November 16, 1998, the Commission initiated this rulemaking proceeding, published proposed Rules R6-90 through R6-94 for comments, and provided for public notice.

In addition to the Public Staff, comments have been filed by the following, all of whom are allowed to intervene as parties to this proceeding: North Carolina Natural Gas Corporation (NCNG); Public Service Company of North Carolina, Inc. (PSNC); Piedmont Natural Gas Company, Inc. (Piedmont); NUI North Carolina Gas (NUI); Frontier Energy, LLC (Frontier); Carolina Power and Light Company (CP&L); the Carolina Utility Customers Association, Inc. (CUCA); the Greenville Utilities Commission and Bessemer City, Lexington, Monroe, Rocky Mount, Shelby and Wilson (Gas Cities); the Albemarle Regional Energy Authority, composed of Camden, Chowan, Currituck, Pasquotank and Perquimans Counties and Edenton, Winfall, Hertford, and Elizabeth City (AREA); and the North Carolina Rural Economic Development Center, Inc.

The Commission has carefully considered all comments filed in this docket. This Order will not try to summarize all comments presented, but will instead identify issues, briefly state the positions taken, and explain the Commission's decision.

Proposed Rule R6-90. Application Process

CUCA argues that proposed Rule R6-90(a) should be amended to prohibit any use

of the original, supplier refund-based expansion funds as long as money from the bonds is available. It argues that the expansion funds place a substantially higher burden on individual ratepayers than the bonds, that ratepayers should no longer be required to finance expansion since the public has provided adequate funding for several years through the bond referendum, and that supplier refunds should be returned to the ratepayers to reduce ratepayers' costs. The Public Staff believes that the legislature intended the bond funds to supplement the expansion funds, and the Commission agrees. Session Law 1998-132 refers to the gas bonds as an "additional funding method." The Commission believes that the expansion funds should be left in place and rejects CUCA's argument.

Proposed Rule R6-90(a) includes a definition of "project." CP&L proposes that the definition for "project" be rewritten as follows:

> all of the natural gas facilities, including but not limited to, transmission and distribution lines, metering facilities, compressors, and all other facilities necessary to extend natural gas service to an unserved area from the closest existing natural gas line capable of supplying the amount of natural gas necessary to serve the area in question.

The Public Staff objects to CP&L's definition, pointing out that the closest line may not be the best one to serve an area. NUI proposes to rewrite the definition of "project" to refer to the broad definition of "costs" set out in Section 3(7) of the Session Law. The Public Staff agrees with NUI that a project is more than just physical facilities but says that recovery of costs will depend on the net present value analysis, rather than any definition of "project" in the Rule, and that the definition of "costs" in the Session Law is too broad and includes some elements that apply only to water projects. The Public Staff suggests this definition:

> For purposes of these rules, a "project" is defined as all of the natural gas facilities, including but not limited to, transmission and distribution lines, metering facilities, and compressors, and all of the activities necessary to extend and provide natural gas service to an unserved area that is eligible under the statutes for bond funding.

The Commission will adopt the Public Staff's definition above.

PSNC wants to add a number of other definitions to proposed Rule R6-90(a). It proposes the following, which come from the expansion fund rules:

> (b) Definitions.
> (1) Economically infeasible: The Project has a negative net present value.

(2) Net present value: The present value of expected future net cash inflows over the useful life of a Project minus the present value of net cash outflows.
(3) Project: The scope of the construction of facilities to extend service into unserved areas.
(4) Unserved areas: Counties, cities or towns of which a high percentage is unserved.

The Public Staff opposes importing the definitions into the new bond rules, in the interest of maintaining flexibility and determining eligibility for bond funds case-by-case, rather than in advance. The Commission will not add these definitions. Some, such as the definition of "net present value," are so basic as to add little guidance. The definition of "project" has already been discussed. Experience has shown that "unserved areas" is a difficult term to define and is best left to determination case-by-case.

As pointed out in the order initiating this rulemaking proceeding, G.S. 62-159(a) includes some puzzling language about franchises. It provides that the Commission may provide bond funding "to either (i) an existing natural gas local distribution company or (ii) a person or a gas district awarded a new franchise..." The language could be interpreted as requiring all bond fund recipients not already an LDC to get a franchise from the Utilities Commission. However, the statutes dealing with creation of regional natural gas districts, Article 28 of Chapter 160A, do not require gas districts to get franchises from the Commission, and regional natural gas districts are specifically excluded from the definition of "public utility" subject to the Commission's jurisdiction. The parties comment at length on this issue, one way or the other. PSNC "believes that the appropriate reading of the statute is to require such franchises" of all bond fund recipients. AREA argues against gas districts having to get a franchise and submits an affidavit from Representative William Owens, who worked on the gas bond legislation, to the effect that he never intended to require gas districts to get a franchise. The Public Staff does not believe that the General Assembly ever intended to require a gas district to get a franchise and says that a technical amendment to clarify this will be proposed during the current General Assembly session. Gas Cities argue that although the phrase "awarded a new franchise" follows "gas district," it was meant to apply only to "person" and gas districts shouldn't have to get a franchise. The Commission has concluded that it will write these Rules to the effect that a gas district does not have to get a franchise from the Commission. Although the Public Staff states that a technical amendment clarifying the language of G.S. 62-159(a) to read "a person awarded a new franchise or a gas district" will be introduced in the current General Assembly, the Commission concludes that, even without the technical amendment, it is reasonable to interpret the relevant statutes as not requiring a gas district to get a franchise from the Commission. The requirement of a franchise is fundamental, and such a fundamental requirement, if intended, would undoubtedly have been addressed in Article 28 of Chapter 160A. Since the requirement is not found there, the Commission will not read it into the indirect language of G.S. 62-159(a). Further, G.S. 62-159(c), which provides for giving a new exclusive franchise to persons obtaining bond funds, specifically

provides, "This subsection does not apply to gas districts:.." The Commission will write all these Rules as if 62-159(a)(ii) read "a person awarded a new franchise or a gas district..."

Gas Cities present a related issue. They argue that the Commission should "expressly include municipalities as among the potential applicants" for bond funds. Gas Cities argue that some municipalities providing gas service are located near unserved areas and that municipalities have authority to serve beyond city limits, despite an LDC franchise. The Public Staff would not mention municipalities in the Rules, arguing that the General Assembly specifically mentioned gas districts but didn't mention municipalities at all, that bonds were not intended for areas adjacent to existing municipal systems, and that the issue can be dealt with case-by-case. The Commission will not include municipalities in these Rules as possible recipients of gas bond funds. There is no specific reference to "municipalities" in the bond fund legislation. Although there are references to "local government agencies" and "public entities" in other parts of the Session Law, Section 6(b) of the Session Law provides that proceeds of natural gas bonds "may be used in accordance with G.S. 62-159 or may be distributed in accordance with the provisions of legislation enacted by the General Assembly in 1998 or later..." Thus, for present purposes, the key language is that in G.S 62-159(a), which gives the Commission authority to approve use of bond funds for natural gas projects. The Gas Cities argue that they are included in G.S. 62-159(a) as a "person"; however, this argument has a flaw. As indicated above, the Commission concludes that the phrase "awarded a new franchise" applies to "persons." The Gas Cities themselves argued this interpretation. Now, however, the Gas Cities argue that a municipality, although a "person" under G.S. 62-159, should nonetheless not have to get a franchise from the Commission. The Commission agrees that municipalities are not required to get franchises from the Commission, but the Commission interprets this as meaning that a municipality would therefore not be a "person awarded a new franchise" under G.S 62-159 and would therefore not be eligible for bond funds. G.S. 62-2(a)(9), which declares the policy of the State with respect to the extension of natural gas facilities, provides for creation of natural gas expansion funds "for natural gas local distribution companies or gas districts" to be administered by the Utilities Commission. Interpreting these statutes, the Commission concludes that municipalities were not meant to be recipients of the bond funds pursuant to G.S 62-159.

Proposed Rule R6-90(b) sets out what an application to use bond funds must include. The Public Staff wants to add a new paragraph as follows:

> (2) Details about any special permitting that may be required, such as from the National Park Service, the National Forest Service, the Federal Energy Regulatory Commission or the Army Corp of Engineers, and a statement as to how much time the permitting/licensing is likely to take;

Experience with expansion fund projects indicate that this would be relevant and helpful information, and the Commission will include it.

NUI questions why application requirements (b)(3), (5), (6), and (8) are included. The Public Staff comments that all of this information is needed based on past experience, especially with competing applications, and that the use of bond funds requires a high level of information. The Public Staff has adequately justified the requirements, and the Commission will leave the requirements in the Rule.

NCNG wants several of the application requirements to be made much more specific. For example, it argues that the requirement of "plans for obtaining capacity" should specify the types of capacity – firm, interruptible, or storage; that the analysis of potential "volumes" should list peak day, annual and average day volumes; that the "probable conversions from other fuels" should be more specific; and that the required "engineering study" should be documented or otherwise substantiated. NCNG argues that all this is needed to assist the Commission in weighing competing applications and making well-informed decisions. The Public Staff does not oppose greater detail, but would "encourage" applicants to provide more detail rather than amend the Rules. Frontier objects to requiring greater detail about capacity, arguing that this would discriminate against applicants who do not already hold capacity. Frontier argues that the present market provides a great deal of flexibility and security and that applicants shouldn't be required to lock in too soon. The Commission will leave the requirements as proposed. Greater detail would of course be considered in weighing an application, but the requirements will remain as proposed.

CP&L also wants to expand on the application requirements. It wants applicants to submit a "comprehensive strategy" for providing service in all of the unserved areas surrounding the area that a particular project would serve. Piedmont makes a similar suggestion. The Public Staff doesn't believe that a comprehensive strategy should be required. The Commission agrees with the Public Staff. Although some explanation of possible service to surrounding areas, if included, might be considered in weighing an application, the statutes allow an applicant to choose the area it proposes to serve, and no strategy for other, surrounding areas will be required.

Proposed Rule R6-90(c) provides that for projects in counties where no LDC has an exclusive franchise, i.e., "use-it-or-lose-it" counties, a person, including an existing LDC, that is or would become a public utility under Chapter 62 by constructing, owning or operating natural gas facilities must file an application for a franchise as well as an application to use bond funds. NCNG would add language to recognize that an existing LDC may be able to expand into an unserved area by a contiguous extension, without getting a new franchise. The Public Staff responds that the "orderly administration of bond funds will be promoted" by requiring a new certificate, and the Commission agrees. G.S. 62-159(c) provides that for bond fund projects in counties "affected by the loss of exclusive franchise rights..., the Commission may conclude that the public interest requires that the person obtaining the franchise or funding...be given an exclusive franchise and that the existing franchise be canceled." The proposed Rule is consistent with this language.

Further, the Commission notes that in its own "use-it-or-lose-it" proceeding, Docket No. G-21, Sub 373, NCNG asked that it immediately be given a new exclusive franchise to any counties where its exclusive franchise rights were taken away. NCNG was not willing to rely on a contiguous extension claim in its own proceeding.

CP&L wants the Commission to require all applicants either to use the same gas prices in their NPV analysis, so the Commission can "compare competing projects on an equal basis," or at least to "fully describe the basis for their sales projections and the prices assumed in their analyses." NCNG wants guidelines to ensure that NPV calculations are comparable. Frontier also says a generic NPV analysis format would be helpful. The Public Staff recognizes that differing NPV assumptions make comparisons difficult but says that the best way to deal with it is to direct how NPV studies should be filed, rather than to amend the proposed Rule. The Commission will not amend the Rules along these lines, but will solicit further input from the parties, as discussed below.

CP&L says applicants should be allowed to protect confidential information. The Public Staff agrees but sees no reason to address this in the Rules. The Commission also agrees that confidential information should be protected; however, the Commission frequently handles confidential filings and can do so in this context as well, without specifically amending the present Rules.

Proposed Rule R6-90(d) provides for recipients of bond funds subject to regulation as a public utility to file for approval of its financing "in accordance with G.S. 62-160 through G.S. 62-171 and Rule R1-16." NUI wants to change the phrase "in accordance with" to "to the extent required by." The Public Staff agrees. The Commission will change the phrase.

Proposed Rule R6-91. Approval of Projects and the Use of Bond Funds

NCNG says that the factors for the Commission to consider in approving an application, listed in proposed Rule R6-91(b), should be expanded to include the number of anticipated customers by class and the source of company-supplied funding. NCNG argues that this will assist the Commission in weighing competing applications and making well-informed decisions. CP&L wants the Commission to also consider whether a project could be expanded to serve growth in the surrounding area. The Public Staff agrees that anticipated customers should be listed by class. As to the other factors, the Public Staff says that they may be valid considerations but do not need to be listed in the Rule. The Commission agrees with the Public Staff.

Proposed Rule R6-91(c) provides that the Commission's order approving a project "shall specifically find the negative NPV of the approved project..." NCNG says that the specific findings for the Commission to make should be expanded to include the total cost of the project, the rates to be charged, whether the project will lead to growth, and whether

the project will strengthen a transmission or distribution system. The Public Staff says that these might or might not be relevant findings, but that they don't need to be listed in the Rule. The Commission agrees. Each order will have to stand on its own and will be based on the evidence received and the issues presented in each application proceeding.

PSNC wants to add the following language, similar to language in the expansion fund rules, to proposed Rule R6-91(c):

> To the extent the Commission's order approving a Project is based on different assumptions, including design, projected load, or amount or sources of funding, than those used by the applicant in its request for approval, the applicant shall have the right not to proceed with the Project or to invest its funds in the same, and no use may be made of the bond funds on such project absent further order of the Commission.

The Public Staff objects that an applicant should have to justify a refusal to proceed, rather than have an automatic "out" in the rule. The Commission agrees with the Public Staff.

Proposed Rule R6-92. Disbursements and Final Accounting

PSNC wants to add the following language, similar to language in the expansion fund rules, to proposed Rule R6-92(a):

> The applicant shall not be required to commence or continue construction of any Project if it appears that the funds available from the general obligation bonds will be inadequate to complete construction.

The Public Staff objects that the authority to decide if a project should be discontinued should remain with the Commission since discontinuation of a project could lead to the waste of general obligation bonds of the State and an applicant shouldn't have such a right. The Commission agrees with the Public Staff.

Proposed Rule R6-92(b) allows requests for reimbursement "not more often than once a month" during construction. NCNG says that the requests should be made quarterly. "If an applicant is unable to operate for three months without reimbursement, the applicant probably lacks the financial strength to undertake a natural gas expansion project." The Public Staff sees no reason for the change and neither does the Commission. If NCNG or any other recipient of bond funds wishes to make requests for reimbursement quarterly rather than monthly, it may do so under the Rule as proposed.

Proposed Rule R6-92(b) provides for periodic reimbursements during construction of 75% of expenditures. CP&L and NUI want the periodic reimbursements to be 100%, unless the costs associated with delayed payments are recovered. The Public Staff says

that 75% reimbursement is preferable since it requires the applicant to invest its own money up front, making it less likely that the project will be abandoned. The full negative NPV is paid at the final accounting, including the cost of delayed payments. The Commission sees no reason to change the proposed Rule.

Proposed Rule R6-92(c) provides that if a request for reimbursement is inadequate or if it raises issues of fact, the Commission "shall set the matter for hearing or otherwise resolve any issues...." CP&L says the Commission should have discretion on whether to conduct a hearing. The Commission concludes that the proposed Rule already provides for such discretion if issues can be resolved without a hearing.

Proposed Rule R6-93. Reports

The Public Staff says that reporting on use of bond funds will need to be far more detailed than the present expansion fund reports and that it will propose formats and additional reporting requirements for proposed Rule R6-93 within the next several months. These will likely include a requirement for "as-built" drawings and other information to determine whether a project is built as proposed. Frontier expresses the general concern that reporting requirements not become too burdensome. The Commission will await the Public Staff's reporting proposals and will act on them when filed.

The Public Staff wants the following substituted for the present proposed Rule R6-93(e):

> The Commission shall provide quarterly reports on the expenditure of moneys from the Natural Gas Bonds Fund to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Fiscal Research Division of the General Assembly.

Such reports are required by the legislation authorizing the gas bonds, and the Commission agrees that the Rules should mirror the requirements of the legislation. The Public Staff is working on the format of such reports, with the assistance of the State Budget Office, and will provide these to the Commission for approval.

G.S. 62-159(b) provides that if a project is determined by the Commission to have become economically feasible, the Commission shall require the recipient of bond funding to remit "appropriate funds related to the project, and the Commission may order those funds to be returned with interest in a reasonable amount to be determined by the Commission." Piedmont, Frontier, NCNG, and CP&L all express concerns about the return of bond funds when a project becomes "feasible" and how feasibility will be determined. Piedmont expresses the following concerns: neither the statute nor the proposed rules explain what is meant by "appropriate funds" or when or how those funds must be

returned; neither provides guidance on the rate of interest, the date on which interest begins or whether interest is simple or compound; neither provides guidance as to how the NPV will be computed at this future date; the fact that the project sponsor may be required to refund some unknown amount with an unknown rate of interest for an unknown period of time may make it impossible for the project sponsor to raise the money that it must provide to construct the project in the first place; and the potential obligation to remit funds to the State may prevent the granting of a first priority lien. CP&L says that the interest rate shouldn't exceed the rate on the bonds and that interest shouldn't begin until feasibility is achieved. The Public Staff acknowledges "valid concerns" but recommends that the Commission not act at this time. The Commission acknowledges the concerns about the statutory language on buy-back and the need for clarification. Still, it is the Commission's understanding that the State Treasurer is presently considering whether the gas bonds can be issued as tax-exempt or taxable bonds and that the buy-back provisions impact this decision. The Commission will await progress on the tax issues before deciding how to proceed on the buy-back issues. Parties may want to discuss buy-back guidelines, as hereinafter provided. In the meanwhile, the Commission will simply track the language of the statute in the Rules.

Proposed Rule R6-94. Accounting and Ratemaking for Regulated Recipients

NUI wants to add "except to the extent such funds have been remitted by the company pursuant to order of the Commission" to proposed Rule R6-94(a) and (b) to recognize that project facilities may be put in rate base if the bond funding is paid back. The Public Staff does not object. The Commission will add the phrase since it is based on language in G.S. 62-159(b).

Finally, the Public Staff notes that whatever Rules are adopted herein may need to be changed based on subsequent events, such as the tax issues being considered by the Treasurer or technical corrections proposed in the current General Assembly. In the meanwhile, the Public Staff offers suggestions as to further steps the Commission might undertake. For example, the Public Staff suggests that it would be helpful to get some idea of how much interest there is in using bond funds and where. The Public Staff suggests that interested persons be given 60 days to file non-binding statements of interest, to include the scope of potential projects (number of counties and customers) and a rough estimate of costs and NPVs. The Public Staff also suggests "a process in the nature of a workshop in which all interested parties could participate to determine the most appropriate way to proceed." CP&L questions the value of any preliminary statements of interest. Frontier and AREA are willing to participate in a workshop. NCNG wants the Commission to act "deliberately" before finalizing any Rules. CUCA, on the other hand, wants the Commission to proceed "expeditiously" to adopt Rules now.

These Rules may require reconsideration, and the Rules adopted herein will be regarded as preliminary, pending further Commission order. There seems to be an

advantage in getting interested persons, both parties to this proceeding and non-parties, to file brief, non-binding statements of interest within 30 days. These need only identify the person interested in using bond funds and the area the proposed gas facilities would serve. It is probably unrealistic to expect much more detail so soon. The statements will not be considered binding, but everyone is urged to file a statement as it will help the Commission and the State Treasurer in deciding how to proceed. At least two matters need further consideration: the NPV guidelines discussed above and the timing of application filings. How should the Commission receive applications to use bond funds? Would it be advantageous to set a deadline, which would help present competing applications together, or should the Commission wait for applications to be filed as the applicants are ready? The Commission sees benefits in the Public Staff's recommendation for parties to meet in an informal workshop to consider these and other matters that need clarification and to report back. The Commission will then consider any recommendations or get further comments on disputed issues.

IT IS, THEREFORE, ORDERED as follows:

1. That the Commission hereby adopts the Rules attached hereto as Appendix A, as preliminary rules, pending further order of the Commission;

2. That interested persons are requested to file within 30 days brief, non-binding statements of interest in using natural gas bond funds, identifying the person interested in using bond funds and the area the proposed gas facilities would serve, and that notice of this request shall be given by mailing a copy of this Order to all natural gas LDCs franchised in North Carolina, to all persons on the natural gas mailing list of the Chief Clerk of the Commission, to the economic development officers of all North Carolina counties unserved by natural gas, and to additional interested persons suggested to the Chief Clerk by Commission Staff or requesting information about this proceeding from the Chief Clerk, and by placing a copy of this Order on the Commission's web site; and

3. That the Public Staff shall take the initiative to convene a workshop of interested parties to discuss the matters cited above and other matters relating to use of bond funds that need clarification and to make recommendations to the Commission, all within 45 days from the date of this Order

ISSUED BY ORDER OF THE COMMISSION.

This the 8th day of March, 1999

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

gt030899.01

ARTICLE 13

ADDITIONAL FUNDING FOR NATURAL GAS EXPANSION

RULE R6-90. Application Process.

(a) The purpose of these Rules is to implement G.S. 62-2(a)(9) and G.S. 62-159 by providing a process pursuant to which funding from the proceeds of the general obligation natural gas bonds approved by referendum in November 1998 can be made available to (i) existing North Carolina local distribution companies (LDCs) or (ii) a person awarded a new franchise or a regional gas district for the construction of natural gas facilities in unserved areas that would otherwise not be economically feasible to construct (hereinafter collectively referred to as "eligible recipients" or "applicants"). For purposes of these Rules, a "project" is defined as all of the natural gas facilities, including but not limited to, transmission and distribution lines, metering facilities, and compressors, and all of the activities necessary to extend and provide natural gas service to an unserved area that is eligible under the statutes for funding from the natural gas bonds.

(b) For projects involving a county or counties for which an existing LDC has the exclusive franchise, only the existing LDC or a regional gas district may file an application for approval to use natural gas bond funds pursuant to G.S. 62-159 and this Rule. An application for approval to use bond funds shall contain the following information:

(1) A precise geographic description, a map or maps of the area(s) proposed to be served, a detailed description of the proposed physical facilities, including their projected operating parameters and characteristics, the arrangements that have been or are proposed to be made to obtain rights-of-way and plans for obtaining capacity to supply the projected demand;

(2) Details about any special permitting or licensing that may be required, such as from the National Park Service, the National Forest Service, the Federal Energy Regulatory Commission or the Army Corp of Engineers, and a statement as to how much time the permitting or licensing is likely to take;

(3) A market study, including an analysis of potential customers and volumes, probable conversions from other fuels, and projected growth resulting from population growth and economic development;

(4) An engineering study that includes the proposed design of the system (including a pipe network flow analysis), routing (including a review of planned or proposed state highway improvements), and construction cost estimates;

(5) A net present value (NPV) analysis conducted in a generally accepted manner that provides support for the amount of natural gas bond funding requested in the eligible recipient's application;

(6) A demonstration of the applicant's technical, operational, and financial management capabilities that will ensure the successful and safe construction and operation of the project;

(7) A financing plan for the feasible part of the project that includes the amounts, sources, and costs for common equity, debt, and/or other types of financing;

(8) The estimated beginning and ending dates of the proposed construction, including the date service to one or more customers is proposed to begin, specific itemized construction budgets and a timetable for disbursements from the bond fund; and

(9) A schedule or schedules of proposed rates.

(c) For projects involving a county or counties for which no LDC has an exclusive franchise, a person, including an existing LDC, that is or would become a public utility under G.S., Chapter 62 by constructing, owning or operating the proposed natural gas facilities, must file an application for a certificate of public convenience and necessity pursuant to G.S. 62-110 and an application for approval to use natural gas bond funds pursuant to G.S. 62-159. For such projects, a regional gas district must file an application for approval to use natural gas bond funds pursuant to G.S. 62-159. Applications for approval to use bond funds must include the information required by subsection (b) of this Rule.

(d) If not otherwise addressed in its application, an eligible recipient that is or would become subject to regulation as a public utility if its application were granted, shall file for approval of its proposed financing for the feasible portion of an approved project to the extent required by G.S. 62-160 through G.S. 62-171 and Commission Rule R1-16.

(e) A regional gas district proposing to use revenue bonds to finance the feasible portion of a project for which bond funds have been approved shall file for a certificate of convenience and necessity in accordance with G.S. 159-95.

RULE R6-91. Approval of Projects and Use of Natural Gas Bond Funds.

(a) Eligible recipients applying for bond funds pursuant to Commission Rule R6-90 shall publish a notice of the application at the direction of and in a form approved by the Commission.

(b) The Commission shall consider the following in determining whether to approve the use of bond funds: the scope of the proposed project, including the number of unserved counties and the number of anticipated customers by class that would be served; the total cost of the proposed project; the extent to which the proposed project is feasible; and other relevant factors affecting the public interest.

(c) The Commission shall enter an order approving or denying the use of natural gas bond funds on a project-specific basis. Natural gas bond funds shall be used only pursuant to an order of the Commission after a public hearing. Such an order shall specifically find the negative NPV of the approved project and shall limit the bond funding pursuant to G.S. 62-159 to that negative NPV.

(d) As soon as practicable after an order approving funding of a project becomes final, the Commission shall notify the State Treasurer of such approval and the amount of bond funding that has been approved.

(e) If construction has not begun on a project for which bond funding has been approved within one year after the date on which the order granting approval became final, the Commission shall require the recipient to show cause why the approval should not be rescinded; why its franchise should not be revoked, if appropriate; and why it should not be required to reimburse bond monies paid to it, if any.

RULE R6-92. Disbursements and Final Accounting.

(a) Monies from bond funds shall be disbursed only to an eligible recipient awarded the right to use bond funds and only as ordered by the Commission. All disbursements shall be used solely for the specific project for which they were approved. A project for which bond funding has been approved must be constructed as proposed unless the eligible recipient awarded the bond funding petitions the Commission to make modifications to the project and the Commission finds that the public interest requires that modifications be made.

(b) Disbursements shall be in the form of reimbursements for actual amounts paid by an eligible recipient awarded the right to use bond funds for an approved project. Eligible recipients awarded the right to use bond funds shall submit requests for reimbursement not more often than once a month. Such requests shall specify the work performed on and the materials and equipment delivered to the approved project during the period covered by the request for reimbursement and shall be accompanied by the Project Status Report described in Commission Rule R6-93. Requests also shall contain a certification that the amounts sought by the eligible recipient awarded the right to use

bond funds have been paid for work completed on and materials and equipment provided to the approved project. The maximum amount of each reimbursement shall be 75% of total expenditures during the period covered by the request. Cumulative reimbursements for an approved project shall never exceed the approved negative NPV.

(c) If the request for disbursement complies with these Rules and the Commission order approving the use of bond funds, the request shall not be subject to any further proceedings or orders and shall be paid as promptly as possible. If the request is not in compliance or if the request raises issues of material fact as to whether such a disbursement is appropriate, the Commission shall set the matter for hearing or otherwise resolve any issues as to the appropriateness of the disbursement.

(d) Within three years from the date of a final Commission order approving a project and use of bond funds, the recipient shall file a final accounting showing the actual expenditures to date, disbursements to date, the negative NPV determined by the Commission, and the balance of funds requested to be disbursed, if any. This information shall be provided in formats approved by the Commission. Unless the Commission specifically finds that good cause has been shown, no disbursement will be approved after the final accounting is approved by the Commission. If the total amount of the approved negative NPV has not been disbursed by the time the final accounting is approved, the Commission shall, upon motion by recipient awarded the right to use bond funds and notice to all parties, approve a further disbursement up to the lesser of the approved negative NPV or the actual expenditures to date.

RULE R6-93. Reports.

(a) Each eligible recipient awarded the right to use bond funds shall file a Project Status Report in the format approved by the Commission for each approved project with each request for reimbursement, or at least quarterly. This report shall contain four separate sections: (1) budgeted versus actual cost data; (2) construction cost summary; (3) summary of construction cost reimbursements already received; and (4) current reimbursement requested. To the extent extraordinary delays have occurred, a report on such delays and expected progress shall be included in this report.

(b) Recipients of bond funds, if subject to the biennial reporting requirement in G.S. 62-36A, shall provide customer and construction cost information on projects for which use of bond funds has been approved in their Biennial Expansion Reports filed every two years pursuant to G.S. 62-36A. Recipients not subject to the reporting requirement in G.S. 62-36A shall provide customer and construction cost information on projects for which use of bond funds has been approved every two years in a report filed at the same time as the Biennial Expansion Reports, beginning with the first due date of those reports following approval of the use of bond funds for a project.

(c) The Commission shall use the information provided by subsection (b) of this Rule to determine whether an investigation is warranted to determine if a project for which use of bond funds has been approved has become economically feasible. If the Commission finds that a project has become economically feasible, the Commission shall require the recipient of the bond funds to remit to the Commission appropriate funds related to the approved project, and the Commission may order those funds to be returned with interest in a reasonable amount to be determined by the Commission and deposited with the State Treasurer.

(d) If a regional gas district wishes to sell or otherwise dispose of facilities financed with bond funds received pursuant to G.S. 62-159, it must first notify the Commission, which shall determine at that time the method of repayment or accounting for those funds.

(e) The Commission shall provide quarterly reports on the expenditure of moneys from the Natural Gas Bonds Fund to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Fiscal Research Division of the General Assembly.

RULE R6-94. Accounting and Ratemaking for Regulated Recipients.

(a) The gas plant accounts for recipients of bond funds regulated by the Commission shall be reduced by the amount of bond funds utilized to construct such plant, except to the extent such funds have been remitted by the company pursuant to order of the Commission.

(b) No depreciation expense on the portion of the plant cost financed by disbursements of bond funds shall be included in the cost of service of recipients regulated by the Commission, except to the extent such funds have been remitted by the company pursuant to order of the Commission.

received
11-19-98

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. G-100, SUB 75

Officers
Directors
NC Dist Mgrs
SCF
JWA
11-20-98

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Rulemaking Proceeding to Implement G.S. 62-159 which Authorizes the Commission to Provide Funding From the Proceeds of General Obligation Bonds or Appropriations for the Construction of Infeasible Natural Gas Infrastructure Projects to Unserved Areas	)	ORDER INITIATING RULEMAKING PROCEEDING ON PROPOSED RULES R6-90 THROUGH R6-94

BY THE CHAIR: On September 3, 1998, the General Assembly of North Carolina ratified, and on September 9, 1998, the Governor signed, Chapter 132 of the 1998 Session Laws. This legislation authorizes, subject to approval of voters, the issuance of general obligation bonds of the State to address infrastructure needs for water, sewer and natural gas facilities. The legislation provides that $200 million realized from the sale of the bonds shall be allocated

> to provide grants, loans, or other financing to natural gas local distribution companies, persons seeking natural gas distribution franchises, State or local government agencies, or other entities for construction of natural gas facilities.

Section 17 of the legislation enacts G.S. 62-159, which authorizes the Utilities Commission to provide funding through the proceeds of general obligation bonds or appropriations from the General Assembly to (i) existing local distribution companies (LDCs) or (ii) a person or a gas district awarded a new franchise for the construction of natural gas facilities in unserved areas that it otherwise would not be economically feasible for the company, person, or gas district to construct. G.S. 62-159(d) requires the Utilities Commission to adopt rules to implement the legislation as soon as practicable.

The voters of North Carolina approved issuance of the general obligation bonds on November 3, 1998.

On November 13, 1998, the Public Staff filed a petition asking the Commission to institute a rulemaking proceeding to adopt rules in accordance with G.S. 62-159(d). To expedite the rulemaking, the Public Staff submitted a set of proposed rules, proposed Rules R6-90 through R6-94, on which it suggested that the Commission request comments and reply comments from interested parties. The Public Staff suggested that comments

be filed three weeks from the date of the Commission's Order initiating the rulemaking proceeding and reply comments ten days thereafter.

The Chair finds good cause to issue the present Order initiating a rulemaking proceeding to adopt rules in accordance with G.S. 62-159(d) and requesting comments and reply comments. The proceeding will initially focus on the Public Staff's proposed rules, which are attached hereto as Appendix A; however, other parties may propose additional or substitute rules as part of their comments.

IT IS, THEREFORE, ORDERED as follows:

1. That a rulemaking proceeding is hereby initiated in this docket for the purpose of adopting new Commission Rules to implement G.S. 62-159 and proposed Rules R6-90 through R6-94, attached hereto as Appendix A, are published for comment;

2. That notice of this docket shall be given by mailing a copy of this Order to all natural gas LDCs franchised in North Carolina, to all persons on the natural gas mailing list of the Chief Clerk of the Commission, to the economic development officers of all North Carolina counties unserved by natural gas, and to additional interested persons suggested to the Chief Clerk by Commission Staff or requesting information about this proceeding from the Chief Clerk, and by placing a copy of this Order on the Commission's web site;

3. That interested persons may petition to intervene in this proceeding on or before December 7, 1998;

4. That any party may file comments on appropriate rules to implement G.S. 62-159 on or before December 7, 1998, and any party may file reply comments addressing the comments of other parties on or before December 21, 1998; and

5. That the Commission will proceed as appropriate following receipt of comments.

ISSUED BY ORDER OF THE CHAIR.

This the 16th day of November, 1998.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk

rg111698.01

ARTICLE 13

ADDITIONAL FUNDING FOR NATURAL GAS EXPANSION

RULE R6-90. Application Process

(a) The purpose of these rules is to implement G.S. 62-159 and G.S. 62-2(a)(9) by providing a process pursuant to which funding from the proceeds of the general obligation bonds approved by referendum in November 1998 can be made available to (i) existing North Carolina local distribution companies (LDCs) or (ii) a person or a regional gas district awarded a new franchise for the construction of natural gas facilities in unserved areas that would otherwise not be economically feasible to construct (collectively referred to hereafter as "eligible recipients" or "applicants"). For purposes of these rules, a "project" is defined as the scope of the construction of natural gas facilities into unserved areas.

(b) If a proposed project involves a county or counties for which an existing LDC has the exclusive franchise, only the existing LDC and local government agencies, such as regional gas districts, may file applications for approval to use bond funds pursuant to G.S. 62-159. ***[An eligible recipient that would not become a public utility under Chapter 62 by virtue of its construction, ownership or operation of natural gas facilities also must apply for a franchise pursuant to G.S. 62-159(a).]*** An application for approval to use bond funds pursuant to G.S. 62-159 and this rule shall contain the following information:

(1) A precise geographic description, a map or maps of the area(s) proposed to be served, a detailed description of the physical facilities, including their projected operating parameters and characteristics, the arrangements that have been or are proposed to be made to obtain rights-of-way and plans for obtaining capacity to supply the projected demand;

(2) A market study, including an analysis of potential customers and volumes, probable conversions from other fuels, and projected growth resulting from population growth and economic development;

(3) An engineering study that includes the following: the proposed design of the system (including a pipe network flow analysis), routing (including a review of planned or proposed state highway improvements), and construction cost estimates;

(4) A net present value (NPV) analysis conducted in a generally accepted manner that provides support for the amount of natural gas bond funding requested in the eligible recipient's application;

(5) A demonstration of the applicant's technical, operational, and financial management capabilities that will ensure the successful and safe construction and operation of the project;

(6) A financing plan for the feasible part of the proposed project that includes the amounts, sources, and costs for common equity, debt, and/or other types of financings;

(7) The estimated beginning and ending dates of the proposed construction, including the date service to one or more customers is proposed to begin, specific itemized construction budgets and a timetable for disbursements from the bond fund; and

(8) A schedule or schedules of proposed rates.

(c) For projects involving counties for which no LDC has an exclusive franchise, a person, including an existing LDC, that is or would become a public utility under Chapter 62 by constructing, owning or operating natural gas facilities, must file an application pursuant to G.S. 62-110 for a certificate of public convenience and necessity and an application pursuant to G.S. 62-159 for approval to use bond funds. A regional gas district or other person not subject to the certification requirement of G.S. 62-110 applying pursuant to this section must file ***[an application for a franchise pursuant to G.S. 62-159 and]*** an application pursuant to G.S. 62-159 for approval to use bond funds. Applications to use bond funds pursuant to this section must include the information required by subsection (b) of this rule.

(d) If not otherwise addressed in its application, an eligible recipient that is or would become subject to regulation as a public utility if its application were granted shall file for approval of its proposed financing(s) for the feasible portion of an approved project in accordance with G.S. 62-160 through G.S. 62-171 and Rule R1-16.

(e) A county, city, regional gas district or other local government entity included in the definition of "municipality" in G.S. 159-81(1) proposing to use revenue bonds to finance the feasible portion of a project for which bond funds have been approved shall file for a certificate of convenience and necessity in accordance with G.S. 159-95.

RULE R6-91. Approval of Projects and the Use of Bond Funds

(a) Eligible recipients applying for funds pursuant to this section shall publish a notice of the application and request for funding at the direction of and in a form approved by the Commission.

(b) The Commission shall consider the following in determining whether to approve the use of bond funds for proposed projects: the scope of the proposed project(s), including the number of unserved counties and the number of anticipated customers that would be served; the total cost of the proposed project; the extent to which the proposed project is feasible; and other relevant factors affecting the public interest.

(c) The Commission shall enter an order approving or denying bond funding on a project-specific basis. Funds provided for under this section shall be used only pursuant to an order of the Commission after a public hearing. Such an order shall specifically find the negative NPV of the approved project and limit the funding pursuant to G.S. 62-159 to that negative NPV.

(d) As soon as practicable after an order approving funding of a project becomes final, the Commission shall notify the State Treasurer's office of such approval and the amount of bond funding that has been approved.

(e) If construction has not begun on a project for which bond funding has been approved within one year of the date the order granting approval became final, the Commission shall require the recipient of the approval to use bond funds to show cause why the approval should not be rescinded, why its certificate or franchise should not be revoked, and why it should not be required to reimburse any bond monies paid to it, if any.

RULE R6-92. Disbursements and Final Accounting

(a) Monies from the bond fund shall be disbursed only to an eligible recipient awarded the right to use bond funds and only as ordered by the Commission. All disbursements shall be used solely for the specific projects for which they were approved. Projects for which bond funding has been approved must be constructed as proposed unless the eligible recipient awarded the bond funding petitions the Commission to make modifications to the project and the Commission finds that the public interest requires that these modifications be made.

(b) Disbursements shall be in the form of reimbursements for actual amounts paid by eligible recipients awarded the right to use bond funds for approved projects. Eligible recipients awarded the right to use bond funds shall submit a request for reimbursement not more often than once a month. Such requests shall specify the work

performed and materials and equipment delivered to the approved project during the period covered by the request for reimbursement and be accompanied by the Project Status Report described in Rule R6-93. Requests also shall contain a certification that the amounts sought by the eligible recipient awarded the right to use bond funds have been paid for work completed on and materials provided to the approved project. The maximum amount of each reimbursement shall be 75% of total expenditures during the period covered by the request. Cumulative reimbursements for an approved project shall never exceed the approved negative NPV.

(c) If the request for disbursement complies with these rules and the Commission's order approving the use of bond funds, then the request shall not be subject to any further proceedings or orders and shall be paid as promptly as possible. If the request is not in compliance or raises issues of material fact as to whether such a disbursement is appropriate, the Commission shall set the matter for hearing or otherwise resolve any issues as to the appropriateness of the disbursement.

(d) Within three years from the date of a final Commission order approving a project and use of bond funds, the recipient shall file a final accounting showing the actual expenditures to date, disbursements to date, the negative NPV determined by the Commission, and the balance of funds requested to be disbursed, if any. This information shall be provided in formats approved by the Commission. Unless the Commission specifically finds that good cause has been shown, no disbursement will be approved after the final accounting is approved by the Commission. If the total amount of the approved negative NPV has not been disbursed by the time the final accounting is approved, the Commission shall, upon motion by the LDC, person or regional gas district awarded the right to use the bond money and notice to all parties, approve a further disbursement up to the lesser of the approved negative NPV or the actual expenditures to date.

RULE R6-93. Reports

(a) Each eligible recipient awarded the right to use bond funds shall file a Project Status Report in the format approved by the Commission for each approved project with each request for reimbursement (or at least quarterly). This report shall contain four separate sections: (1) budgeted versus actual cost data; (2) construction cost summary; (3) summary of construction cost reimbursements already received; and (4) current reimbursement requested. To the extent extraordinary delays have occurred, a report on such delays and expected progress shall be included in this report.

(b) The recipients of bond funds, if subject to the biennial reporting requirement in G.S. 62-36A, shall provide customer and construction cost information on projects for which bond funding has been approved in their Biennial Expansion Reports filed every two years pursuant to G.S. 62-36A. Recipients not subject to the reporting requirement in G.S.

62-36A shall provide customer and construction cost information on projects for which bond funding has been approved every two years in a report filed at the same time the LDCs file their Biennial Expansion Reports, beginning with the first due date of those reports following approval of the use of bond funding for a project.

(c) The Commission shall use the information provided by subsection (b) of this rule to determine whether an investigation is warranted to determine if a project for which bond funding was approved has become economically feasible. If the Commission finds that a project has become economically feasible, the Commission shall require the recipient of the bond funds to remit to the Commission appropriate funds related to the approved project, and the Commission may order those funds to be returned with interest in a reasonable amount to be determined by the Commission and deposited with the State Treasurer.

(d) If a regional gas district wishes to sell or otherwise dispose of facilities financed with funds received pursuant to G.S. 62-159, it must first notify the Commission, which shall determine at that time the method of repayment or accounting for those funds.

(e) The Commission shall determine the status of the Natural Gas Bond Fund on a quarterly basis and prepare a quarterly report of the amount of funds committed to approved projects and the amount of uncommitted funds available for financing future projects.

RULE R6-94. Accounting and Ratemaking for Regulated Recipients

(a) The gas plant accounts for regulated recipients of bond funds shall be reduced by the amount of bond funds utilized to construct such plant.

(b) No depreciation expense on the portion of the plant cost financed by disbursements from the bond fund shall be included in the regulated recipient's cost of service.

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

Officers
Directors
SC District Managers
General Counsel

9# 8-31-99

DOCKET NO. 1999-004-G - ORDER NO. 1999-576

AUGUST 16, 1999

IN RE: Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of Piedmont Natural Gas Company.	)))	ORDER RULING ON GAS COSTS AND GAS PURCHASING POLICIES

On April 6, 1988, the Public Service Commission of South Carolina (the Commission) issued its Order No. 88-294 which requires the Annual Review of the Purchased Gas Adjustment (PGA) and Gas Purchasing Policies of Piedmont Natural Gas Company (Piedmont or the Company).

By letter, the Commission's Executive Director instructed the Company to publish a prepared Notice in a newspaper of general circulation in the area affected by the Company's Application. The Notice indicated the nature of the annual review and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. The Company was instructed to directly notify all of its customers affected. The Company submitted affidavits indicating that it had complied with these instructions. The Consumer Advocate for the State of South Carolina (the Consumer Advocate) intervened in the proceedings.

Pursuant to our Order No. 1999-458, testimony and exhibits were prefiled by both the Company and the Commission Staff. On August 10, 1999, upon the request of Piedmont and with the consent of all parties, this Commission held that the formal hearing in this matter would

be cancelled and the matter considered in the context of the regularly scheduled Commission meeting. All testimony filed in this matter had been sworn to and verifications of witnesses had been filed with the Commission. Further, all parties agreed with all adjustments proposed by the Commission Staff, as found in the Staff's testimony and exhibits. The record of this matter is established by allowing all of the prefiled, verified testimony into the record, and admitting all prefiled, verified exhibits into the record. Therefore, a record is established upon which the Commission may make a decision in this matter. The Company presented the testimony of Keith P. Maust and Ann H. Boggs and the Commission Staff presented the testimony of Norbert Thomas and Brent Sires.

Company witness Keith P. Maust presented testimony describing Piedmont's gas purchasing policies. According to witness Maust, Piedmont has and continues to maintain a "best cost" purchasing policy which consists of five main components – the price of gas, the security of the gas supply, the flexibility of the gas supply, gas deliverability, and supplier relations. Maust described each of the five components on Piedmont's "best cost" gas purchasing policy and the steps taken during the review period to comply with that policy. Maust stated that Piedmont is satisfied that the policies and procedures presently in place are prudent and that the policies and procedures have produced adequate amounts of reasonably priced gas for Piedmont's customers.

Maust testified that Piedmont did not make any changes in its "best cost" gas purchasing policies or practices during the year, but Maust outlined additional steps taken by Piedmont to manage its gas costs, consistent with its overall "best cost" policy. Included among the additional steps outlined by Maust of Piedmont managing its gas costs consistent with its "best cost" policy are (1) Piedmont has actively participated in renegotiating and restructuring eligible supply and

capacity contracts to take advantage of market opportunities, resulting in over $280,000 in reservation fee savings under eight contracts, during the test period on an annualized basis; (2) Piedmont has utilized the flexibility within its supply and capacity contracts to purchase and dispatch gas, and release capacity, in the most cost effective manner, resulting in South Carolina release credits of $803,951 during the test period; (3) Piedmont has "locked in" gas prices for periods of time to maintain its competitive position in specific markets and has provided transportation services to large volume customers in order to maintain system throughput and reduce average unit costs; and (4) Piedmont has actively promoted more efficient peak day use of natural gas and load growth from "year-round" markets, in order to improve the Company's load factor and reduce average unit costs.

Company witness Ann H. Boggs testimony attests that current true-up procedures result in a properly stated cost of gas and that Piedmont's gas costs are properly recorded in compliance with Piedmont's Gas Cost Recovery Mechanism as approved by the Commission. Further, Boggs stated that the Deferred Account balance is properly stated at March 31, 1999.

Staff witness Norbert M. Thomas presented testimony that the Accounting Staff had reviewed the monthly filings made by the Company and the activity included in Account No. 253.04 for the period April, 1998, through March, 1999. Thomas proposed certain adjustments with the net effect of these adjustments decreasing the under-collection at March 31, 1999, by ($111,302). Thomas testified that it was Staff's opinion that the adjusted balance at March 31, 1999, of $7,163,740 fairly represents the undercollection by Piedmont and that the amount is accurately stated and in compliance with prior Commission Orders. All of the parties agreed with the adjustments proposed by the Commission Staff.

Staff witness Brent L. Sires also presented testimony. Sires testified that the Utilities Department has found that the Company's PGA is being operated in compliance with the various appropriate Commission Orders. Staff's review, as per witness Sires, indicated that a $2.89 per dekatherm benchmark cost of gas was appropriate. Sires expressed the opinion on behalf of Staff that this benchmark cost of gas is representative of the Company's gas cost on average over the next twelve (12) months.

Sires further stated his belief that the Company is acting prudently in arranging for supplies to meet the requirements of its firm customers today, as well as in the future. Mr. Sires also offered that his observations of Piedmont's gas purchasing policies indicate that Piedmont is continuing its attempts to get the best terms available in its negotiations with suppliers and that Piedmont is meeting its obligation to maintain adequate supplies at just and reasonable costs to serve its customers.

Based on the record as a whole, the Commission concludes that the Company's gas purchasing practice and policies are prudent. Staff has stated its opinion that Piedmont is operating and acting prudently in arranging for supplies to meet the requirements of its firm customers and further opined that Piedmont is meeting its obligation to maintain adequate supplies at just and reasonable costs to serve its customers.

Further, we adopt the benchmark cost of gas of $2.89 per dekatherm. Staff has supported the position that this benchmark cost of gas is representative of the Company's gas cost on average over the next twelve (12) months.

IT IS THEREFORE ORDERED THAT:

1. Piedmont is hereby permitted to maintain its commodity cost of gas at $2.89 per dekatherm, as requested in Piedmont's filing. This amount is without prejudice to Piedmont's right to further revise the benchmark in accordance with provisions of its PGA, if future conditions warrant, and is without prejudice to the parties' right to request review of the benchmark in accordance with the Commission's PGA provisions.

2. The current procedures in Piedmont's PGA result in a properly stated cost of gas recorded in compliance with Commission Orders, and the Deferred Account activity was properly recorded and reported to the Commission as required.

3. The Company's gas purchasing practices and policies are hereby found to be prudent.

4. All Staff adjustments to the Deferred Account balance are adopted.

5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 1999-297-G - ORDER NO. 1999-509

JULY 16, 1999

Officers
Directors
SC District Managers
General Counsel

IN RE: Gas Redelivery Agreement Between Piedmont Natural Gas Company, Inc. and Arteva Specialties S.a.r.L. DBA KoSa.	)))	ORDER GRANTING APPROVAL OF CONTRACT

This matter comes before the Public Service Commission of South Carolina (the Commission) on the request of Piedmont Natural Gas Company, Inc. (Piedmont or the Company) for approval of a gas redelivery agreement between it and Arteva Specialties S.a.r.L. d/b/a KoSa. Piedmont makes this request pursuant to our Regulation 103-403(D).

We have examined the terms of the agreement, and they appear to be fair and equitable, and in the public interest. Accordingly, we approve the agreement as filed.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Philip T. Bradley
Chairman

ATTEST:

Gary E. Walsh
Executive Director

(SEAL)

c JHM
WFS
DJD
RBK
TES
CAK
BLG
DFH
JWA
RATES

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 1999-160-G - ORDER NO. 1999-408

JUNE 10, 1999

IN RE:	Request of Piedmont Natural Gas Company for Approval of a Gas Delivery Agreement Between Piedmont Natural Gas Company and LINPAC, Inc.	))))	ORDER GRANTING APPROVAL OF CONTRACT

This matter comes before the Commission on the request of Piedmont Natural Gas Company, Inc. (Piedmont or the Company) for approval of a gas redelivery agreement between it and LINPAC, Inc. (LINPAC). The Company makes this request pursuant to our Regulation 103-403 (D).

We have examined the terms of the agreement, and they appear to be fair and equitable, and in the public interest. Accordingly, we approve the agreement as filed.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Philip T. Bradley
Chairman

ATTEST:

Executive Director

(SEAL)

C. JHM
WFS
DJD
RBK
TGS
CWP
BLG
DFH
WDW
JWA
RATES

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 1999-245-G - ORDER NO. 1999-407

JUNE 10, 1999

IN RE:	Request of Piedmont Natural Gas Company for Approval of a Gas Delivery Agreement Between Piedmont Natural Gas Company and Clark Schwebel Corporation.	))))	ORDER GRANTING APPROVAL OF CONTRACT

This matter comes before the Commission on the request of Piedmont Natural Gas Company, Inc. (Piedmont or the Company) for approval of a gas redelivery agreement between it and Clark Schwebel Corporation (Clark Schwebel). The Company makes this request pursuant to our Regulation 103-403 (D).

We have examined the terms of the agreement, and they appear to be fair and equitable, and in the public interest. Accordingly, we approve the agreement as filed.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)

Officers
Directors
NC Dist Mgrs
SCF
JWA

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 98-452-G - ORDER NO. 1999-83

FEBRUARY 8, 1999

IN RE: Request of Piedmont Natural Gas Company, Inc. for Approval of an Economic Development Rider.	)	ORDER APPROVING ECONOMIC DEVELOPMENT RIDER TARIFF

This matter comes before the Public Service Commission of South Carolina ("Commission") on the filing of Piedmont Natural Gas Company, Inc. ("Piedmont") requesting approval of a new Economic Development Rider tariff and form contract. The proposed tariff provides a three-year declining discount to qualifying customers that add new or additional loads in excess of 50,000 Mcf per year under Piedmont's Rate Schedules 203, 204, 213, or 214. The discount is calculated as a percentage of the non-gas margin of each respective Rate Schedule.

The filing was duly noticed to the public and a Petition to Intervene was filed on behalf of the Consumer Advocate of South Carolina ("Consumer Advocate"). Thereafter, a public hearing was held on January 20, 1999, at 10:30 a.m. in the Commission's hearing room. The Honorable Philip T. Bradley, Chairman, presided. Piedmont was represented by Kevin A. Hall, Esquire; the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; and the Commission Staff was represented by Florence P. Belser, Staff Counsel. David R. Carpenter, Manager of Regulatory Projects for Piedmont,

testified on behalf of Piedmont, and Brent L. Sires, Utilities Rate Analyst with the Commission's Utilities Department, testified on behalf of the Commission Staff.

Mr. Carpenter testified that Piedmont's Economic Development Rider provides a three-year declining discount to qualifying industrial customers that add new or separately metered loads in excess of 50,000 Mcf per year under Piedmont's Rate Schedules 203, 204, 213, and 214. According to Mr. Carpenter, the discount is calculated as a percentage of the non-gas margin of each respective Rate Schedule with the first year discount set at 45 percent, the second year discount set at 25 percent, and the third year discount set at 15 percent. Mr. Carpenter stated that the Rider will serve as a tool to attract new or increased industrial natural gas load in Piedmont's South Carolina service area and further stated that the discounts are intended to encourage or facilitate the construction of new manufacturing plants or the addition of new industrial facilities at existing plants within Piedmont's service area.

Mr. Carpenter offered several benefits from new construction projects and increase in natural gas load associated with such projects including: (1) additional manufacturing load encouraged by this Rider would provide a broader base over which to spread Piedmont's fixed costs; (2) the addition of new industrial load should improve Piedmont's load profile because industrial process gas use is typically year round in nature; (3) the addition of new significant loads will also reduce the relative share of Piedmont's cost of service currently paid by existing customers; (4) new industrial load will create new job opportunities and economic growth in the areas where the construction occurs; and (5) the addition of new manufacturing facilities will increase the

tax base of the state of South Carolina and the area where the new facilities are constructed. Mr. Carpenter also stated that the Rider will have no negative impact on ratepayers, as the discounted margin associated with service under the Rider will be from new incremental business. Additionally, Mr. Carpenter testified that Piedmont does not believe that the Rider will have any impact on competition other than the competition for placement of new industrial facilities.

Mr. Carpenter also testified that this Rider will come at no cost to Piedmont's existing rate payers as Piedmont is not seeking recovery of the discounted margin. Upon questioning by the Consumer Advocate, Mr. Carpenter stated that Piedmont would have detailed records which would allow the Company to track the discounted margin.

Mr. Sires testified that the Commission Staff has no opposition to approval of Piedmont's proposed Economic Development Rider. On behalf of the Commission Staff, Mr. Sires recommended that the Commission provide that the amount of non-gas margin lost or unrealized from sales under this proposed Rider resulting from the declining three-year discount not be recognized in Piedmont's Deferred Cost of Gas Account 253.04

FINDINGS OF FACT

Based upon the record before the Commission, the Commission makes the following Findings of Fact:

1. Piedmont's proposed Economic Development Rider provides for a declining three-year discount to qualifying industrial customers that add new or separately metered loads in excess of 50,000 Mcf per year under Piedmont's Rate Schedules 203, 204, 213, and 214.

2. The discount is calculated as a percentage of non-gas margin of each respective Rate Schedule with a first year discount of 45 percent, a second year discount of 25 percent, and a third year discount of 15 percent.

3. The Economic Development Rider is intended to serve as a tool to attract new or increased industrial natural gas load within Piedmont's service area by encouraging the construction of new manufacturing plants or the addition of new industrial facilities at existing plants.

4. The discounted margin associated with service under the Economic Development Rider will be from new incremental business, and Piedmont is not seeking recovery of the discounted margin.

CONCLUSIONS OF LAW

Based upon the above-stated Findings of Fact and the record before the Commission, the Commission makes the following Conclusions of Law:

1. Approval of Piedmont's Economic Development Rider is in the public interest as the Economic Development Rider is a tool to attract or encourage new of increased industrial natural gas load within Piedmont's service area.

2. Piedmont has stated that the discounted margin associated with service under the Rider will be from new incremental business, and Piedmont has further stated that it is not seeking recovery from the discounted margin. The Commission therefore concludes that the Economic Development Rider will have no negative impact on Piedmont ratepayers. As the Economic Development Rider will have no adverse or

negative impact of Piedmont's ratepayers, the Commission concludes that approval of the Economic Development Rider is reasonable and in the public interest.

3. As Piedmont has stated that it is not seeking recovery of the discounted margin, the Commission concludes that Staff's recommendation that any unrealized non-gas margin from sales under the Economic Development Rider due to from the declining three-year discount not be recognized in Piedmont's Deferred Cost of Gas Account 253.04 should be adopted.

IT IS THEREFORE ORDERED THAT:

1. The Economic Development Rider and form contract proposed by Piedmont is hereby approved.

2. Staff's recommendation that any unrealized non-gas margin from sales under the Economic Development Rider resulting from the declining three-year discount not be recognized in Piedmont's Deferred Cost of Gas Account 253.04 is adopted.

3. Piedmont shall keep and maintain such records as will allow for the calculation to show the impact on revenues that offering this tariff may have.

4. The Commission will hold in abeyance any determination of ratemaking treatment regarding this tariff until such time as a rate proceeding or other appropriate review is held. At the time of such a review, the Commission will examine the impact of the tariff on the Company's revenues, expenses, and investment and make a determination as to the appropriate ratemaking treatment to be afforded.

5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Philip T. Bradley
Chairman

ATTEST:

Gary E. Walsh
Executive Director

(SEAL)

Officers
Directors
SC Dist Mgrs
SCF
JWA
8-19-98

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 98-004-G - ORDER NO. 98-618

AUGUST 11, 1998

IN RE: Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of Piedmont Natural Gas Company.	)))	ORDER RULING ON GAS COSTS AND GAS PURCHASING POLICIES

On April 6, 1988, the Public Service Commission of South Carolina (the Commission) issued its Order No. 88-294 which requires the Annual Review of the Purchased Gas Adjustment (PGA) and Gas Purchasing Policies of Piedmont Natural Gas Company (Piedmont or the Company).

By letter, the Commission's Executive Director instructed the Company to publish a prepared Notice one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice indicated the nature of the annual review, and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceedings. The Company was instructed to directly notify all of its customers affected. The Company submitted affidavits indicating that it had complied with these instructions. The Consumer Advocate for the State of South Carolina (the Consumer Advocate) intervened.

Pursuant to our Order No. 98-470, testimony and exhibits were prefiled by both the Company and the Commission Staff. On July 23, 1998, we held a hearing in this

matter in the offices of the Commission, with the Honorable C. Dukes Scott, presiding. Piedmont was represented by Jerry W. Amos, Esquire. The Intervenor the Consumer Advocate was represented by Hana Pokorna-Williamson, Esquire. The Commission Staff was represented by F. David Butler, General Counsel. The Company presented the testimony of Keith P. Maust and Ann H. Boggs and the Commission Staff presented the testimony of Norbert Thomas and Brent Sires.

Company witness Keith P. Maust presented testimony with respect to the Company's "best cost purchasing policy," and the steps taken during the review period to comply with that policy. Maust testified that the Company is satisfied that the policies and procedures presently in place are prudent, and that they have produced adequate amounts of reasonably priced gas for Piedmont's customers. Maust further testified that Piedmont did not make any changes in its "best cost" gas purchasing policies or practices during the year, but it did contract for additional firm transportation to meet the needs of its rapidly growing market, consistent with the "best cost" policy. Maust further outlined the additional steps taken by Piedmont to manage its gas costs, consistent with its overall "best cost" policy.

Company witness Ann H. Boggs presented testimony that current true-up procedures result in a properly stated cost of gas, and that Piedmont's gas costs are properly recorded in compliance with Commission Orders. Further, Boggs stated that the Deferred Account balance is properly stated, including interest thereon at the overall rate of return. Finally, Boggs agreed with all Staff adjustments to the Deferred Account.

Staff witness Norbert M. Thomas presented testimony that the Accounting Staff had reviewed the monthly filings made by the Company, and the activity included in Account No. 253.04 for the period April, 1997 through March, 1998. Thomas proposed certain adjustments. Thomas testified that it was Staff's opinion that the adjusted balance at March 31, 1998 of $6,067,169 fairly represents the undercollection, and that the amount is accurately stated and in compliance with prior Commission Orders.

Staff witness Brent L. Sires also presented testimony. Sires testified that the Utilities Department has found that the Company's PGA is being operated in compliance with the various appropriate Commission Orders.

Staff's review as per witness Sires of gas prices during the review period, along with the monthly balances of Deferred Account 253.04 indicated that a $2.89 per dekatherm benchmark cost of gas was appropriate. Sires expressed the opinion on behalf of Staff that this benchmark cost of gas is representative of the Company's gas cost on average over the next twelve (12) months.

Sires further stated his belief that the Company is acting prudently in arranging for supplies to meet the requirements of its firm customers today, as well as in the future.

Based on the record as a whole, the Commission concludes that the Company's gas purchasing practice and policies are prudent.

Further, we adopt the benchmark cost of gas of $2.89 per dekatherm. Staff has supported the position that this benchmark cost of gas is representative of the Company's gas cost on average over the next twelve (12) months.

As noted, Company witness Boggs testified that interest on the Deferred Account is presently calculated at the overall rate of return. After consideration, we hold that it is fairer if the actual earned rate of return determines the interest rate on the Deferred Account balance, rather than the granted rate of return. We believe that the interest rate on the account should reflect the actual economic conditions seen by the Company, and using the actual earned rate of return to determine the interest rate on the account balance accomplishes this goal.

IT IS THEREFORE ORDERED THAT:

1. Piedmont is hereby permitted to maintain its commodity cost of gas at $2.89 per dekatherm, as requested in Piedmont's filing. This amount is without prejudice to Piedmont's right to further revise the benchmark in accordance with provisions of its PGA, if future conditions warrant, and is without prejudice to the parties' right to request review of the benchmark in accordance with the Commission's PGA provisions.

2. The current procedures in Piedmont's PGA result in a properly stated cost of gas recorded in compliance with Commission Orders, and the Deferred Account activity was properly recorded and reported to the Commission as required.

3. The Company's gas purchasing practices and policies are hereby found to be prudent.

4. The actual earned rate of return shall determine the interest rate on the Deferred Account balance. We adopt all Staff adjustments to the Deferred Account balance.

5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Acting Executive Director

(SEAL)

Officers
Directors
SC Dist Mgrs
SCF
JWA

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 97-483-G - ORDER NO. 98-461

JUNE 18, 1998

IN RE: Application of Piedmont Natural Gas Company for Authority to Abandon Service to BASF Corporation and to Offer Future Service upon Negotiated, Non-Regulated Prices.	)))))	ORDER RULING ON MOTIONS

This matter comes before the Public Service Commission of South Carolina (the Commission) pursuant to oral arguments on pending motions in this Docket. Piedmont Natural Gas Company, Inc. (Piedmont) presented arguments on a Motion to Compel, and BASF Corporation (BASF) presented arguments on a Motion to Dismiss the action, or, in the alternative, to continue this matter.

The oral arguments were held on June 11, 1998 at 3:30 PM in the offices of the Commission, with the Honorable Guy Butler, Chairman, presiding. Piedmont was represented by Jim Jeffries, Esq. and Al Bynum, Esq. BASF was represented by William F. Austin, Esq. The Intervenor Consumer Advocate for the State of South Carolina (the Consumer Advocate) was also present, and represented by Elliott F. Elam, Jr., Esq. The Commission Staff was represented by F. David Butler, General Counsel.

Jim Jeffries, Esq. argued Piedmont's Motion to Compel. Jeffries noted that the date of the hearing was approaching, and that Piedmont was entitled to the answers to its

interrogatories. Jeffries also argued against this Commission granting BASF's Motion to Dismiss.

William Austin, Esq. argued BASF's Motion to Dismiss, or, in the alternative, for a continuance. Austin asked this Commission to hold this proceeding in abeyance until such time as the Federal Energy Regulatory Commission (FERC) rules on the interstate portion of the case, wherein the "bypass" of Piedmont's lines is officially at issue. Austin, among other arguments, states that the issue is not ripe for review at this time. Austin cites the case of Waters v. South Carolina Land Resources Conservation Commission, 321 S.C. 219, 467 S.E. 2d 913 (1996), which discusses the fact that a "justifiable controversy" is one which is a real and substantial controversy, and which is ripe and appropriate for judicial determination, as distinguished from a contingent, hypothetical or abstract dispute. Austin believes that the current dispute fits into the latter category, since it is contingent to some degree on whether FERC allows bypass of the Piedmont line by BASF.

After due consideration of this matter, we agree with Austin. We believe that the issues before us at this time do depend to some degree on whether FERC grants the bypass. The issues in Piedmont's Complaint are not ripe for review. We do not believe that the matter should be dismissed, however, but only continued until such time as FERC rules. We will also hold our ruling in abeyance at this time on Piedmont's Motion to Compel. We will reconsider this Motion after FERC rules on the basic issue of bypass in this case.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Deputy Executive Director

(SEAL)

Officers
Directors
SC Dist Mgrs
SCF
JWA
4A 11-5-98

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 95-715-G - ORDER NO. 98-811

OCTOBER 26, 1998

IN RE:	Application of Piedmont Natural Gas Company for an Adjustment of its Rates and Charges and for Approval of Revised Depreciation Rates.	))))	ORDER ON REMAND

I. INTRODUCTION

This matter is before the Commission on remand from the South Carolina Supreme Court.

On May 8, 1995, Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company") filed an application with the Commission seeking an increase in its natural gas rates. The Commission set the application for hearing and ordered Piedmont to provide public notice of its filing. Philip S. Porter, Consumer Advocate for the State of South Carolina (the "Consumer Advocate") was the only intervenor. Piedmont's application was investigated by the Commission Staff, and testimony was filed by Piedmont, the Commission Staff and the Consumer Advocate. A hearing was held on October 9 and 10, 1995, at which time the testimony of the parties was introduced into evidence and the witnesses were subjected to cross-examination.

On November 7, 1995, the Commission issued an order (the "November 7, 1995 Order") approving some, but not all, of Piedmont's request for an increase. On or about November 28, 1995, the Consumer Advocate filed a Petition for Rehearing and/or

Reconsideration (the "Petition for Rehearing"). The Petition for Rehearing was denied by Order issued on December 29, 1995.

The Consumer Advocate appealed the Commission's orders to the circuit court. A hearing was held before Honorable Thomas J. Ervin on May 8, 1997, and on May 20, 1997, Judge Ervin affirmed the Commission's orders ("Circuit Court Order").

The Consumer Advocate appealed the Circuit Court Order affirming the Commission's orders to the South Carolina Supreme Court. In that appeal, the Consumer Advocate contended that the circuit court erred in upholding the Commission's inclusion of Demand Side Management ("DSM") costs in Piedmont's expenses, that the circuit court violated the South Carolina Energy Conservation and Efficiency Act of 1992 ("Energy Act") by upholding the Commission's inclusion of DSM costs in Piedmont's expenses, and that the circuit court erred in stating in its order that the Consumer Advocate was not in a position to argue that the parties who signed the Integrated Resources Plan Stipulation ("IRP Stipulation") misinterpreted the agreement. The Consumer Advocate also argued that the Commission failed to set forth sufficient findings of fact to support its decision to allow Piedmont a return on common equity of 12.5%.

On August 31, 1998, the Supreme Court reversed in part and affirmed in part. With respect to the DSM issues, the Supreme Court held (1) that the Commission erred in including the DSM costs in Piedmont's expenses in this case because Piedmont did not demonstrate a cost/benefit analysis, (2) the circuit court did not violate the Energy Act by upholding the Commission's inclusion of DSM costs in Piedmont's expenses and (3) the

Consumer Advocate is not barred from asserting non-compliance with the IRP Stipulation.

With respect to the return on common equity, the Supreme Court held that the Commission failed to set forth sufficient findings of fact to support its decision to allow Piedmont to charge a rate of return on common equity of 12.5%. More specifically, the Supreme Court held that the record as a whole does not contain sufficient detail to allow the Court to make a meaningful review whether the findings are supported by the evidence and whether the law has been properly applied to those findings. The matter was remanded to the Commission for further proceedings in accordance with the Court's opinion.

II. DEMAND SIDE MANAGEMENT COSTS

In our November 7, 1995 Order, we permitted the Company to include $847,866 of DSM costs in its expenses. In its August 31, 1998 Decision, the Supreme Court reversed on the ground that Piedmont did not demonstrate a cost/benefit analysis. In order to comply with the Supreme Court's decision, we will require the following action:

1. Effective November 1, 1998, Piedmont shall reduce its rates by 3.476 cents per dt. to all customers to eliminate the $847,866 of annual DSM costs included in its rates ($855,217 of revenues).

2. The amount of DSM costs collected by Piedmont from the effective date of the rates until October of 1998 totals $2,565,651. The Commission Staff has calculated interest based on overall cost of capital of 10.77% on the cost collected to be $460,694. The Staff has calculated the total refund to be $3,026,345. Piedmont shall

credit the Gas Cost Deferred Account #253 by the amount of the refund, $3,026,345, and shall include such action in its monthly Gas Cost Deferred Account report.

3. Piedmont shall debit a regulatory asset account by the amount of the total costs incurred by the Company since the implementation of the DSM programs through the current date for the payment of DSM incentives and other DSM program costs. As provided in our previous orders, the regulatory asset account shall accrue interest at the approved rate of return.

The result of the above transactions is (a) to remove DSM costs from Piedmont's current rates, (b) to refund the full amount of the DSM collections to Piedmont's customers through an offset of gas costs that would otherwise be paid by such customers and (c) to preserve Piedmont's rights to recover through future rates the amortization of such regulatory asset in Piedmont's next general rate case upon a demonstration of a cost/benefit analysis for such expenses. This order is not intended to impose any greater burden on Piedmont than provided by our January 27, 1995 Order in Docket No. 93-787-G approving the IRP Stipulation. In that connection, we note that our January 27, 1995 Order contains the following language: "The failure of the Company to achieve the projected level of benefits for any specific DSM program, in and of itself, does not mean that the costs relating to the program are not recoverable."

We believe that the remedy set forth above not only complies with the Supreme Court's decision, it also complies with the position stated by the Consumer Advocate at the hearing of this proceeding. The Consumer Advocate's position on the recovery of DSM costs was presented by witness Annette L. Yontz. On cross-examination, Ms. Yontz testified as follows:

"Q. Am I correct that it's not the Consumer Advocate's position that Piedmont not be permitted to recover those costs, but only that it not be permitted to recover those costs in this specific case."

A. That's correct."

Finally, we note that the procedures will provide Piedmont an opportunity to recover its prudently incurred DSM costs and to earn the return which we have found, and affirm herein, to be fair and reasonable.

III. RETURN ON COMMON EQUITY

In our November 7, 1995 Order, we found that a fair and proper return on Piedmont's common equity is 12.5%. As stated above, the Supreme Court held that the Commission failed to set forth sufficient findings of fact to support its decision, and remanded the matter to the Commission for further proceedings in accordance with the Court's opinion.

In order to comply with the Court's remand, we will set forth (a) our findings and conclusions, (b) the evidence in the record of this case upon which our findings and conclusions are based, and (c) a discussion of our analysis of the relevant factors and our application of the law.

A. FINDINGS AND CONCLUSIONS

1. The determination of the appropriate rate of return on common equity for a public utility is not an exact science; instead, it is based upon experience and judgment.

2. The Discounted Cash Flow "DCF" methodology and the Capital Asset Pricing Model (CAPM) are useful tools for determining the appropriate rate of return on

common equity for Piedmont; however, different conclusions may result from the use of these methods depending upon the judgment of the person applying the methods.

3. In determining the allowed rate of return on common equity for Piedmont, it is appropriate to consider a number of factors, including the following: the rates of return of other enterprises and the reasonable opportunities for investment therein as measured, in part, by the results of the various DCF, CAPM and comparative earnings studies; the inherent protection against competition afforded the Company through the operation of the regulatory process as tempered by the shifting risks within the natural gas industry from the interstate transmission pipelines to the local distribution companies ("LDCs")resulting from the restructuring of the natural gas industry; the prices for which the Company's services must be rendered and the desirability of setting rates for a reasonable period of time; the public demand for the growth and system expansion which is required to maintain the construction program for the foreseeable future; and the financial policy and capital structure of the Company and its ability to attract capital to provide for such demand and system expansion.

4. It is not proper to make an adjustment to Piedmont's return on common equity based on the Company's weather normalization adjustment ("WNA").

5. It is appropriate to make an adjustment to rate of return on common equity for issuance or floatation costs.

6. Based on our careful analysis of all of the above factors, we find and conclude that the Company should be given a reasonable opportunity to earn a return on its common equity of 12.5%.

B. EVIDENCE UPON WHICH OUR FINDINGS AND CONCLUSIONS ARE BASED

1. Evidence upon which Finding and Conclusion No. 1 is based.

At the outset, we observe that the determination of the appropriate rate of return on common equity for a public utility is not an exact science; instead, it is based upon experience and judgment. See Phillips, The Regulation of Public Utilities, Second Edition, 1988, pp. 380-81. See also, Parker v. South Carolina Pub. Serv. Comm'n, 280 S.C. 310, 312, 313 S.E.2d 290, 291 (1984) ("Ratemaking is not an exact science, but a legislative function involving many questions of judgment and discretion."); Federal Power Commission v Natural Gas Pipeline Co. of America, 315 U.S. 575 (1942) ("... the Commission was not bound to the use of any single formula or combination of formulae in determining rates. It's ratemaking function, moreover, involves the making of pragmatic adjustments."); Bluefield Water Works and Improvement Co. v. Public Serv. Comm'n of the State of West Virginia, 262 U.S. 679 (1923) ("What annual rate will constitute just compensation depends upon many circumstances and must be determined by the exercise of fair and reasonable judgment, having regard for all relevant facts."); Re Northwestern Bell Teleph. Co. (1974) 299 Minn. 1, 27, 216 NW2d 841 (1974) ("We have previously noted that the fixing of a fair rate of return cannot be determined with precision, since it is not derived from a formula, but must be reached through the exercise of reasonable judgment . . . ."); Re The New Haven Water Company, 6 PUR4th 166 (Ct. Pub. Util. Comm'n 1974) ("The problems involved in determining the cost of capital and its major components are in substantial measure matters of judgment. Necessarily, so

many factors enter into a determination of fair rate of return that many judgments have to be made."); Re Savannah Electric and Power Company, 90 PUR4th 563 (Ga. Pub. Serv. Comm'n, 1985) ("As in most cases, the cost of Common Equity is not as easily determined as the cost of other elements of the capital structure.") See also, Southern Bell Tel. and Tel. Co. v. Public Serv. Comm'n of South Carolina, 270 S.C. 590, 244 S.E.2d 278 (1978). ("In determining the appropriate cost of Common Equity the Commission must weigh the testimonies of qualified experts and exercise its collective judgment as to what cost of Common Equity, once included in the ratemaking formula, would result in the Company having the opportunity to earn a fair return for its stockholders."); Re Maui Electric Company, Ltd., 153 PUR4th 437 (Hawaii Pub. Util. Comm'n 1994) ("The determination of a reasonable cost of equity is ultimately a matter of informed judgment."); Re Southwestern Bell Telephone Company, 42 PUR4th 89 (Kan. State Corp. Comm'n, 1981) ("As in every case, the evidence shows that estimates of cost of capital are largely a matter of judgment."); Re Trans-Canada Pipe Lines Ltd., (NEB, December 1971), pp. 6-2 6-3 ("One of the few things upon which the regulated industries, the regulatory agencies, and the courts which review their decisions have agreed is that the consideration of the two objectives, just and reasonable rates or prices to the consumer, and just and reasonable return to the regulated enterprise, is a function requiring informed and scrupulous judgment.").

Witness David Parcell, testifying for the Consumer Advocate, testified as follows:

"Neither the courts nor economic/financial theory have developed exact and mechanical mechanisms for precisely determining the cost of capital. This is the

case since the cost of capital is an opportunity cost and is prospective looking, which indicates it must be estimated."

(T. Vol. 2, p. 106). In addition all three of the rate of return witnesses testified that they used various means to "estimate" the appropriate rate of return on common equity for Piedmont, and all three witnesses offered an estimated range of appropriate returns.

Based on the above, we find and conclude that the fixing of a fair rate of return on common equity for Piedmont cannot be derived from a formula but must be determined through the exercise of reasonable judgment based on record evidence.

2. Evidence upon which Finding and Conclusion No. 2 is based.

All three witnesses used both the DCF and the CAPM methods to estimate the appropriate cost of common equity for Piedmont, and all three witnesses reached different conclusions. The reason for these different conclusions can be found, in part, in the testimony of Dr. James E. Spearman, testifying for the Staff. Dr. Spearman computed the expected cost of common equity based on the Value Line and the Merrill Lynch dividend growth and based on the Value Line and the Merrill Lynch earnings growth. He also used two different time periods. Dr. Spearman summarizes his expected returns on common equity as follows:

	Average
Moody's Gas Distribution Index	Return on Equity
DCF (dividend growth)	8.74% - 11.13%
DCF (earnings growth)	11.32% - 12.41%
CAPM (adjusted betas)	10.78% - 11.06%
CAPM (raw betas)	8.81%
Piedmont Natural Gas Company	
DCF (dividend growth)	10.29% - 11.11%
DCF (earnings growth)	9.77% - 13.23%
CAPM (adjusted betas)	10.58% - 10.92%%
CAPM (raw betas)	9.83%

The above table illustrates how different results can be reached even by the same witness depending upon the method used (i.e., DCF or CAPM) and the measure used for growth (i.e., dividends or earnings). The evidence in this case also shows that the source of the various components of the DCF model can have significant effect on the results. In his testimony, Dr. Donald A. Murry, testifying for Piedmont, contends that Dr. Spearman ignored the Merrill Lynch forecast of earnings growth which he cited in his schedule RD-9 and that if he had used that earnings growth, he would have reported a DCF cost of capital of 12.41% and 12.57%.

Both Mr. Parcell, testifying for the Consumer Advocate, and Dr. Murry, testifying for Piedmont, also used both a DCF method and a CAPM method to calculate an estimated return for Piedmont and reached varying results depending upon the various factors selected.

Based on the above, we find and conclude that although the DCF and the CAPM are useful tools for determining the appropriate rate of return on common equity for Piedmont, neither method is appropriate without further analysis. We also make the

same finding and reach the same conclusion with respect to the comparable earnings analysis used by Mr. Parcell.

We also note that the above finding and conclusion is consistent with findings of other commissions. For example, in New York Telephone Company, 12 PUR 4th 1 (New York Pub. Serv. Comm'n, 1975), the New York Public Service Commission said:

> "The major item in controversy is the proper cost rate for common equity. The rate of return evidence submitted in this proceeding, reviewed in detail in the examiner's recommended decision, provides an adequate basis upon which to determine AT&T's cost of equity, notwithstanding the disparity observed in the conclusions of the various witnesses. The recommendations of these expert witnesses establish an equity cost range between 11 and 15 per cent. This relatively wide range, resulting from the conclusions of eminently qualified financial experts, serves to underscore the examiner's observation that the different techniques of measuring the cost of equity capital can provide, at best, only a useful guide for determining the fair rate of return. Clearly, there is no single mathematically precise method of ascertaining the cost of equity capital."

Likewise in Re Appalachian Power Company, 22 PUR 4th 548, (Virginia State Corp. Comm'n, 1977), the Virginia State Corporation Commission said:

> "There is a wide range in the recommendations of the rate of return expert witnesses. This relatively wide range, resulting from the conclusions of eminently qualified experts, serves to underscore what this commission has said often; viz., that notwithstanding the variety of techniques, and the sophistication

thereof, for measuring the cost of equity, there is no single, mathematically precise method of ascertaining its cost. The formulation of a fair and reasonable return is an art which requires informed judgment."

Finally, in Re Calgary Power Ltd., 34 PUR4th 398 (Alberta Pub. Util. Comm'n, 1980), the Alberta Public Utilities Commission said:

"There is no mathematically or scientifically exact approach or method for the determination of the 'fair return' on rate base which the board can use, particularly with respect to the fair return on that portion of the rate base which is assumed to be financed by common equity capital. The process and conclusion is highly judgmental and the recommendations of the various expert witnesses always seem to be in the direction of their client's bias, which the board considers to be normal and expected."

In this case, as in the cases cited above, there was a wide range in the recommendations of the expert witnesses, ranging from 10.75% on the low side to 13.25% on the high side. The various recommendations seemed to favor the witnesses' clients. As noted by the Alberta Public Utilities Commission, this result is normal and expected. It was partially in recognition of this normal and expected bias that we stated in our November 7, 1995 Order that we believed that the recommendations of the Commission Staff and Consumer Advocate were slightly on the low side and the recommendation of the witness representing the Company was slightly on the high side.

For all of the above reasons we find and conclude that the DCF methodology and the CAPM are useful tools for determining the appropriate rate of return on common equity for Piedmont; however, different results may result from the use of these methods depending upon the judgment of the person applying the methods.

3. Evidence upon which Finding and Conclusion No. 3 is based.

The various witnesses testified as to a number of factors that the Commission should consider in determining the appropriate rate of return on common equity for Piedmont. The factors include the following:

a. The rates of return of other enterprises and the reasonable opportunities for investment therein as measured, in part, by the results of the various DCF, CAPM and comparative earnings studies.

In Bluefield, the United States Supreme Court said:

> "A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risk and uncertainties . . .."

Each of the three cost of capital witnesses recognized the applicability of this principle. Dr. Murry testified:

> "A fair rate of return meets the standards set by the United States Supreme Court decision in the . . Bluefield case as further modified in the Federal Power Commission vs. Hope Natural Gas Company, 320 U.S. 591 (1944). . . ." That is to say, a rate of return which provides earnings to investors similar to alternative investments in companies of equivalent risk."

Dr. Spearman testified:

> "The cost of equity was estimated using the Discounted Cash Flow (DCF) model and the Capital Asset Pricing Model (CAPM). These models have been widely

used and recognized by this Commission in rate-making proceedings as consistent with the Bluefield and Hope decisions and are well documented in finance literature."

After citing the Bluefield and Hope decisions, Mr. Parcell testified:

"It is apparent that these standards reflect the economic criteria encompassed in the 'opportunity cost' principle of economics, which holds that a utility and its investors should be afforded an opportunity (not a guarantee) to earn a return commensurate with returns they could expect to achieve on investments of similar risk."

The above cited cases and testimony support our finding and conclusion that rates of return of other enterprises and the reasonable opportunities for investment therein as measured, in part, by the results of the various DCF, CAPM and comparative earnings studies are an appropriate factor for us to consider in determining a reasonable rate of return on common equity for Piedmont.

As hereinafter set forth in more detail, we considered the rates of return of other enterprises and the reasonable opportunities for investment therein by selecting a rate of return for Piedmont that is within many of the various ranges of rates of return for other enterprises as adjusted for Piedmont.

b. The inherent protection against competition afforded the Company through the operation of the regulatory process as tempered by the shifting risks within the natural gas industry from the interstate transmission pipelines to the LDCs resulting from the restructuring of the natural gas industry.

It is important to note that historically, LDCs have enjoyed a monopoly in the distribution of natural gas to consumers in their service territories. This monopoly has provided some protection against risks. This monopoly does not mean, however, that LDCs have been free from competition or free from risks. LDCs must compete with alternate fuels, other forms of energy and, more recently, with other gas suppliers.

As a result of FERC Order No. 636, LDCs will face higher risks. As set forth in Schedule DAM-R2, these risks include the availability of gas supplies, the deliverability of gas supplies, competition from other suppliers of gas and transportation, regulatory treatment of gas purchases and prices for gas purchases above current market levels.

All of the rate of return witnesses appear to recognize that the cost of capital and the related rate of return on common equity are affected by the risks of investing in the entity for whom the cost of capital or the rate of return is being determined. Therefore, we find and conclude that the inherent protection against competition afforded the Company through the operation of the regulatory process as tempered by the shifting risks within the natural gas industry from the interstate transmission pipelines to the LDCs resulting from the restructuring of the natural gas industry is an appropriate factor for us to consider in determining the reasonable rate of return on common equity for Piedmont.

As hereinafter set forth in more detail, we considered the risks of investing in Piedmont by allowing Piedmont an opportunity to earn a rate of return on the upper end of the reasonable range of returns to account for the shifting risks within the natural gas industry.

c. The prices for which the Company's services must be

rendered and the desirability of setting rates for a reasonable period of time.

The prices for which the Company's services must be rendered and the desirability of setting rates for a reasonable period of time are relevant to the appropriate rate of return in several ways. As stated in Federal Power Commission v. Hope Natural Gas Company, 320 U.S. at 602-603 (1943), "[T]he fixing of 'just and reasonable' rates involves a balancing of the investor and the consumer interest." Furthermore, if the rates are high, consumers will turn to other sources of energy and, thereby, increase the risks to the Company. If rates are too low, the Company will be unable to recover its costs, including a reasonable return for investors, and the Company will be unable to raise capital to maintain and extend its services.

The desirability of setting rates for a reasonable period of time is generally recognized as one of the major criteria of a fair return. The criteria is set forth in Bonbright, Principles of Public Utility Rates, (Second Edition, 1988), p. 206, as follows:

> "If public utilities were required to raise and lower their rates year by year, with the object of maintaining a fixed annual rate of return, the resulting necessary changes in rate schedules would prove inconvenient alike to the ratepayers and to the corporate managements."

In addition, Dr. Murry, testifying for the Company, testified that "From a regulatory perspective, rates should be set to remain in effect for a reasonable time period; usually rates are set with the intent that they will be in force for several years."

For all of the above reasons, we find and conclude that the prices for which the Company's services must be rendered and the desirability of setting rates for a reasonable period of time are appropriate factors for us to consider in determining the reasonable rate of return on common equity for Piedmont.

As hereinafter set forth in more detail, we considered the prices of Piedmont's services and the desirability of setting rates for a reasonable period of time by recognizing that Piedmont is growing rapidly and must constantly raise new capital to support its growth. If Piedmont's rate of return (and, therefore, its rates) were set at the low end of a reasonable range of rates of return, Piedmont would be required to file repeated rate cases. For these reasons, we have allowed Piedmont an opportunity to earn a return at the upper end of a reasonable range of returns.

d. The public demand for the growth and system expansion which is required to maintain the construction program for the foreseeable future.

John H. Maxheim, Chairman, Chief Executive Officer and President of the Company, testified that the Company has added substantial plant in South Carolina in order to expand and improve its services, and that the additional capital expenditures represent a 42.59% increase in gas plant since Piedmont's last general rate case. Dr. Murry testified as follows:

"P.N.G. is spending approximately $100 million to expand in the present and near term, and it is one of and probably the most rapidly growing gas distributors in the United States. The capital will not be available to the Company if its return is inadequate. The Company has obvious financing needs and a bond down-rating

would be extremely unfortunate and costly. The Company is at a 50-50 debt/equity ratio already. Falling below that level can jeopardize its 'A' rating." As shown by Exhibit (RD-1), the Company has added a substantial number of customers during the same period of time. As set forth in the Company's verified application, the Company will be required to secure capital through the issuance of additional debt and equity securities that cannot be marketed on reasonable terms unless the Company has a reasonable opportunity to earn a fair and reasonable rate of return on its investment.

For all of the above reasons, we find and conclude that the public demand for the growth and system expansion which is required to maintain the construction program for the foreseeable future is an appropriate factor for us to consider in determining the reasonable rate of return on common equity for Piedmont.

As hereinafter set forth in more detail, we considered the public demand for Piedmont's services and Piedmont's requirements to provide additional capital and services to meet this public demand by allowing Piedmont an opportunity to earn a rate of return at the upper end of a reasonable range of rates of return.

e. The financial policy and capital structure of the Company and its ability to attract capital to provide for customer demand and system expansion.

In the November 7, 1995 Order, we found that a capital structure consisting of 45.81% long-term debt and 54.19% common equity was appropriate for use in this proceeding. No party appealed that finding. The financial policy and the capital structure are important since the total return the Company is entitled to earn is a

combination of its cost of long-term debt (which all parties agreed was 8.72%) and its cost of common equity. Furthermore, as previously noted, Dr. Murry testified that Piedmont's "A" rating would be jeopardized if Piedmont's equity fell to below 50%. For these reasons, we find and conclude that the financial policy and capital structure of the Company and its ability to attract capital to provide for the demand of its customers and for the expansion of its system are appropriate factors for us to consider in determining the reasonable rate of return on common equity for Piedmont.

As hereinafter set forth in more detail, we considered Piedmont's financial policy and capital structure by allowing Piedmont a reasonable opportunity to earn a rate of return at the upper end of a reasonable range of rates of return. Our decision should permit Piedmont to continue to raise equity and debt capital in the future at reasonable rates, to maintain its current credit rating, and to continue to expand its gas distribution system in South Carolina.

4. Evidence upon which Finding and Conclusion No. 4 is based.

Mr. Parcell, testifying for the Consumer Advocate, recommended a reduction in the cost of equity of 25 basis points (0.25 percent) due to the fact that the Company has a WNA. Neither Dr. Spearman nor Dr. Murry made any adjustment to the cost of equity for the WNA.

Dr. Murry testified that the proposed adjustment to the rate of return on equity due to the existence of the WNA was unnecessary and inappropriate when one uses market-based measures for calculating the cost of common equity capital as all three cost of capital witnesses did in this case. He contends that to the extent that the WNA

produces a reduction in risk, that reduction is already reflected in the market prices and that any further reduction would amount to doubling the effects in the change in risks. Dr. Murry also testified that it is not at all obvious that the weather normalization leads to a lower risk to the investors in the Company's common stock, since the WNA does not increase earnings over a period of time, but merely reduces the variability of earnings due to weather conditions.

Since the Consumer Advocate has alleged that Piedmont's rate of return on common equity should be reduced and Piedmont has disputed this allegation, it is important that we consider this factor in our determination of the reasonable rate of return on common equity for Piedmont.

As hereinafter set forth in more detail, we considered and rejected the Consumer Advocate's proposal.

5. Evidence upon which Finding and Conclusion No. 5 is based.

Dr. Spearman proposed an issuance adjustment of approximately 14 basis points. He arrived at this number by computing the cost of externally raised equity at 0.23% and then reducing it to reflect the fact that 38% of the new equity over the past five years came from retained earnings. Dr. Murry testified that the DCF methodology is a calculation of the marginal cost of capital and, therefore provides no regulatory protection against the vagaries of the market. He testified that a flotation (or issuance) adjustment is one mechanism for regulation to adjust for this limitation of the DCF. Dr. Murry, however, disagreed with the method used by Dr. Spearman to calculate the floatation adjustment, contending that it accounts only for the costs of issuance and not for the depression in the value of common stock when new common stock is issued.

Since the parties have different views on whether an adjustment for floatation cost is appropriate and the amount of such an adjustment if made, we have considered this matter, and, for the reasons hereinafter set forth, we find and conclude that it is proper to provide an allowance for a floatation cost.

6. Evidence upon which Finding and Conclusion No. 6 is based.

The evidence upon which Finding and Conclusion No. 6 is based include all of the evidence set forth in support of Findings and Conclusions Nos. 1 through 5 and the additional evidence set forth in the following discussion of our analysis of the relevant factors and our application of the law. This evidence is discussed in detail in the following section of this order.

C. ANALYSIS OF THE RELEVANT FACTORS AND APPLICATION OF THE LAW.

In the preceding sections of this order, we have set forth the various factors which we find and conclude to be relevant to our decision of the reasonable rate of return on common equity for Piedmont. In this section, we will analyze the evidence and explain how we applied the relevant factors and the law in determining the reasonable rate of return on common equity for Piedmont.

1. Recommendations of Cost of Capital Witnesses.

Each of the three cost of capital witnesses conducted a number of different DCF, CAPM and other methods to estimate Piedmont's cost of capital, and reached different results. In his prefiled testimony, Dr. Murry recommended a rate of return of 13.0% - 13.5% (which included an issuance or floatation cost); however, at the hearing, he

testified that due to changes in the market conditions, he recommended the low end of his range or 13.0%. When pressed to give a range, he testified that his range would be 12.75% to 13.00%. Commission Staff witness Dr. Spearman testified that the current cost of the Company's common equity is between 11.25% and 11.75%, to which he would add an issuance or flotation costs of 0.14%. Consumer Advocate witness Mr. Parcell testified that the current costs of the gas distribution company groups is between 10.75% and 11.75%, but he would reduce the cost of Piedmont's return by 0.25% because of Piedmont's WNA. In the following paragraphs, we will examine these recommendations and the evidence upon which the recommendations are made. For the reasons set forth below, we believe there are flaws in each of the recommendations; therefore, we will not adopt any of the recommendations in their entirety. We will, however, consider each of these recommendations, the methods used by the various witnesses to reach their recommendations and the criticisms of these recommendations by other witnesses.

2. Consumer Advocate's Proposal for a WNA Adjustment.

We will begin our analysis of the various rate of return testimony by discussing Mr. Parcell's proposal to reduce Piedmont's rate of return by 0.25% because of his belief that Piedmont's risk is reduced as a result of its WNA. We reject this recommendation. We agree with Dr. Murry that this adjustment is unnecessary and inappropriate when one uses market-based measures for calculating the cost of common equity capital, as all three cost of capital witnesses did in this case. To the extent, if any, that the WNA produces a reduction in risk, that reduction is already reflected in the market prices and any further reduction would amount to doubling the effects of the change in risk. We

also agree with Dr. Murry that it is unclear that the WNA leads to a lower risk to investors since the WNA does not increase earnings over a period of time, but merely reduces the variability of earnings due to weather.

3. Floatation Cost.

Next, we will consider Dr. Spearman's proposal to add an issuance or floatation cost of .14% to the recommended returns. Dr. Murry agreed that "Many analysts and regulatory bodies, for example, develop a measure of floatation costs and use that as an adder to the basis DCF calculation for the differential between the basic DCF and a recommended cost of capital for ratemaking purposes." Dr. Murry disagreed, however, with the 0.14% floatation costs suggested by Dr. Spearman. Dr. Murry testified that Dr. Spearman incorrectly reduced the calculated issuance cost of 0.23% by the amount of new capital that will be produced by retained earnings. We agree that it is proper to add an issuance or floatation cost of some amount to Dr. Spearman's recommended rate of return and to Mr. Parcell's recommended rate of return. It would not be appropriate to add any floatation cost to Dr. Murry's recommended rate of return since his recommendation already includes such cost.

4. Criticism of Various Cost of Capital Studies.

Next we will consider the criticisms of the various DCF and other studies. Dr. Spearman's studies are criticized as being excessively influenced by their reliance on historical data. Dr. Murry testified that Dr. Spearman has overly discounted the historical performance of Piedmont in his selection of growth rates used in his DCF analysis and has ignored these influences entirely in his CAPM analysis. Dr. Murry testified that had

Dr. Spearman used the Merrill Lynch earnings forecast for Piedmont, his recommended range would have been 12.41% and 12.57% plus the floatation adjustment.

Mr. Parcell's testimony with respect to his DCF studies is criticized for ignoring the impact on investors deciding whether or not to buy Piedmont stock. According to Dr. Murry, Mr. Parcell's DCF analysis is biased on the low side. With respect to Mr. Parcell's CAPM analysis, Dr. Murry contends that the 13% used for the entire market is too low as compared to the Value Line forecast which produces a total market return of 14.9%. Dr. Murry points out that changing just that one component of Mr. Parcell's calculation would raise his result by 1.09%. Thus, his range of 10.75% - 11.75% would increase to 11.84% to 12.84%.

Dr. Murry's testimony is criticized for using a 14.8% market total return which, according to Mr. Parcell, is the average of the 12.2% return for large company stocks (i.e., S&P 500) and 17.4% return for small company stocks (i.e, fifth capitalization quintile of New York Stock Exchange stocks). Mr. Parcell contends that it is improper to include the small stocks. Mr. Parcell also contends that Dr. Murry's reliance on the average returns for gas distribution companies of 13.48% since 1982 has little or no relevance at the current time and that the high end of the ranges of return on equity was only 12.8% in 1994.

All of the testimony and criticism illustrates one immutable fact. The various studies by the various witnesses all require a great deal of judgment and cannot be used as the sole basis for our determination of a fair and reasonable rate of return for Piedmont. Nevertheless, we believe that the testimony and criticism is instructive.

In our November 7, 1995 Order, we stated that we believed that Dr. Murry's analysis slightly overstates the cost of equity, and Dr. Spearman's and Mr. Parcell's analyses slightly understate the cost of equity. In making this statement, we considered a number of factors, including the following:

(i) With respect to Dr. Spearman, his range would have increased to 12.41% and 12.57% plus the floatation costs had he used the Merrill Lynch earnings forecast for Piedmont as recommended by Dr. Murry.

(ii) With respect to Mr. Parcell, his range would have been 11.84% to 12.84% had he used the total market return of 14.9% derived from the Value Line forecast in his CAPM study.

(iii) With respect to Dr. Murry, his recommended range of 12.75% to 13.0% would have been lowered had he placed more emphasis on the large company stocks and less emphasis on the small company stocks and had he placed more emphasis on the 1994 returns (the high end of which is 12.8%) rather than the average of the 1982 - 1995 returns.

(iv) As indicated above, we also considered the normal tendency for witnesses to provide ranges favorable to their clients' interests.

5. Other Factors Considered by the Commission.

We will consider some of the other factors that are appropriate for a determination of the appropriate rate of return on Piedmont's common equity.

(a) Rates of return of other enterprises with similar risks. We have already discussed the rates of return of other enterprises in our discussions of the various DCF and CAPM studies. Dr. Murry also presents us with another measure of rates of return.

Dr. Murry introduced his Schedule 23 to show the distribution of allowed rates of return for gas distribution companies since 1982. He pointed out that the mean is 13.48% and that the vast majority of allowed returns fall between 11.32% and 15.95%. Mr. Parcell criticizes Dr. Murry's use of the 1982 to 1995 allowed returns, contending out that the rates of return approved in 1994 ranged from 10.6% to 12.2%. Although we are not bound by the returns allowed by other regulatory agencies, we do recognize that Piedmont must compete with these other gas distribution companies when it sells common stock. We also recognize that because of its rapid growth, Piedmont must raise more capital and, thus, requires a higher rate of return, than most, if not all, of the other companies in the 1994 survey.

(b) Protection against competition versus the shift in risks within the natural gas industry. As previously noted, Piedmont has historically had a certain amount of protection against certain risks as a result of its monopoly distribution status; however, this protection has been eroding as a result of changes in the natural gas industry. We find that the additional risks Piedmont will experience as a result of the changes in the natural gas industry include the availability of gas supplies, the deliverability of gas supplies, and competition from other suppliers of gas and transportation. We also find that these risks are greater for a company like Piedmont that is rapidly adding customers and must continually provide gas supplies and deliverability of those gas supplies for its expanding customer base. These risks justify a return on common equity at the high end of a reasonable range.

(c) Prices of Piedmont's services and the desirability of setting rates for a reasonable period of time. As stated in the Hope case, it is the end result reached, not the method employed, which is controlling, and, in reaching that result, we must balance the interests of both the investor and the consumer. In that connection, we have considered the fact that Piedmont's rates are not out-of-line with other gas utilities in South Carolina, and, in fact, are less than the other large gas utility operating in South Carolina. Piedmont's rapid growth is evidence that its rates have been found to be fair and reasonable by its customers.

As previously stated, frequent changes in rates would be inconvenient for both ratepayers and the Company. In that connection, we note that Piedmont has been investing considerable amounts of capital each year to add facilities and customers in South Carolina. If we were to set a rate of return at the low end of the reasonable range of returns, it can reasonably be expected to cause Piedmont to file more frequent rate cases. This is one of the reasons we believe Piedmont should be permitted to earn at the higher end of the reasonable range.

(d) The public demand for growth and the need for capital to support that growth. As stated above, Piedmont has increased its gas plant by 42.59% since 1991. As stated in the Company's verified application, the Company will be required to secure capital through the issuance of additional debt and equity securities to maintain this growth rate. We find that the need for this new capital for providing additional services to South Carolina customers justifies the allowance of a rate of return at the high end of a reasonable range. If Piedmont's return is too low, it will have difficulty obtaining capital at reasonable costs to support its continued growth.

(e) Financial policy and capital structure. As noted above, Piedmont's capital structure consists of 45.81% long-term debt and 54.19% common equity. This capital structure was not opposed by any party, and it has resulted in a favorable debt rating for Piedmont. As noted above, Dr. Murry testified that reducing the equity portion of Piedmont's capital structure below 50% would jeopardize its current "A" bond rating.

IV. CONCLUSION

As noted at the outset of our discussion of the appropriate rate of return on common equity for Piedmont, the fixing of a fair rate of return cannot be determined with precision, since it is not derived from a formula, but must be reached through the exercise of reasonable judgment. Nevertheless, we have weighed the testimonies of qualified experts and we have exercised our collective judgment as to what rate of return on common equity, once included in the ratemaking formula, would permit Piedmont to continue to provide adequate service to its existing and new customers and to have the opportunity to earn a fair return for its stockholders. We have set forth the various factors considered by the Commission, and we have explained how each of these factors affected our ultimate decision.

Based on our analysis set forth above, we find and conclude that a broad range of reasonable rates of return for Piedmont is 11.75% -12.75%. The low end of this range is set by the high end of the recommendations of Dr. Spearman and Mr. Parcell, without a reduction for the WNA. We have selected the high end on these two ranges because we believe that the high end is more reflective of recent financial data and to recent changes in the natural gas industry. The top end of this range is set by the low end of Dr. Murry's range. We have selected the low end of Dr. Murry's range because we believe that

his analysis placed too little emphasis on the large company stocks and too much emphasis on the small company stocks and that he placed too much emphasis on the average of the 1982 - 1995 returns on equity.

The mid-point of this broad range of reasonableness is 12.25%. We have increased the mid-point by .25% to provide for floatation costs and to account for Piedmont's high customer growth rate and its need for capital to support that growth rate, the need to provide protection against the shift in risks within the natural gas industry, and the desirability of avoiding frequent rate changes.

We have not attempted to assign a specific weight to each of the factors considered by us because we do not believe it would be possible to do so in a meaningful fashion. In general, we have relied upon the testimony of the experts, adjusted to reflect what we believe to be valid criticism of other experts. We have tested our conclusion against the various ranges offered into evidence, and we have concluded that our 12.5% is in line with many of those ranges.

It is instructive to note that our allowed rate of return of 12.5% is almost exactly in the middle of Dr. Spearman's range as adjusted by Dr. Murry, is within Mr. Parcell's range as adjusted by Dr. Murry, and would be at the high end of Dr. Murry's recommendation if that recommendation were to be reduced by 0.5% to account, in part, for the criticism by Mr. Parcell. We also note that our allowed 12.5% falls within the range of the vast majority of allowed rates of return since 1982.

The allowed rate of return of 12.5% is also within a number of other ranges offered in evidence. For example, Exhibit RD-11, Page 2 shows a range for Piedmont of 9.90% - 13.07%, and Exhibit DAM-1, Schedule 23, shows a range of 11.32% - 15.98%

for the vast majority of the rates of returns for gas distribution companies over the period June, 1982 - February, 1995. At the hearing, Dr. Spearman summarized his DCF testimony as follows:

> "Two forms of the DCF Model were utilized, a basic constant annual growth model and a quarterly growth model. Both dividend growth rates and earnings growth rates as report by Value Line and Merrill Lynch were used. The DCF analysis was applied to Piedmont Natural Gas Company and the Moody's Natural Gas Distribution Index as a comparison group. These models produced estimated returns on equity in the range of approximately 9.0 percent to 13.0 percent."

Although, standing alone, none of the ranges set forth above are appropriate for setting a rate of return on common equity for Piedmont, when considered together, they show that the 12.5% return approved for Piedmont falls within all of these ranges.

We do not intend to indicate that we are not aware that other ranges presented at the hearing do not include 12.5%; however, we do not believe that those other ranges indicate that the 12.5% is inappropriate. As pointed out by Dr. Murry, the DCF methodology is a calculation of the marginal cost of capital and provides no regulatory protection against the vagaries of the market. Furthermore, the recommendations of both Dr. Murry and Dr. Spearman exceed a number of these lower ranges. Finally, as noted above, we believe that Piedmont should be allowed a return at the high end of a reasonable return because of its high growth rate and its need for capital to support that growth rate, the need to provide protection against the shift in risks within the natural gas industry, and the desirability of avoiding frequent rate changes.

For all of the above reasons, the Commission finds and concludes that the Company should be given a reasonable opportunity to earn a rate of return on its common equity of 12.5%. We find that this rate of return is sufficient to protect the financial integrity of the Company, to preserve the property of the investor, and to permit the Company to continue to provide reliable service to present and future customers at reasonable rates. We also find and conclude that when overall return of 10.77% which results from the use of the approved capital structure, the 8.72% cost of long-term debt and the 12.5% rate of return on common equity is just and reasonable to the Company and to its ratepayers.

IT IS THEREFORE ORDERED:

1. That Piedmont take the action with respect to its DSM expenses set forth in Section II of this Order.

2. The allowance of a 12.5% return on common equity for Piedmont be, and the same hereby, is affirmed.

3. That except as set forth in this order, our November 7, 1995 Order is affirmed.

4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Philip T. Bradley
Chairman

ATTEST:

Nancy E Walsh
Executive Director

(SEAL)

Officers
Directors
SC Dist Mgrs
SCF
JWA

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 93-787-G - ORDER NO. 98-864

NOVEMBER 4, 1998

IN RE:	Application of Piedmont Natural Gas Company for Approval of an Integrated Resource Plan (IRP).	) ORDER APPROVING) REQUEST TO) DISCONTINUE) PROGRAM

This matter comes before the Public Service Commission of South Carolina (the Commission) on the request of Piedmont Natural Gas Company (Piedmont or the Company) to discontinue the Energy Efficient Gas Advantage Homebuilder Program (the program), effective November 1, 1998. This program is one of Piedmont's Demand Side Management Programs. Analysis reveals that the benefit-to-cost ratio is 0.62. Under present criteria, such a ratio brings into question the appropriateness of continued operation of the program.

We have examined this matter and have determined that benefit-to-cost ratio supports discontinuation of the program, effective November 1, 1998, since the benefits of the program do not outweigh the costs. However, we hereby instruct the Company to notify all participating homebuilders of the termination, and to satisfy all reasonable outstanding obligations connected to the program.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 7

7. Provide copies of any employment and termination, etc. contracts Piedmont and Nashville currently have or have had with management personnel since September 1, 1998. Indicate if any of these contracts call for separation payments. Also indicate any separation payments paid for each individual terminated from Nashville or Piedmont's management since September 1, 1998.

RESPONSE TO QUESTION 7

The Board of Directors approved an Employment Agreement for John H. Maxheim on February 26, 1993 and Ware F. Schiefer, David J. Dzuricky, Ray B. Killough and Thomas A. Skains on May 31, 1996. On December 1, 1999, the Board approved current Employment Agreements for those same officers. Both Agreements are provided.

The 1996 Agreements include some separation provisions; however, in December of 1999, the Board of Directors approved a Separation Agreement for Schiefer, Dzuricky, Killough and Skains. No separation payments have been made since January 1, 1998.

EMPLOYMENT AGREEMENT

THIS RESTATED EMPLOYMENT AGREEMENT dated as of FEB. 26, 1993, by and between PIEDMONT NATURAL GAS COMPANY, INC., a New York corporation (the "Corporation"), and JOHN H. MAXHEIM, a resident of Mecklenburg County, North Carolina (the "Officer")

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the Corporation in that (a) it promotes the stability of senior management of the Corporation, (b) it enables the Corporation to retain the services of a well-qualified chief executive officer with extensive contacts in the natural gas industry, and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby continues the employment of the Officer and the Officer hereby accepts such continued employment, upon the terms and conditions stated herein, as Chairman, President and Chief Executive Officer of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time.

2. Base Salary. The Corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $385,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered

to the Corporation and its subsidiaries and changes in the cost of living . The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation. In the event of a Change in Control (as defined in Section 7 hereof), the Officer's rate of base salary shall be increased ten (10%) per annum during the remaining term of this Agreement.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a four-year period commencing December 1, 1992 (the "Anniversary Date"). On each annual anniversary after the Anniversary Date, the then remaining term of this Agreement shall automatically be extended by an additional one year period beyond the then effective Agreement expiration date unless written notice from the Corporation or the Officer is delivered to the other party 90 days prior to an Anniversary Date advising the other party that this Agreement shall not be further extended; provided, however, that no such extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon such extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

In the event of a Change of Control of the Corporation which has not been approved in advance by a two-thirds vote of all Directors of the Corporation (excluding the Officer), this Agreement shall be deemed to have been automatically extended for a full four-year term commencing on the date of the Change in Control and thereafter such date shall be deemed to be the Anniversary Date.

5. Loyalty; Noncompetition.

(a) The Officer shall devote his full efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, and for a period of two years after termination, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation; provided, however, that the provisions of this sentence shall not apply in the event the Officer's employment is involuntarily terminated by the Corporation without "cause," as such term is defined in Section 7(d) hereof. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(b) By Total Disability. The Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon

the determination of such status by the United States Social Security Administration or a certification to such effect by the officer's regular physician.

(c) By Officer. The Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(d) By Corporation. The Board of Directors may terminate the Officer's employment at any time, but any termination by the Board of Directors other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for the balance of the then current term of this Agreement as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of any law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(e) In the event of involuntary termination of the Officer's employment under this Agreement or in the event of voluntary termination by the Officer in connection with, or within 12 months after, any Change in Control of the Corporation which has not been approved in advance by a two-thirds vote of all directors of the Corporation, the Officer shall be paid the following amounts for the balance of the then current term of this agreement:

(i) base salary plus

(ii) all amounts to which he may be or may become entitled to under any incentive or bonus plan plus

(iii) participation in all welfare benefit plans, practices, policies and programs at least as favorable as the most favorable of such plans, practices, policies and programs in effect at any time during the 90-day period preceding his termination and with the costs of such benefits paid in the same manner as prior to this termination.

The Officer's base salary shall be paid in the same periodic payments over the remaining term of this Agreement. If the Officer is involuntarily terminated within 12 months after a Change in Control, he shall be paid all base salary, incentive compensation and bonuses in a lump sum.

In connection with this Agreement, the term "Change in Control" shall mean (i) the adoption of a plan or merger or consolidation of the Corporation with any other corporation or association as a result of which the holders of the voting capital stock of the Corporation as a group would receive less than 50% of the voting capital stock of the surviving or resulting corporation; and (ii) the acquisition of more than 20% of the voting capital stock of the

Corporation by any person within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended. The term "person" means an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of entity not specifically listed herein.

(f) Notwithstanding any other provision of this Agreement to the contrary, the Officer may voluntarily terminate his employment under this Agreement following a Change in Control of the Corporation, whether approved in advance by the Board of Directors or otherwise, and shall thereupon be entitled to receive the payments described in Section 7(e) of this Agreement, upon the occurrence, or within 30 days thereafter, of any of the following events, which have not been consented to in advance by the Officer in writing: (i) if the Officer would be required to move his personal residence or perform his principal executive functions more than 20 miles from the city limits of Charlotte, North Carolina; (ii) if in the organization structure of the Corporation, the Officer would be required to report to a person or persons other than the Board of Directors; (iii) if the Corporation should fail to maintain employee benefits and welfare benefit plans, including incentive compensation, vacation, fringe benefit, stock option and retirement plans providing at least the same level of benefits afforded Officer as of the date hereof; (iv) if the Officer would be assigned duties and responsibilities other than those normally associated with his position as Chairman, President and Chief Executive Officer; or (v) if the Officer's responsibilities or authority have in any way been diminished.

(g) In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No

amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

ATTEST:

Piedmont Natural Gas Company, Inc.

Martin C. Buegnegger
Secretary

By: E C Thomas

OFFICER:

John H. Maxheim (SEAL)
John H. Maxheim

Employment Agreement reviewed and approved by Board of Directors this 26 day of FEB., 1993.

BY: W R Sales

T 11-1-92

January 26, 1990

NANCY

I note in the contract with Maxheim dated December 1, 1988, that Item 3(a) refers to a "bimonthly salary." This should of course be "biweekly." This error has no impact as the actual salary is expressed as an annual amount. Maybe this can be corrected in the next contract.

BLG

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of May 31, 1996, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and WARE F. SCHIEFER, a resident of Mecklenburg County, North Carolina (the "Officer").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the corporation in that (a) it promotes the stability of senior management of the Corporation, (b) it enables the Corporation to retain the services of a well-qualified Executive Vice President with extensive contacts in the natural gas industry, and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby employs the Officer and the Officer hereby accepts such employment, upon the terms and conditions stated herein, as Executive Vice President of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time.

2. Base Salary. The corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $212,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's

base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered to the Corporation and its subsidiaries and changes in the cost of living. The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a two-year period commencing June 1, 1996; provided, however, this Agreement shall automatically be extended to a full two-year period on each successive day during the term of this Agreement. The effect hereof shall be that the Agreement shall at all times remain subject to a term of two years, unless (i) written notice has been given that the Agreement shall not be extended as provided in this Section 4, or (ii) the Agreement is terminated pursuant to Section 7. If written notice from the Corporation or the Officer is delivered to the other party advising the other party that this Agreement is not to be further extended, then upon such notice, the Agreement shall terminate on the second anniversary of the date of notice. Provided, further, no extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon any extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

5. Loyalty; Noncompetition

(a) The Officer shall devote his best efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(b) By Total Disability. The Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon the determination of such

status by the United States Social Security Administration or a certification to such effect by the Officer's regular physician.

(c) By Officer. The Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(d) By Corporation. The Board of Directors may terminate the Officer's employment at any time, but any termination by the Board of Directors, other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for a period of 24 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less) as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of an law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(e) Change of Control. In the event of involuntary termination of the Officer's employment under this Agreement in connection with, or at any time following, any Change of Control of the Corporation, or in the event of voluntary termination by the Officer in connection with, or within 12 months after, any Change in Control of the Corporation, the Officer shall be paid the following amount for a period of 24 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less):

(i) base salary plus

(ii) all amounts to which he may be or may become entitled to under any incentive or bonus plan plus

(iii) participation in all welfare benefit plans, practices, policies and programs at least as favorable as the most favorable of such plans, practices, policies and programs in effect at any time during the 90-day period preceding his termination and with the costs of such benefits paid in the same manner as prior to this termination.

The Officer's base salary shall be paid in the same periodic payments over the remaining term of this Agreement. If the Officer is involuntarily terminated after a Change in Control, he shall be paid all base salary, incentive compensation and bonuses in a lump sum.

In connection with this Agreement the term "Change in Control" shall mean (i) the adoption of a plan or merger or consolidation of the Corporation with any other corporation or association as a result of which the holders of the voting capital stock of the Corporation as a group would receive less than 50% of the voting capital stock of the surviving or resulting corporation; and (ii) the acquisition of more than 20% of the voting capital stock of the Corporation by any person within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended. The term "person" means an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of entity not specifically listed herein.

(f) Reduction of Duties. Notwithstanding any other provision of this Agreement to the contrary, the Officer may voluntarily terminate his employment under this Agreement following a Change in Control of the Corporation, whether approved in advance by the Board of Directors or otherwise, and shall thereupon be entitled to receive the payments described in Section 7(e) of this Agreement, upon the occurrence, or within 30 days thereafter, of any of the following events, which have not been consented to in advance by the Officer in writing; (i) if the Officer would be required to move his personal residence or perform his principal executive functions more than 20 miles from the city limits of Charlotte, North Carolina; (ii) if in the organization structure of the Corporation, the Officer would be required to report to a person or persons other than the Board of Directors, Chairman of the Board or President; (iii) if the Corporation should fail to maintain employee benefits and welfare benefit plans, including incentive compensation, vacation, fringe benefit, stock option and retirement plans providing at least the same level of benefits afforded Officer as of the date hereof; (iv) if the Officer would be assigned duties and responsibilities other than those normally associated with his position as Executive Vice President; or (v) if the Officer's responsibilities or authority have in any way been diminished.

(g) Costs and Expenses. In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provision of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

ATTEST:

Martin C. Ruegsegger
Secretary

Piedmont Natural Gas Company, Inc.

By: John H. Maslin

OFFICER:

W Schiefer (SEAL)

Employment Agreement reviewed and approved by the Board of Directors this 31st day of May, 1996.

BY:

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of May 31, 1996, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and DAVID J. DZURICKY, a resident of Mecklenburg County, North Carolina (the "Officer").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the corporation in that (a) it promotes the stability of senior management of the Corporation, (b) it enables the Corporation to retain the services of a well-qualified Senior Vice President with extensive contacts in the natural gas industry, and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby employs the Officer and the Officer hereby accepts such employment, upon the terms and conditions stated herein, as Senior Vice President of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time.

2. Base Salary. The corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $170,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's

base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered to the Corporation and its subsidiaries and changes in the cost of living. The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a one-year period commencing June 1, 1996; provided, however, this Agreement shall automatically be extended to a full one-year period on each successive day during the term of this Agreement. The effect hereof shall be that the Agreement shall at all times remain subject to a term of one year, unless (i) written notice has been given that the Agreement shall not be extended as provided in this Section 4, or (ii) the Agreement is terminated pursuant to Section 7. If written notice from the Corporation or the Officer is delivered to the other party advising the other party that this Agreement is not to be further extended, then upon such notice, the Agreement shall terminate on the first anniversary of the date of notice. Provided, further, no extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon any extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

5. Loyalty; Noncompetition

(a) The Officer shall devote his best efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(b) By Total Disability. The Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon the determination of such

status by the United States Social Security Administration or a certification to such effect by the Officer's regular physician.

(c) By Officer. The Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(d) By Corporation. The Board of Directors may terminate the Officer's employment at any time, but any termination by the Board of Directors, other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less) as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of an law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(e) Change of Control. In the event of involuntary termination of the Officer's employment under this Agreement in connection with, or at any time following, any Change of Control of the Corporation, or in the event of voluntary termination by the Officer in connection with, or within 12 months after, any Change in Control of the Corporation, the Officer shall be paid the following amount for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less):

(i) base salary plus

(ii) all amounts to which he may be or may become entitled to under any incentive or bonus plan plus

(iii) participation in all welfare benefit plans, practices, policies and programs at least as favorable as the most favorable of such plans, practices, policies and programs in effect at any time during the 90-day period preceding his termination and with the costs of such benefits paid in the same manner as prior to this termination.

The Officer's base salary shall be paid in the same periodic payments over the remaining term of this Agreement. If the Officer is involuntarily terminated after a Change in Control, he shall be paid all base salary, incentive compensation and bonuses in a lump sum.

In connection with this Agreement the term "Change in Control" shall mean (i) the adoption of a plan or merger or consolidation of the Corporation with any other corporation or association as a result of which the holders of the voting capital stock of the Corporation as a group would receive less than 50% of the voting capital stock of the surviving or resulting corporation; and (ii) the acquisition of more than 20% of the voting capital stock of the Corporation by any person within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended. The term "person" means an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of entity not specifically listed herein.

(f) Reduction of Duties. Notwithstanding any other provision of this Agreement to the contrary, the Officer may voluntarily terminate his employment under this Agreement following a Change in Control of the Corporation, whether approved in advance by the Board of Directors or otherwise, and shall thereupon be entitled to receive the payments described in Section 7(e) of this Agreement, upon the occurrence, or within 30 days thereafter, of any of the following events, which have not been consented to in advance by the Officer in writing; (i) if the Officer would be required to move his personal residence or perform his principal executive functions more than 20 miles from the city limits of Charlotte, North Carolina; (ii) if in the organization structure of the Corporation, the Officer would be required to report to a person or persons other than the Board of Directors, Chairman of the Board, President, or Executive Vice President; (iii) if the Corporation should fail to maintain employee benefits and welfare benefit plans, including incentive compensation, vacation, fringe benefit, stock option and retirement plans providing at least the same level of benefits afforded Officer as of the date hereof; (iv) if the Officer would be assigned duties and responsibilities other than those normally associated with his position as Senior Vice President; or (v) if the Officer's responsibilities or authority have in any way been diminished.

(g) Costs and Expenses. In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provision of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

ATTEST:

Martin C. Regensegger
Secretary

Piedmont Natural Gas Company, Inc.

By: John H. Maples

OFFICER:

David J. Zuricky (SEAL)

Employment Agreement reviewed and approved by the Board of Directors this 31st day of May, 1996.

BY: _____

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of May 31, 1996, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and RAY B. KILLOUGH, a resident of Mecklenburg County, North Carolina (the "Officer").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the corporation in that (a) it promotes the stability of senior management of the Corporation, (b) it enables the Corporation to retain the services of a well-qualified Senior Vice President with extensive contacts in the natural gas industry, and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby employs the Officer and the Officer hereby accepts such employment, upon the terms and conditions stated herein, as Senior Vice President of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time.

2. Base Salary. The corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $185,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's

base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered to the Corporation and its subsidiaries and changes in the cost of living. The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a one-year period commencing June 1, 1996; provided, however, this Agreement shall automatically be extended to a full one-year period on each successive day during the term of this Agreement. The effect hereof shall be that the Agreement shall at all times remain subject to a term of one year, unless (i) written notice has been given that the Agreement shall not be extended as provided in this Section 4, or (ii) the Agreement is terminated pursuant to Section 7. If written notice from the Corporation or the Officer is delivered to the other party advising the other party that this Agreement is not to be further extended, then upon such notice, the Agreement shall terminate on the first anniversary of the date of notice. Provided, further, no extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon any extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

5. Loyalty; Noncompetition

(a) The Officer shall devote his best efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(b) By Total Disability. The Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon the determination of such

status by the United States Social Security Administration or a certification to such effect by the Officer's regular physician.

(c) By Officer. The Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(d) By Corporation. The Board of Directors may terminate the Officer's employment at any time, but any termination by the Board of Directors, other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less) as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of an law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(e) Change of Control. In the event of involuntary termination of the Officer's employment under this Agreement in connection with, or at any time following, any Change of Control of the Corporation, or in the event of voluntary termination by the Officer in connection with, or within 12 months after, any Change in Control of the Corporation, the Officer shall be paid the following amount for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less):

(i) base salary plus

(ii) all amounts to which he may be or may become entitled to under any incentive or bonus plan plus

(iii) participation in all welfare benefit plans, practices, policies and programs at least as favorable as the most favorable of such plans, practices, policies and programs in effect at any time during the 90-day period preceding his termination and with the costs of such benefits paid in the same manner as prior to this termination.

The Officer's base salary shall be paid in the same periodic payments over the remaining term of this Agreement. If the Officer is involuntarily terminated after a Change in Control, he shall be paid all base salary, incentive compensation and bonuses in a lump sum.

In connection with this Agreement the term "Change in Control" shall mean (i) the adoption of a plan or merger or consolidation of the Corporation with any other corporation or association as a result of which the holders of the voting capital stock of the Corporation as a group would receive less than 50% of the voting capital stock of the surviving or resulting corporation; and (ii) the acquisition of more than 20% of the voting capital stock of the Corporation by any person within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended. The term "person" means an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of entity not specifically listed herein.

(f) Reduction of Duties. Notwithstanding any other provision of this Agreement to the contrary, the Officer may voluntarily terminate his employment under this Agreement following a Change in Control of the Corporation, whether approved in advance by the Board of Directors or otherwise, and shall thereupon be entitled to receive the payments described in Section 7(e) of this Agreement, upon the occurrence, or within 30 days thereafter, of any of the following events, which have not been consented to in advance by the Officer in writing; (i) if the Officer would be required to move his personal residence or perform his principal executive functions more than 20 miles from the city limits of Charlotte, North Carolina; (ii) if in the organization structure of the Corporation, the Officer would be required to report to a person or persons other than the Board of Directors, Chairman of the Board, President, or Executive Vice President; (iii) if the Corporation should fail to maintain employee benefits and welfare benefit plans, including incentive compensation, vacation, fringe benefit, stock option and retirement plans providing at least the same level of benefits afforded Officer as of the date hereof; (iv) if the Officer would be assigned duties and responsibilities other than those normally associated with his position as Senior Vice President; or (v) if the Officer's responsibilities or authority have in any way been diminished.

(g) Costs and Expenses. In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provision of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

Piedmont Natural Gas Company, Inc.

ATTEST:

Martin C. Regenger
Secretary

By: John H. Maples

OFFICER:

Ray B. Killough (SEAL)

Employment Agreement reviewed and approved by the Board of Directors this 31st day of May, 1996.

BY:

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of May 31, 1996, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and THOMAS E. SKAINS, a resident of Mecklenburg County, North Carolina (the "Officer").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the corporation in that (a) it promotes the stability of senior management of the Corporation, (b) it enables the Corporation to retain the services of a well-qualified Senior Vice President with extensive contacts in the natural gas industry, and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby employs the Officer and the Officer hereby accepts such employment, upon the terms and conditions stated herein, as Senior Vice President of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time.

2. Base Salary. The corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $177,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's

base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered to the Corporation and its subsidiaries and changes in the cost of living. The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a one-year period commencing June 1, 1996; provided, however, this Agreement shall automatically be extended to a full one-year period on each successive day during the term of this Agreement. The effect hereof shall be that the Agreement shall at all times remain subject to a term of one year, unless (i) written notice has been given that the Agreement shall not be extended as provided in this Section 4, or (ii) the Agreement is terminated pursuant to Section 7. If written notice from the Corporation or the Officer is delivered to the other party advising the other party that this Agreement is not to be further extended, then upon such notice, the Agreement shall terminate on the first anniversary of the date of notice. Provided, further, no extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon any extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

5. Loyalty; Noncompetition

(a) The Officer shall devote his best efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(b) By Total Disability. The Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon the determination of such

status by the United States Social Security Administration or a certification to such effect by the Officer's regular physician.

(c) By Officer. The Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(d) By Corporation. The Board of Directors may terminate the Officer's employment at any time, but any termination by the Board of Directors, other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less) as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of an law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(e) Change of Control. In the event of involuntary termination of the Officer's employment under this Agreement in connection with, or at any time following, any Change of Control of the Corporation, or in the event of voluntary termination by the Officer in connection with, or within 12 months after, any Change in Control of the Corporation, the Officer shall be paid the following amount for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less):

(i) base salary plus

(ii) all amounts to which he may be or may become entitled to under any incentive or bonus plan plus

(iii) participation in all welfare benefit plans, practices, policies and programs at least as favorable as the most favorable of such plans, practices, policies and programs in effect at any time during the 90-day period preceding his termination and with the costs of such benefits paid in the same manner as prior to this termination.

The Officer's base salary shall be paid in the same periodic payments over the remaining term of this Agreement. If the Officer is involuntarily terminated after a Change in Control, he shall be paid all base salary, incentive compensation and bonuses in a lump sum.

In connection with this Agreement the term "Change in Control" shall mean (i) the adoption of a plan or merger or consolidation of the Corporation with any other corporation or association as a result of which the holders of the voting capital stock of the Corporation as a group would receive less than 50% of the voting capital stock of the surviving or resulting corporation; and (ii) the acquisition of more than 20% of the voting capital stock of the Corporation by any person within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended. The term "person" means an individual or a corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of entity not specifically listed herein.

(f) Reduction of Duties. Notwithstanding any other provision of this Agreement to the contrary, the Officer may voluntarily terminate his employment under this Agreement following a Change in Control of the Corporation, whether approved in advance by the Board of Directors or otherwise, and shall thereupon be entitled to receive the payments described in Section 7(e) of this Agreement, upon the occurrence, or within 30 days thereafter, of any of the following events, which have not been consented to in advance by the Officer in writing; (i) if the Officer would be required to move his personal residence or perform his principal executive functions more than 20 miles from the city limits of Charlotte, North Carolina; (ii) if in the organization structure of the Corporation, the Officer would be required to report to a person or persons other than the Board of Directors, Chairman of the Board, President, or Executive Vice President; (iii) if the Corporation should fail to maintain employee benefits and welfare benefit plans, including incentive compensation, vacation, fringe benefit, stock option and retirement plans providing at least the same level of benefits afforded Officer as of the date hereof; (iv) if the Officer would be assigned duties and responsibilities other than those normally associated with his position as Senior Vice President; or (v) if the Officer's responsibilities or authority have in any way been diminished.

(g) Costs and Expenses. In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provision of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

ATTEST:

Martin C. Regenegger
Secretary

Piedmont Natural Gas Company, Inc.

By: John H. Maybon

OFFICER:

Thomas E. Skains (SEAL)

Employment Agreement reviewed and approved by the Board of Directors this 31st day of May, 1996.

BY: [signature]

AMENDMENT TO RESTATED EMPLOYMENT AGREEMENT

This AMENDMENT TO THE RESTATED EMPLOYMENT AGREEMENT is entered into this the27th day of August, 1999, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and JOHN H. MAXHEIM, a resident of Mecklenburg County, North Carolina (the "Officer").

WITNESSETH:

WHEREAS, the Corporation and the Officer entered into a Restated Employment Agreement, dated as of February 26, 1993 (the "Restated Employment Agreement"); and

WHEREAS, the term of the Restated Employment Agreement has been extended from time to time pursuant to Section 4 thereof; and

WHEREAS, the Restated Employment Agreement provides that the term of the Officer's employment by the Corporation shall not extend beyond the date on which the Officer reaches 65 years of age; and

WHEREAS, the Officer will reach 65 years of age on October 4, 1999; and

WHEREAS, the Board of Directors of the Corporation, with the agreement of the Officer, has determined that it is in the best interests of the Corporation to extend the term of the Officer's employment to February 25, 2000 (the date of the next annual meeting of shareholders).

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereby agree as follows:

1. The first paragraph of Section 4 of the Restated Employment Agreement is amended to replace the phrase "beyond the date on which the Officer reaches 65 years of age" with the phrase "beyond February 29, 2000."

2. In all other respects, the Restated Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

Piedmont Natural Gas Company, Inc.

ATTEST:

Secretary

By: _____
President

OFFICER:

John H. Maxheim

This Amendment to Restated Employment Agreement has been approved by the Board of Directors, this 27th day of August, 1999.

_____
Chairman of Compensation Committee

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of December 1, 1999, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and, WARE F. SCHIEFER, a resident of Mecklenburg County, North Carolina (the "Officer").

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the corporation in that (a) it promotes the stability of senior management of the Corporation; (b) it enables the Corporation to retain the services of a well-qualified Senior Vice President with extensive contacts in the natural gas industry; and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation; and

WHEREAS, contemporaneous with this Agreement, the parties have entered into a Severance Agreement (the "Severance Agreement"), which sets forth certain rights and obligations of the Officer and certain rights and obligations of the Corporation in the event of a "Potential Change of Control" (as defined in the Severance Agreement) or following a "Change in Control" (as defined in the Severance Agreement). Use of the phrases "Potential Change of Control" and "Change in Control" herein shall have the meanings ascribed to those phrases in the Severance Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby employs the Officer and the Officer hereby accepts such employment, upon the terms and conditions stated herein, as President of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time; provided that following a Change in Control and during the term of the Severance Agreement any action affecting a change in title and/or duties shall be subject to the Severance Agreement.

2. Base Salary. The Corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $280,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered to the Corporation and its subsidiaries and changes in the cost of living. The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a two-year period commencing December 1, 1999; provided that this Agreement shall automatically be extended to a full one-year period on each successive day during the term of this Agreement. The effect hereof shall be that the Agreement shall at all times remain subject to a term of one year, unless (i) written notice has been given that the Agreement shall not be extended as provided in this Section 4, or (ii) the Agreement is terminated pursuant to Section 7. If written notice from the Corporation or the Officer is delivered to the other party advising the other party that this Agreement is not to be further extended, then upon such notice, the Agreement shall terminate on the second anniversary of the date of notice. Provided, further, no extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon any extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

5. Loyalty; Noncompetition

(a) The Officer shall devote his best efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) Change of Control. Following a Change in Control and during the term of the Severance Agreement, this Agreement shall become null and void except with respect to any rights or obligations accruing prior to the Change in Control and the rights and obligations of the Officer and the Company, including any termination of the Officer, shall be subject to the provisions of the Severance Agreement.

(b) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(c) By Total Disability. Except for that period of time following a Change in Control and during the term of the Severance Agreement, the Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days

thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon the determination of such status by the United States Social Security Administration or a certification to such effect by the Officer's regular physician.

(d) By Officer. Except as provided in Section 4 of the Severance Agreement, the Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(e) By Corporation. Except for that period of time following a Change of Control and during the term of the Severance Agreement, the Board of Directors may terminate the Officer's employment at any time, but any such termination by the Board of Directors, other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less) as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of an law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(f) Costs and Expenses. In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or

dissimilar provisions or conditions at the same or at any prior or subsequent time. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided. Any modification, waiver or amendment shall be made consistent with the terms and conditions of the Severance Agreement.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provision of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

ATTEST:

Piedmont Natural Gas Company, Inc.

Secretary

By: _____

OFFICER:

_____ (SEAL)

Employment Agreement reviewed and approved by the Board of Directors this 3rd Day of December, 1999.

BY: _____
Chairman of Compensation Committee

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of December 1, 1999, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and, DAVID J. DZURICKY, a resident of Mecklenburg County, North Carolina (the "Officer").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the corporation in that (a) it promotes the stability of senior management of the Corporation; (b) it enables the Corporation to retain the services of a well-qualified Senior Vice President with extensive contacts in the natural gas industry; and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation; and

WHEREAS, contemporaneous with this Agreement, the parties have entered into a Severance Agreement (the "Severance Agreement"), which sets forth certain rights and obligations of the Officer and certain rights and obligations of the Corporation in the event of a "Potential Change of Control" (as defined in the Severance Agreement) or following a "Change in Control" (as defined in the Severance Agreement). Use of the phrases "Potential Change of Control" and "Change in Control" herein shall have the meanings ascribed to those phrases in the Severance Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby employs the Officer and the Officer hereby accepts such employment, upon the terms and conditions stated herein, as Senior Vice President of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time; provided that following a Change in Control and during the term of the Severance Agreement any action affecting a change in title and/or duties shall be subject to the Severance Agreement.

2. Base Salary. The Corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $210,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered to the Corporation and its subsidiaries and changes in the cost of living. The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a one-year period commencing December 1, 1999; provided that this Agreement shall automatically be extended to a full one-year period on each successive day during the term of this Agreement. The effect hereof shall be that the Agreement shall at all times remain subject to a term of one year, unless (i) written notice has been given that the Agreement shall not be extended as provided in this Section 4, or (ii) the Agreement is terminated pursuant to Section 7. If written notice from the Corporation or the Officer is delivered to the other party advising the other party that this Agreement is not to be further extended, then upon such notice, the Agreement shall terminate on the second anniversary of the date of notice. Provided, further, no extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon any extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

5. Loyalty; Noncompetition

(a) The Officer shall devote his best efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) Change of Control. Following a Change in Control and during the term of the Severance Agreement, this Agreement shall become null and void except with respect to any rights or obligations accruing prior to the Change in Control and the rights and obligations of the Officer and the Company, including any termination of the Officer, shall be subject to the provisions of the Severance Agreement.

(b) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(c) By Total Disability. Except for that period of time following a Change in Control and during the term of the Severance Agreement, the Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days

thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon the determination of such status by the United States Social Security Administration or a certification to such effect by the Officer's regular physician.

(d) By Officer. Except as provided in Section 4 of the Severance Agreement, the Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(e) By Corporation. Except for that period of time following a Change of Control and during the term of the Severance Agreement, the Board of Directors may terminate the Officer's employment at any time, but any such termination by the Board of Directors, other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less) as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of an law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(f) Costs and Expenses. In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or

dissimilar provisions or conditions at the same or at any prior or subsequent time. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided. Any modification, waiver or amendment shall be made consistent with the terms and conditions of the Severance Agreement.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provision of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

ATTEST:

Martin C Ruegsegger
Secretary

Piedmont Natural Gas Company, Inc.

By: _____

OFFICER:

David J. Dzuricky (SEAL)

Employment Agreement reviewed and approved by the Board of Directors this 3rd Day of December, 1999.

BY: _____
Chairman of Compensation Committee

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of December 1, 1999, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and, RAY B. KILLOUGH, a resident of Mecklenburg County, North Carolina (the "Officer").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the corporation in that (a) it promotes the stability of senior management of the Corporation; (b) it enables the Corporation to retain the services of a well-qualified Senior Vice President with extensive contacts in the natural gas industry; and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation; and

WHEREAS, contemporaneous with this Agreement, the parties have entered into a Severance Agreement (the "Severance Agreement"), which sets forth certain rights and obligations of the Officer and certain rights and obligations of the Corporation in the event of a "Potential Change of Control" (as defined in the Severance Agreement) or following a "Change in Control" (as defined in the Severance Agreement). Use of the phrases "Potential Change of Control" and "Change in Control" herein shall have the meanings ascribed to those phrases in the Severance Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby employs the Officer and the Officer hereby accepts such employment, upon the terms and conditions stated herein, as Senior Vice President of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time; provided that following a Change in Control and during the term of the Severance Agreement any action affecting a change in title and/or duties shall be subject to the Severance Agreement.

2. Base Salary. The Corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $215,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered to the Corporation and its subsidiaries and changes in the cost of living. The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a one-year period commencing December 1, 1999; provided that this Agreement shall automatically be extended to a full one-year period on each successive day during the term of this Agreement. The effect hereof shall be that the Agreement shall at all times remain subject to a term of one year, unless (i) written notice has been given that the Agreement shall not be extended as provided in this Section 4, or (ii) the Agreement is terminated pursuant to Section 7. If written notice from the Corporation or the Officer is delivered to the other party advising the other party that this Agreement is not to be further extended, then upon such notice, the Agreement shall terminate on the second anniversary of the date of notice. Provided, further, no extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon any extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

5. Loyalty; Noncompetition

(a) The Officer shall devote his best efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) Change of Control. Following a Change in Control and during the term of the Severance Agreement, this Agreement shall become null and void except with respect to any rights or obligations accruing prior to the Change in Control and the rights and obligations of the Officer and the Company, including any termination of the Officer, shall be subject to the provisions of the Severance Agreement.

(b) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(c) By Total Disability. Except for that period of time following a Change in Control and during the term of the Severance Agreement, the Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days

thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon the determination of such status by the United States Social Security Administration or a certification to such effect by the Officer's regular physician.

(d) By Officer. Except as provided in Section 4 of the Severance Agreement, the Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(e) By Corporation. Except for that period of time following a Change of Control and during the term of the Severance Agreement, the Board of Directors may terminate the Officer's employment at any time, but any such termination by the Board of Directors, other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less) as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of an law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(f) Costs and Expenses. In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or

dissimilar provisions or conditions at the same or at any prior or subsequent time. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided. Any modification, waiver or amendment shall be made consistent with the terms and conditions of the Severance Agreement.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provision of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

ATTEST:

Secretary

Piedmont Natural Gas Company, Inc.

By: _____

OFFICER:

_____ (SEAL)

Employment Agreement reviewed and approved by the Board of Directors this 3rd Day of December, 1999.

BY: _____
Chairman of Compensation Committee

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated as of December 1, 1999, by and between PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation (the "Corporation"), and, THOMAS A. SKAINS, a resident of Mecklenburg County, North Carolina (the "Officer").

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Corporation has determined that the continued retention of the services of the Officer on a long-term basis as described herein is in the best interest of the corporation in that (a) it promotes the stability of senior management of the Corporation; (b) it enables the Corporation to retain the services of a well-qualified Senior Vice President with extensive contacts in the natural gas industry; and (c) it secures the continued services of the Officer notwithstanding any change in control of the Corporation; and

WHEREAS, the services of the Officer, his experience and knowledge of the affairs of the Corporation, and his reputation and contacts in the Corporation's industry are extremely valuable to the Corporation; and

WHEREAS, the Corporation considers the establishment and maintenance of a sound and vital management to be part of its overall corporate strategy and to be essential to protecting and enhancing the best interests of the Corporation and its stockholders; and

WHEREAS, the parties desire to enter into this Agreement in order to clearly set forth the terms and conditions of the Officer's employment relationship with the Corporation; and

WHEREAS, contemporaneous with this Agreement, the parties have entered into a Severance Agreement (the "Severance Agreement"), which sets forth certain rights and obligations of the Officer and certain rights and obligations of the Corporation in the event of a "Potential Change of Control" (as defined in the Severance Agreement) or following a "Change in Control" (as defined in the Severance Agreement). Use of the phrases "Potential Change of Control" and "Change in Control" herein shall have the meanings ascribed to those phrases in the Severance Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereby agree as follows:

1. Employment. The Corporation hereby employs the Officer and the Officer hereby accepts such employment, upon the terms and conditions stated herein, as Senior Vice President of the Corporation. The Officer shall render such administrative and management services to the Corporation as are customarily performed by persons situated in a similar executive capacity. The Officer shall promote the business of the Corporation and perform such other duties as shall from time to time be reasonably prescribed by the Directors. It is understood that the Officer's continued election as an officer of the Corporation is dependent upon action by the Board of Directors of the Corporation from time to time and that, subject to the provisions of Section 7 of this Agreement, the Officer's title and/or duties may change from time to time; provided that following a Change in Control and during the term of the Severance Agreement any action affecting a change in title and/or duties shall be subject to the Severance Agreement.

2. Base Salary. The Corporation shall pay the Officer during the term of this Agreement as compensation for all services rendered by him to the Corporation a base salary in such amounts and at such intervals as shall be commensurate with his duties and responsibilities hereunder. Initially such base salary shall be at the rate of $217,000 per year. The Officer's base salary may be increased from time to time to reflect the duties required of the Officer. In reviewing the Officer's base salary, the Board of Directors of the Corporation shall consider the overall performance of the Officer and the service of the Officer rendered to the Corporation and its subsidiaries and changes in the cost of living. The Board of Directors may also provide for performance or merit increases. Participation by Officer in any incentive, deferred compensation, stock option, stock purchase, bonus, pension, life insurance or other employee benefit plans which may be offered by the Corporation from time to time and participation in any fringe benefits provided by the Corporation shall not cause a reduction of the base salary payable to the Officer. The Officer will be entitled to such customary fringe benefits, vacation and sick leave as are consistent with the normal practices and established policies of the Corporation.

3. Participation in Incentive, Retirement and Employee Benefit Plans; Fringe Benefits. The Officer shall be entitled to participate in any plan relating to incentive compensation, stock options, stock purchase, pension, thrift, profit sharing, group life insurance, medical coverage, disability coverage, education, or other retirement or employee benefits that the Corporation has adopted, or may from time to time adopt, for the benefit of its executive employees and for employees generally, subject to the eligibility rules of such plans.

The Officer shall also be entitled to participate in any other fringe benefits which are now or may be or become applicable to the Corporation's executive employees, including the payment of reasonable expenses for attending annual and periodic meetings of trade associations, and any other benefits which are commensurate with the duties and responsibilities to be performed by the Officer under this Agreement. Additionally, the Officer shall be entitled to such vacation and sick leave as shall be established under uniform employee policies promulgated by the Board of Directors. The Corporation shall reimburse the Officer for all out-of-pocket reasonable and necessary business expenses which the Officer may incur in connection with his service on behalf of the Corporation.

4. Term. The initial term of employment under this Agreement shall be for a one-year period commencing December 1, 1999; provided that this Agreement shall automatically be extended to a full one-year period on each successive day during the term of this Agreement. The effect hereof shall be that the Agreement shall at all times remain subject to a term of one year, unless (i) written notice has been given that the Agreement shall not be extended as provided in this Section 4, or (ii) the Agreement is terminated pursuant to Section 7. If written notice from the Corporation or the Officer is delivered to the other party advising the other party that this Agreement is not to be further extended, then upon such notice, the Agreement shall terminate on the second anniversary of the date of notice. Provided, further, no extension shall cause this Agreement to extend beyond the date on which the Officer reaches 65 years of age. Upon any extension, the base salary of the extended agreement shall be the base salary in effect on the effective date of such extension.

5. Loyalty; Noncompetition

(a) The Officer shall devote his best efforts to the performance of his duties and responsibilities under this Agreement.

(b) During the term of this Agreement, or any renewals hereof, the Officer agrees he will not, own, manage, operate, join, control or participate in the management, operation or control of, or be employed by or connected in any manner with any business which competes with the Corporation or any of its subsidiary corporations without the prior written consent of the Corporation. Notwithstanding the foregoing, the Officer shall be free, without such consent, to purchase or hold as an investment or otherwise, up to five percent of the outstanding stock or other securities of any corporation which has its securities publicly traded on any recognized securities exchange or in any established over-the-counter market.

The Officer shall hold in confidence all knowledge or information of a confidential nature with respect to the business of the Corporation or any subsidiary of the Corporation received by him during the term of this Agreement and will not disclose or make use of such information without the prior written consent of the Corporation.

The Officer acknowledges that it would not be possible to ascertain the amount of monetary damages in the event of a breach by the Officer under the provisions of this Section 5 and agrees that, in the event of a breach of this Section, injunctive relief enforcing the terms of this Section is an appropriate remedy.

6. Standards. The Officer shall perform his duties and responsibilities under this Agreement in accordance with such reasonable standards expected of employees with comparable positions in comparable organizations and as may be established from time to time by the Board of Directors. The Corporation will provide the Officer with the working facilities and staff customary for similar executives and necessary for him to perform his duties.

7. Termination and Termination Pay.

(a) Change of Control. Following a Change in Control and during the term of the Severance Agreement, this Agreement shall become null and void except with respect to any rights or obligations accruing prior to the Change in Control and the rights and obligations of the Officer and the Company, including any termination of the Officer, shall be subject to the provisions of the Severance Agreement.

(b) By Death. The Officer's employment under this Agreement shall be terminated upon the death of the Officer during the term of this Agreement, in which event the Officer's estate shall be entitled to receive all compensation due the Officer through the last day of the calendar month in which his death shall have occurred.

(c) By Total Disability. Except for that period of time following a Change in Control and during the term of the Severance Agreement, the Officer's employment under this Agreement shall be terminated upon the total permanent disability of the Officer during the term of this Agreement, in which event the Officer shall receive all compensation, including bonuses, through the date of determination of such disability and for a period of 90 days

thereafter. For purposes of this Section, the Officer shall be deemed to have suffered permanent disability upon the determination of such status by the United States Social Security Administration or a certification to such effect by the Officer's regular physician.

(d) By Officer. Except as provided in Section 4 of the Severance Agreement, the Officer's employment under this Agreement may be terminated at any time by the Officer upon 60 days' written notice to the Board of Directors. Upon such termination, the Officer shall be entitled to receive all compensation, including bonuses, through the effective date of such termination.

(e) By Corporation. Except for that period of time following a Change of Control and during the term of the Severance Agreement, the Board of Directors may terminate the Officer's employment at any time, but any such termination by the Board of Directors, other than termination for cause, shall not prejudice the Officer's right to continue to receive payment of all compensation and the continuance of benefits for a period of 12 months from the effective date of termination or until such time as the Officer reaches 65 years of age (whichever is less) as provided below. The Officer shall have no right to receive compensation or other benefits (other than vested benefits) for any period after termination for "cause." Termination for cause shall mean termination because of the Officer's personal dishonesty, incompetence, willful material misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful material violation of an law, rule or regulation (other than traffic or traffic-related violations or similar offenses) or final cease-and-desist order, or material breach of any provisions of this Agreement.

(f) Costs and Expenses. In the event any dispute shall arise between the Officer and the Corporation as to the terms or interpretation of this Agreement, including this Section 7, whether instituted by formal legal proceedings or otherwise, including any action taken by Officer to enforce the terms of this Section 7 or in defending against any action taken by the Corporation, the Corporation shall reimburse the Officer for all costs and expenses, proceedings or actions in the event the Officer prevails in any such action.

8. Successors and Assigns.

(a) This Employment Agreement shall inure to the benefit of and be binding upon any corporate or other successor of the Corporation which shall acquire, directly or indirectly, by conversion, merger, consolidation, purchase or otherwise, all or substantially all of the assets of the Corporation.

(b) Since the Corporation is contracting for the unique and personal skills of the Officer, the Officer shall be precluded from assigning or delegating his rights or duties hereunder without first obtaining the written consent of the Corporation.

9. Modification; Waiver; Amendments. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, signed by the Officer and on behalf of the Corporation by such Officer as may be specifically designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or

dissimilar provisions or conditions at the same or at any prior or subsequent time. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties, except as herein otherwise provided. Any modification, waiver or amendment shall be made consistent with the terms and conditions of the Severance Agreement.

10. Applicable Law. This Agreement shall be governed in all respects whether as to validity, construction, capacity, performance or otherwise, by the laws of North Carolina.

11. Severability. The provision of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first hereinabove written.

CORPORATION:

ATTEST:

Martin C. Regregger
Secretary

Piedmont Natural Gas Company, Inc.

By: _____

OFFICER:

_____ (SEAL)

Employment Agreement reviewed and approved by the Board of Directors this 3rd Day of December, 1999.

BY: _____
Chairman of Compensation Committee

SEVERANCE AGREEMENT

THIS AGREEMENT, dated December 1, 1999, is made by and between **PIEDMONT NATURAL GAS COMPANY, INC.**, a North Carolina corporation (the "Company"), and **Ware F. Schiefer** (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareholders to foster the continued employment of key management personnel; and

WHEREAS, the Board of the Company recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, contemporaneous with this Agreement, the Company and the Executive have entered into an Employment Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through December 31, 2001; provided, however, that commencing on January 1, 2002 and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than fifteen (15) months prior to the applicable January 1, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire at the end of the thirty-sixth (36th) calendar month after the calendar month in which such Change in Control occurred. For example, if a Change in Control were to occur on July 1, 1999, the Term of this Agreement would expire on June 30, 2002, and if a Change in Control were to occur on July 1, 2002, the Term of this Agreement would expire on June 30, 2005 (regardless of whether on or before September 30, 2001 either party had given notice to the other party not to extend the Term as provided above).

3. Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's covenants set forth in Section

4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. Except as provided in Section 9.1 hereof, no Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive's employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is twelve (12) months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, Disability or Retirement, or (iv) the termination by the Company of the Executive's employment for any reason. Should the Executive fail to comply with the provisions of this paragraph 4, the Company's sole remedy shall be to deny the payment of any Severance Payments to the Executive.

5. Compensation Other Than Severance Payments.

5.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation, benefit or incentive plan, program or arrangement maintained by the Company during such period, until the Executive's employment is terminated by the Company for Disability.

5.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's executive compensation, benefit and incentive plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

5.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due, including in a

lump sum in cash that portion of the Executive's vacation pay vested and accrued but not paid. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's long-term incentive stock plan, pension, supplemental retirement, insurance and other executive compensation, benefit or incentive plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 Subject to Section 6.2 hereof, if the Executive's employment is terminated following a Change in Control and during the Term, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason (including Retirement by the Executive), then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments"), in addition to any payments and benefits to which the Executive is entitled under Section 5 hereof. For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Executive shall be presumed to be correct unless the Company establishes by clear and convincing evidence that such position is not correct.

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to 3.00 times the sum of (i) the Executive's annual base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason and (ii) an amount equal to the average of the Executive's annual W-2 Compensation for the three years ending on the last day of the month prior to the Date of Termination.

(B) For the 36-month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive,

those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive immediately prior to such date or occurrence; provided, however, that, unless the Executive consents to a different method (after taking into account the effect of such method on the calculation of "parachute payments" pursuant to Section 6.2 hereof), such health insurance benefits shall be provided through a third-party insurer. Benefits otherwise receivable by the Executive pursuant to this Section 6.1(B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the 36-month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason. If the Severance Payments shall be decreased pursuant to Section 6.2 hereof, and the Section 6.1(B) benefits which remain payable after the application of Section 6.2 hereof are thereafter reduced pursuant to the immediately preceding sentence, the Company shall, no later than five (5) business days following such reduction, pay to the Executive the least of (a) the amount of the decrease made in the Severance Payments pursuant to Section 6.2 hereof, (b) the amount of the subsequent reduction in these Section 6.1(B) benefits, or (c) the maximum amount which can be paid to the Executive without being, or causing any other payment to be, nondeductible by reason of section 280G of the Code.

6.2 (A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the Severance Payments, being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company, an affiliate or Person making such payment or providing such benefit as a result of section 280G of the Code, then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement), the cash Severance Payments shall first be reduced (if necessary, to zero), and all other Severance Payments shall thereafter be reduced (if necessary, to zero); provided, however, that the Executive may elect to have the noncash Severance Payments reduced (or eliminated) prior to any reduction of the cash Severance Payments.

(B) For purposes of this limitation, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), does not constitute a "parachute payment" within the meaning of section

280G(b)(2) of the Code, including by reason of section 280G(b)(4)(A) of the Code, (iii) the Severance Payments shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses (i) or (ii)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280G(b)(4)(B) of the Code or are otherwise not subject to disallowance as deductions by reason of section 280G of the Code, in the opinion of Tax Counsel, and (iv) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) If it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Section 6.2, the Total Payments paid to or for the Executive's benefit are in an amount that would result in any portion of such Total Payments being subject to the Excise Tax, then, if such repayment would result in (i) no portion of the remaining Total Payments being subject to the Excise Tax and (ii) a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, the Executive shall have an obligation to pay the Company upon demand an amount equal to the sum of (i) the excess of the Total Payments paid to or for the Executive's benefit over the Total Payments that could have been paid to or for the Executive's benefit without any portion of such Total Payments being subject to the Excise Tax; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in section 1274(b)(2)(B) of the Code from the date of the Executive's receipt of such excess until the date of such payment.

6.3 The payments provided in subsection (A) of Section 6.1 hereof shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amounts of such payments, and the limitation on such payments set forth in Section 6.2 hereof, cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

7. Termination Procedures and Compensation During Dispute.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 10 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

7.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (i) the date on which the Term ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

7.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and during the Term and the Date of Termination is extended in accordance with Section 7.3 hereof, the Company shall continue to pay the Executive the full compensation in

effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section 7.3 hereof. Amounts paid under this Section 7.4 are in addition to all other amounts due under this Agreement (other than those due under Section 5.2 hereof) and shall not be offset against or reduce any other amounts due under this Agreement.

8. No Mitigation. The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof or Section 7.4 hereof. Further, the amount of any payment or benefit provided for in this Agreement (other than Section 6.1(B) hereof) shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

9. Successors; Binding Agreement.

9.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

9.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

10. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the address inserted below the Executive's signature on the final page hereof and, if to the Company, to the address set forth below, or to such other address as either

party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

Attention: Corporate Secretary

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that the Executive's employment with the Company is terminated on or following a Change in Control (i) by the Company other than for Cause or (ii) by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of North Carolina. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 and 7 hereof) shall survive such expiration.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Settlement of Disputes; Arbitration.

14.1 All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim

for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied.

14.2 Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Charlotte, North Carolina in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding any provision of this Agreement to the contrary, the Executive shall be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Auditor" shall have the meaning set forth in Section 6.2 hereof.

(C) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(D) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Cause" for termination by the Company of the Executive's employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 7.1 hereof) which failure shall continue unabated for thirty (30) days after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the

Executive's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes by clear and convincing evidence that Cause exists.

(G) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(IV) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by

the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Company" shall mean Piedmont Natural Gas Company, Inc. and, except in determining under Section 15(G) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(J) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(K) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(L) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(M) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(N) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control, or prior to a Change in Control under the circumstances described in clauses (ii) and (iii) of the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (I), (V), (VI) or (VII) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company, a change in the Executive's reporting responsibilities, titles or offices, or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control

other than any such alteration primarily attributable to the fact that the Company may no longer be a public company;

(II) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions (not to exceed 10%) similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company including the Chief Executive Officer;

(III) the relocation of the principal executive offices to a location more than 35 miles from the Company's principal executive offices immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than the location of the Company's executive offices except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to pay to the Executive any portion of the Executive's current compensation or benefits except pursuant to an across-the-board compensation or benefit deferral (not to exceed 10%) similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company including the Chief Executive Officer, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven (7) days of the date such compensation is due;

(V) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation, including but not limited to the Company's long-term incentive plans or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the Change in Control;

(VI) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's pension, supplement retirement, savings, life insurance, supplemental life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company, including the Chief Executive Officer, not to exceed 10%), the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled either by prior written agreements or on the basis of years of service with the Company

in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of any determination regarding the existence of Good Reason, any claim by the Executive that Good Reason exists shall be presumed to be correct unless the Company establishes by clear and convincing evidence that Good Reason does not exist.

(O) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(P) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(Q) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(III) any Person becomes the Beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates); or

(IV) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(R) "Retirement" shall be deemed the reason for the termination by the Executive of the Executive's employment if such employment is terminated voluntarily by the Executive in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees.

(S) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(T) "Tax Counsel" shall have the meaning set forth in Section 6.2 hereof.

(U) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(V) "Total Payments" shall mean those payments so described in Section 6.2 hereof.

(W) "W-2 Compensation" shall mean all amounts received for services actually rendered in the course of employment with the Company to the extent that such amounts are includible in gross income as wages for federal income tax purposes plus all amounts that are contributed by the Company pursuant to a salary reduction agreement and which are not includible in the gross income of the Executive under Code Sections 125 or 401(k) and minus all amounts includible in the gross income of the Executive for annual base salary, expense reimbursements or allowances, moving expenses, club initiation fees or special assessments, deferred compensation and welfare benefits, or gross-ups for taxes.

PIEDMONT NATURAL GAS COMPANY

By: _____
Name: John H. Maxheim
Title: Chairman and Chief Executive Officer

WARE F. SCHIEFER

_____
Address: 2522 Windsor Crescent Court
Charlotte, NC 28226

SEVERANCE AGREEMENT

THIS AGREEMENT, dated December 1, 1999, is made by and between **PIEDMONT NATURAL GAS COMPANY, INC.**, a North Carolina corporation (the "Company"), and **David J. Dzuricky** (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareholders to foster the continued employment of key management personnel; and

WHEREAS, the Board of the Company recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, contemporaneous with this Agreement, the Company and the Executive have entered into an Employment Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through December 31, 2001; provided, however, that commencing on January 1, 2002 and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than fifteen (15) months prior to the applicable January 1, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire at the end of the thirty-sixth (36th) calendar month after the calendar month in which such Change in Control occurred. For example, if a Change in Control were to occur on July 1, 1999, the Term of this Agreement would expire on June 30, 2002, and if a Change in Control were to occur on July 1, 2002, the Term of this Agreement would expire on June 30, 2005 (regardless of whether on or before September 30, 2001 either party had given notice to the other party not to extend the Term as provided above).

3. Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's covenants set forth in Section

4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. Except as provided in Section 9.1 hereof, no Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive's employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is twelve (12) months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, Disability or Retirement, or (iv) the termination by the Company of the Executive's employment for any reason. Should the Executive fail to comply with the provisions of this paragraph 4, the Company's sole remedy shall be to deny the payment of any Severance Payments to the Executive.

5. Compensation Other Than Severance Payments.

5.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation, benefit or incentive plan, program or arrangement maintained by the Company during such period, until the Executive's employment is terminated by the Company for Disability.

5.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's executive compensation, benefit and incentive plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

5.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due, including in a

lump sum in cash that portion of the Executive's vacation pay vested and accrued but not paid. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's long-term incentive stock plan, pension, supplemental retirement, insurance and other executive compensation, benefit or incentive plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 Subject to Section 6.2 hereof, if the Executive's employment is terminated following a Change in Control and during the Term, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason (including Retirement by the Executive), then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments"), in addition to any payments and benefits to which the Executive is entitled under Section 5 hereof. For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Executive shall be presumed to be correct unless the Company establishes by clear and convincing evidence that such position is not correct.

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to 3.00 times the sum of (i) the Executive's annual base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason and (ii) an amount equal to the average of the Executive's annual W-2 Compensation for the three years ending on the last day of the month prior to the Date of Termination.

(B) For the 36-month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive,

those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive immediately prior to such date or occurrence; provided, however, that, unless the Executive consents to a different method (after taking into account the effect of such method on the calculation of "parachute payments" pursuant to Section 6.2 hereof), such health insurance benefits shall be provided through a third-party insurer. Benefits otherwise receivable by the Executive pursuant to this Section 6.1(B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the 36-month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason. If the Severance Payments shall be decreased pursuant to Section 6.2 hereof, and the Section 6.1(B) benefits which remain payable after the application of Section 6.2 hereof are thereafter reduced pursuant to the immediately preceding sentence, the Company shall, no later than five (5) business days following such reduction, pay to the Executive the least of (a) the amount of the decrease made in the Severance Payments pursuant to Section 6.2 hereof, (b) the amount of the subsequent reduction in these Section 6.1(B) benefits, or (c) the maximum amount which can be paid to the Executive without being, or causing any other payment to be, nondeductible by reason of section 280G of the Code.

6.2 (A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the Severance Payments, being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company, an affiliate or Person making such payment or providing such benefit as a result of section 280G of the Code, then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement), the cash Severance Payments shall first be reduced (if necessary, to zero), and all other Severance Payments shall thereafter be reduced (if necessary, to zero); provided, however, that the Executive may elect to have the noncash Severance Payments reduced (or eliminated) prior to any reduction of the cash Severance Payments.

(B) For purposes of this limitation, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), does not constitute a "parachute payment" within the meaning of section

280G(b)(2) of the Code, including by reason of section 280G(b)(4)(A) of the Code, (iii) the Severance Payments shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses (i) or (ii)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280G(b)(4)(B) of the Code or are otherwise not subject to disallowance as deductions by reason of section 280G of the Code, in the opinion of Tax Counsel, and (iv) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) If it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Section 6.2, the Total Payments paid to or for the Executive's benefit are in an amount that would result in any portion of such Total Payments being subject to the Excise Tax, then, if such repayment would result in (i) no portion of the remaining Total Payments being subject to the Excise Tax and (ii) a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, the Executive shall have an obligation to pay the Company upon demand an amount equal to the sum of (i) the excess of the Total Payments paid to or for the Executive's benefit over the Total Payments that could have been paid to or for the Executive's benefit without any portion of such Total Payments being subject to the Excise Tax; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in section 1274(b)(2)(B) of the Code from the date of the Executive's receipt of such excess until the date of such payment.

6.3 The payments provided in subsection (A) of Section 6.1 hereof shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amounts of such payments, and the limitation on such payments set forth in Section 6.2 hereof, cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

7. Termination Procedures and Compensation During Dispute.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 10 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

7.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (i) the date on which the Term ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

7.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and during the Term and the Date of Termination is extended in accordance with Section 7.3 hereof, the Company shall continue to pay the Executive the full compensation in

effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section 7.3 hereof. Amounts paid under this Section 7.4 are in addition to all other amounts due under this Agreement (other than those due under Section 5.2 hereof) and shall not be offset against or reduce any other amounts due under this Agreement.

8. No Mitigation. The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof or Section 7.4 hereof. Further, the amount of any payment or benefit provided for in this Agreement (other than Section 6.1(B) hereof) shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

9. Successors; Binding Agreement.

9.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

9.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

10. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the address inserted below the Executive's signature on the final page hereof and, if to the Company, to the address set forth below, or to such other address as either

party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

Attention: Corporate Secretary

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that the Executive's employment with the Company is terminated on or following a Change in Control (i) by the Company other than for Cause or (ii) by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of North Carolina. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 and 7 hereof) shall survive such expiration.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Settlement of Disputes; Arbitration.

14.1 All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim

for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied.

14.2 Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Charlotte, North Carolina in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding any provision of this Agreement to the contrary, the Executive shall be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Auditor" shall have the meaning set forth in Section 6.2 hereof.

(C) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(D) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Cause" for termination by the Company of the Executive's employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 7.1 hereof) which failure shall continue unabated for thirty (30) days after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the

Executive's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes by clear and convincing evidence that Cause exists.

(G) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(IV) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by

the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Company" shall mean Piedmont Natural Gas Company, Inc. and, except in determining under Section 15(G) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(J) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(K) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(L) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(M) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(N) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control, or prior to a Change in Control under the circumstances described in clauses (ii) and (iii) of the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (I), (V), (VI) or (VII) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company, a change in the Executive's reporting responsibilities, titles or offices, or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control

other than any such alteration primarily attributable to the fact that the Company may no longer be a public company;

(II) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions (not to exceed 10%) similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company including the Chief Executive Officer;

(III) the relocation of the principal executive offices to a location more than 35 miles from the Company's principal executive offices immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than the location of the Company's executive offices except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to pay to the Executive any portion of the Executive's current compensation or benefits except pursuant to an across-the-board compensation or benefit deferral (not to exceed 10%) similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company including the Chief Executive Officer, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven (7) days of the date such compensation is due;

(V) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation, including but not limited to the Company's long-term incentive plans or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the Change in Control;

(VI) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's pension, supplement retirement, savings, life insurance, supplemental life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company, including the Chief Executive Officer, not to exceed 10%), the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled either by prior written agreements or on the basis of years of service with the Company

in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of any determination regarding the existence of Good Reason, any claim by the Executive that Good Reason exists shall be presumed to be correct unless the Company establishes by clear and convincing evidence that Good Reason does not exist.

(O) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(P) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(Q) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(III) any Person becomes the Beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates); or

(IV) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(R) "Retirement" shall be deemed the reason for the termination by the Executive of the Executive's employment if such employment is terminated voluntarily by the Executive in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees.

(S) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(T) "Tax Counsel" shall have the meaning set forth in Section 6.2 hereof.

(U) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(V) "Total Payments" shall mean those payments so described in Section 6.2 hereof.

(W) "W-2 Compensation" shall mean all amounts received for services actually rendered in the course of employment with the Company to the extent that such amounts are includible in gross income as wages for federal income tax purposes plus all amounts that are contributed by the Company pursuant to a salary reduction agreement and which are not includible in the gross income of the Executive under Code Sections 125 or 401(k) and minus all amounts includible in the gross income of the Executive for annual base salary, expense reimbursements or allowances, moving expenses, club initiation fees or special assessments, deferred compensation and welfare benefits, or gross-ups for taxes.

PIEDMONT NATURAL GAS COMPANY

By: _____
Name: John H. Maxheim
Title: Chairman and Chief Executive Officer

DAVID J. DZURICKY

_____
Address: 3900 Ayrshire Place
Charlotte, NC 28210

SEVERANCE AGREEMENT

THIS AGREEMENT, dated December 1, 1999, is made by and between **PIEDMONT NATURAL GAS COMPANY, INC.**, a North Carolina corporation (the "Company"), and **Ray B. Killough** (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareholders to foster the continued employment of key management personnel; and

WHEREAS, the Board of the Company recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, contemporaneous with this Agreement, the Company and the Executive have entered into an Employment Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through December 31, 2001; provided, however, that commencing on January 1, 2002 and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than fifteen (15) months prior to the applicable January 1, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire at the end of the thirty-sixth (36th) calendar month after the calendar month in which such Change in Control occurred. For example, if a Change in Control were to occur on July 1, 1999, the Term of this Agreement would expire on June 30, 2002, and if a Change in Control were to occur on July 1, 2002, the Term of this Agreement would expire on June 30, 2005 (regardless of whether on or before September 30, 2001 either party had given notice to the other party not to extend the Term as provided above).

3. Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's covenants set forth in Section

4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. Except as provided in Section 9.1 hereof, no Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive's employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is twelve (12) months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, Disability or Retirement, or (iv) the termination by the Company of the Executive's employment for any reason. Should the Executive fail to comply with the provisions of this paragraph 4, the Company's sole remedy shall be to deny the payment of any Severance Payments to the Executive.

5. Compensation Other Than Severance Payments.

5.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation, benefit or incentive plan, program or arrangement maintained by the Company during such period, until the Executive's employment is terminated by the Company for Disability.

5.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's executive compensation, benefit and incentive plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

5.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due, including in a

lump sum in cash that portion of the Executive's vacation pay vested and accrued but not paid. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's long-term incentive stock plan, pension, supplemental retirement, insurance and other executive compensation, benefit or incentive plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 Subject to Section 6.2 hereof, if the Executive's employment is terminated following a Change in Control and during the Term, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason (including Retirement by the Executive), then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments"), in addition to any payments and benefits to which the Executive is entitled under Section 5 hereof. For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Executive shall be presumed to be correct unless the Company establishes by clear and convincing evidence that such position is not correct.

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to 3.00 times the sum of (i) the Executive's annual base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason and (ii) an amount equal to the average of the Executive's annual W-2 Compensation for the three years ending on the last day of the month prior to the Date of Termination.

(B) For the 36-month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive,

those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive immediately prior to such date or occurrence; provided, however, that, unless the Executive consents to a different method (after taking into account the effect of such method on the calculation of "parachute payments" pursuant to Section 6.2 hereof), such health insurance benefits shall be provided through a third-party insurer. Benefits otherwise receivable by the Executive pursuant to this Section 6.1(B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the 36-month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason. If the Severance Payments shall be decreased pursuant to Section 6.2 hereof, and the Section 6.1(B) benefits which remain payable after the application of Section 6.2 hereof are thereafter reduced pursuant to the immediately preceding sentence, the Company shall, no later than five (5) business days following such reduction, pay to the Executive the least of (a) the amount of the decrease made in the Severance Payments pursuant to Section 6.2 hereof, (b) the amount of the subsequent reduction in these Section 6.1(B) benefits, or (c) the maximum amount which can be paid to the Executive without being, or causing any other payment to be, nondeductible by reason of section 280G of the Code.

6.2 (A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the Severance Payments, being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company, an affiliate or Person making such payment or providing such benefit as a result of section 280G of the Code, then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement), the cash Severance Payments shall first be reduced (if necessary, to zero), and all other Severance Payments shall thereafter be reduced (if necessary, to zero); provided, however, that the Executive may elect to have the noncash Severance Payments reduced (or eliminated) prior to any reduction of the cash Severance Payments.

(B) For purposes of this limitation, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), does not constitute a "parachute payment" within the meaning of section

280G(b)(2) of the Code, including by reason of section 280G(b)(4)(A) of the Code, (iii) the Severance Payments shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses (i) or (ii)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280G(b)(4)(B) of the Code or are otherwise not subject to disallowance as deductions by reason of section 280G of the Code, in the opinion of Tax Counsel, and (iv) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) If it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Section 6.2, the Total Payments paid to or for the Executive's benefit are in an amount that would result in any portion of such Total Payments being subject to the Excise Tax, then, if such repayment would result in (i) no portion of the remaining Total Payments being subject to the Excise Tax and (ii) a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, the Executive shall have an obligation to pay the Company upon demand an amount equal to the sum of (i) the excess of the Total Payments paid to or for the Executive's benefit over the Total Payments that could have been paid to or for the Executive's benefit without any portion of such Total Payments being subject to the Excise Tax; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in section 1274(b)(2)(B) of the Code from the date of the Executive's receipt of such excess until the date of such payment.

6.3 The payments provided in subsection (A) of Section 6.1 hereof shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amounts of such payments, and the limitation on such payments set forth in Section 6.2 hereof, cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

7. Termination Procedures and Compensation During Dispute.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 10 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

7.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (i) the date on which the Term ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

7.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and during the Term and the Date of Termination is extended in accordance with Section 7.3 hereof, the Company shall continue to pay the Executive the full compensation in

effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section 7.3 hereof. Amounts paid under this Section 7.4 are in addition to all other amounts due under this Agreement (other than those due under Section 5.2 hereof) and shall not be offset against or reduce any other amounts due under this Agreement.

8. No Mitigation. The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof or Section 7.4 hereof. Further, the amount of any payment or benefit provided for in this Agreement (other than Section 6.1(B) hereof) shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

9. Successors; Binding Agreement.

9.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

9.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

10. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the address inserted below the Executive's signature on the final page hereof and, if to the Company, to the address set forth below, or to such other address as either

party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

Attention: Corporate Secretary

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that the Executive's employment with the Company is terminated on or following a Change in Control (i) by the Company other than for Cause or (ii) by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of North Carolina. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 and 7 hereof) shall survive such expiration.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Settlement of Disputes; Arbitration.

14.1 All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim

for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied.

14.2 Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Charlotte, North Carolina in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding any provision of this Agreement to the contrary, the Executive shall be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Auditor" shall have the meaning set forth in Section 6.2 hereof.

(C) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(D) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Cause" for termination by the Company of the Executive's employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 7.1 hereof) which failure shall continue unabated for thirty (30) days after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the

Executive's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes by clear and convincing evidence that Cause exists.

(G) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(IV) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by

the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Company" shall mean Piedmont Natural Gas Company, Inc. and, except in determining under Section 15(G) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(J) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(K) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(L) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(M) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(N) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control, or prior to a Change in Control under the circumstances described in clauses (ii) and (iii) of the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (I), (V), (VI) or (VII) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company, a change in the Executive's reporting responsibilities, titles or offices, or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control

other than any such alteration primarily attributable to the fact that the Company may no longer be a public company;

(II) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions (not to exceed 10%) similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company including the Chief Executive Officer;

(III) the relocation of the principal executive offices to a location more than 35 miles from the Company's principal executive offices immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than the location of the Company's executive offices except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to pay to the Executive any portion of the Executive's current compensation or benefits except pursuant to an across-the-board compensation or benefit deferral (not to exceed 10%) similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company including the Chief Executive Officer, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven (7) days of the date such compensation is due;

(V) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation, including but not limited to the Company's long-term incentive plans or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the Change in Control;

(VI) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's pension, supplement retirement, savings, life insurance, supplemental life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company, including the Chief Executive Officer, not to exceed 10%), the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled either by prior written agreements or on the basis of years of service with the Company

in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of any determination regarding the existence of Good Reason, any claim by the Executive that Good Reason exists shall be presumed to be correct unless the Company establishes by clear and convincing evidence that Good Reason does not exist.

(O) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(P) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(Q) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(III) any Person becomes the Beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates); or

(IV) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(R) "Retirement" shall be deemed the reason for the termination by the Executive of the Executive's employment if such employment is terminated voluntarily by the Executive in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees.

(S) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(T) "Tax Counsel" shall have the meaning set forth in Section 6.2 hereof.

(U) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(V) "Total Payments" shall mean those payments so described in Section 6.2 hereof.

(W) "W-2 Compensation" shall mean all amounts received for services actually rendered in the course of employment with the Company to the extent that such amounts are includible in gross income as wages for federal income tax purposes plus all amounts that are contributed by the Company pursuant to a salary reduction agreement and which are not includible in the gross income of the Executive under Code Sections 125 or 401(k) and minus all amounts includible in the gross income of the Executive for annual base salary, expense reimbursements or allowances, moving expenses, club initiation fees or special assessments, deferred compensation and welfare benefits, or gross-ups for taxes.

PIEDMONT NATURAL GAS COMPANY

By: _____
Name: John H. Maxheim
Title: Chairman and Chief Executive Officer

RAY B. KILLOUGH

_____
Address: 5025 Old Monroe Road
Matthews, NC 28105

SEVERANCE AGREEMENT

THIS AGREEMENT, dated December 1, 1999, is made by and between **PIEDMONT NATURAL GAS COMPANY, INC.**, a North Carolina corporation (the "Company"), and **Thomas E. Skains** (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareholders to foster the continued employment of key management personnel; and

WHEREAS, the Board of the Company recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change in Control; and

WHEREAS, contemporaneous with this Agreement, the Company and the Executive have entered into an Employment Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Defined Terms. The definitions of capitalized terms used in this Agreement are provided in the last Section hereof.

2. Term of Agreement. The Term of this Agreement shall commence on the date hereof and shall continue in effect through December 31, 2001; provided, however, that commencing on January 1, 2002 and each January 1 thereafter, the Term shall automatically be extended for one additional year unless, not later than fifteen (15) months prior to the applicable January 1, the Company or the Executive shall have given notice not to extend the Term; and further provided, however, that if a Change in Control shall have occurred during the Term, the Term shall expire at the end of the thirty-sixth (36th) calendar month after the calendar month in which such Change in Control occurred. For example, if a Change in Control were to occur on July 1, 1999, the Term of this Agreement would expire on June 30, 2002, and if a Change in Control were to occur on July 1, 2002, the Term of this Agreement would expire on June 30, 2005 (regardless of whether on or before September 30, 2001 either party had given notice to the other party not to extend the Term as provided above).

3. Company's Covenants Summarized. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's covenants set forth in Section

4 hereof, the Company agrees, under the conditions described herein, to pay the Executive the Severance Payments and the other payments and benefits described herein. Except as provided in Section 9.1 hereof, no Severance Payments shall be payable under this Agreement unless there shall have been (or, under the terms of the second sentence of Section 6.1 hereof, there shall be deemed to have been) a termination of the Executive's employment with the Company following a Change in Control and during the Term. This Agreement shall not be construed as creating an express or implied contract of employment and, except as otherwise agreed in writing between the Executive and the Company, the Executive shall not have any right to be retained in the employ of the Company.

4. The Executive's Covenants. The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control during the Term, the Executive will remain in the employ of the Company until the earliest of (i) a date which is twelve (12) months from the date of such Potential Change of Control, (ii) the date of a Change in Control, (iii) the date of termination by the Executive of the Executive's employment for Good Reason or by reason of death, Disability or Retirement, or (iv) the termination by the Company of the Executive's employment for any reason. Should the Executive fail to comply with the provisions of this paragraph 4, the Company's sole remedy shall be to deny the payment of any Severance Payments to the Executive.

5. Compensation Other Than Severance Payments.

5.1 Following a Change in Control and during the Term, during any period that the Executive fails to perform the Executive's full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Executive's full salary to the Executive at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation, benefit or incentive plan, program or arrangement maintained by the Company during such period, until the Executive's employment is terminated by the Company for Disability.

5.2 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay the Executive's full salary to the Executive through the Date of Termination at the rate in effect immediately prior to the Date of Termination or, if higher, the rate in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, together with all compensation and benefits payable to the Executive through the Date of Termination under the terms of the Company's executive compensation, benefit and incentive plans, programs or arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason.

5.3 If the Executive's employment shall be terminated for any reason following a Change in Control and during the Term, the Company shall pay to the Executive the Executive's normal post-termination compensation and benefits as such payments become due, including in a

lump sum in cash that portion of the Executive's vacation pay vested and accrued but not paid. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's long-term incentive stock plan, pension, supplemental retirement, insurance and other executive compensation, benefit or incentive plans, programs and arrangements as in effect immediately prior to the Date of Termination or, if more favorable to the Executive, as in effect immediately prior to the occurrence of the first event or circumstance constituting Good Reason.

6. Severance Payments.

6.1 Subject to Section 6.2 hereof, if the Executive's employment is terminated following a Change in Control and during the Term, other than (A) by the Company for Cause, (B) by reason of death or Disability, or (C) by the Executive without Good Reason (including Retirement by the Executive), then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in this Section 6.1 ("Severance Payments"), in addition to any payments and benefits to which the Executive is entitled under Section 5 hereof. For purposes of this Agreement, the Executive's employment shall be deemed to have been terminated following a Change in Control by the Company without Cause or by the Executive with Good Reason, if (i) the Executive's employment is terminated by the Company without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control, (ii) the Executive terminates his employment for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of such Person, or (iii) the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Executive shall be presumed to be correct unless the Company establishes by clear and convincing evidence that such position is not correct.

(A) In lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination and in lieu of any severance benefit otherwise payable to the Executive, the Company shall pay to the Executive a lump sum severance payment, in cash, equal to 3.00 times the sum of (i) the Executive's annual base salary as in effect immediately prior to the Date of Termination or, if higher, in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason and (ii) an amount equal to the average of the Executive's annual W-2 Compensation for the three years ending on the last day of the month prior to the Date of Termination.

(B) For the 36-month period immediately following the Date of Termination, the Company shall arrange to provide the Executive and his dependents life, disability, accident and health insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination or, if more favorable to the Executive,

those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive immediately prior to such date or occurrence; provided, however, that, unless the Executive consents to a different method (after taking into account the effect of such method on the calculation of "parachute payments" pursuant to Section 6.2 hereof), such health insurance benefits shall be provided through a third-party insurer. Benefits otherwise receivable by the Executive pursuant to this Section 6.1(B) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the 36-month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the Date of Termination or, if more favorable to the Executive, the first occurrence of an event or circumstance constituting Good Reason. If the Severance Payments shall be decreased pursuant to Section 6.2 hereof, and the Section 6.1(B) benefits which remain payable after the application of Section 6.2 hereof are thereafter reduced pursuant to the immediately preceding sentence, the Company shall, no later than five (5) business days following such reduction, pay to the Executive the least of (a) the amount of the decrease made in the Severance Payments pursuant to Section 6.2 hereof, (b) the amount of the subsequent reduction in these Section 6.1(B) benefits, or (c) the maximum amount which can be paid to the Executive without being, or causing any other payment to be, nondeductible by reason of section 280G of the Code.

6.2 (A) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (all such payments and benefits, including the Severance Payments, being hereinafter called "Total Payments") would not be deductible (in whole or part), by the Company, an affiliate or Person making such payment or providing such benefit as a result of section 280G of the Code, then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement), the cash Severance Payments shall first be reduced (if necessary, to zero), and all other Severance Payments shall thereafter be reduced (if necessary, to zero); provided, however, that the Executive may elect to have the noncash Severance Payments reduced (or eliminated) prior to any reduction of the cash Severance Payments.

(B) For purposes of this limitation, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code shall be taken into account, (ii) no portion of the Total Payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), does not constitute a "parachute payment" within the meaning of section

280G(b)(2) of the Code, including by reason of section 280G(b)(4)(A) of the Code, (iii) the Severance Payments shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses (i) or (ii)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280G(b)(4)(B) of the Code or are otherwise not subject to disallowance as deductions by reason of section 280G of the Code, in the opinion of Tax Counsel, and (iv) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(C) If it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Section 6.2, the Total Payments paid to or for the Executive's benefit are in an amount that would result in any portion of such Total Payments being subject to the Excise Tax, then, if such repayment would result in (i) no portion of the remaining Total Payments being subject to the Excise Tax and (ii) a dollar-for-dollar reduction in the Executive's taxable income and wages for purposes of federal, state and local income and employment taxes, the Executive shall have an obligation to pay the Company upon demand an amount equal to the sum of (i) the excess of the Total Payments paid to or for the Executive's benefit over the Total Payments that could have been paid to or for the Executive's benefit without any portion of such Total Payments being subject to the Excise Tax; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in section 1274(b)(2)(B) of the Code from the date of the Executive's receipt of such excess until the date of such payment.

6.3 The payments provided in subsection (A) of Section 6.1 hereof shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amounts of such payments, and the limitation on such payments set forth in Section 6.2 hereof, cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Company of the minimum amount of such payments to which the Executive is clearly entitled and shall pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth (5th) business day after demand by the Company (together with interest at 120% of the rate provided in section 1274(b)(2)(B) of the Code). At the time that payments are made under this Agreement, the Company shall provide the Executive with a written statement setting forth the manner in which such payments were calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from Tax Counsel, the Auditor or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

7. Termination Procedures and Compensation During Dispute.

7.1 Notice of Termination. After a Change in Control and during the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 10 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail.

7.2 Date of Termination. "Date of Termination," with respect to any purported termination of the Executive's employment after a Change in Control and during the Term, shall mean (i) if the Executive's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive's duties during such thirty (30) day period), and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

7.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 7.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (i) the date on which the Term ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

7.4 Compensation During Dispute. If a purported termination occurs following a Change in Control and during the Term and the Date of Termination is extended in accordance with Section 7.3 hereof, the Company shall continue to pay the Executive the full compensation in

effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, as determined in accordance with Section 7.3 hereof. Amounts paid under this Section 7.4 are in addition to all other amounts due under this Agreement (other than those due under Section 5.2 hereof) and shall not be offset against or reduce any other amounts due under this Agreement.

8. No Mitigation. The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 6 hereof or Section 7.4 hereof. Further, the amount of any payment or benefit provided for in this Agreement (other than Section 6.1(B) hereof) shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

9. Successors; Binding Agreement.

9.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason after a Change in Control, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

9.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

10. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Executive, to the address inserted below the Executive's signature on the final page hereof and, if to the Company, to the address set forth below, or to such other address as either

party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

Attention: Corporate Secretary

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or of any lack of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement supersedes any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof which have been made by either party; provided, however, that this Agreement shall supersede any agreement setting forth the terms and conditions of the Executive's employment with the Company only in the event that the Executive's employment with the Company is terminated on or following a Change in Control (i) by the Company other than for Cause or (ii) by the Executive for Good Reason. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of North Carolina. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 6 and 7 hereof) shall survive such expiration.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

14. Settlement of Disputes; Arbitration.

14.1 All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim

for benefits under this Agreement shall be delivered to the Executive in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Board a decision of the Board within sixty (60) days after notification by the Board that the Executive's claim has been denied.

14.2 Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Charlotte, North Carolina in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the evidentiary standards set forth in this Agreement shall apply. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding any provision of this Agreement to the contrary, the Executive shall be entitled to seek specific performance of the Executive's right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(B) "Auditor" shall have the meaning set forth in Section 6.2 hereof.

(C) "Base Amount" shall have the meaning set forth in section 280G(b)(3) of the Code.

(D) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

(E) "Board" shall mean the Board of Directors of the Company.

(F) "Cause" for termination by the Company of the Executive's employment shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive's duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the Executive pursuant to Section 7.1 hereof) which failure shall continue unabated for thirty (30) days after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (x) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the

Executive's act, or failure to act, was in the best interest of the Company and (y) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes by clear and convincing evidence that Cause exists.

(G) A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (III) below; or

(II) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(III) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any subsidiary of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially owned by such Person any securities acquired directly from the Company or its Affiliates other than in connection with the acquisition by the Company or its Affiliates of a business) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(IV) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by

the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

(H) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(I) "Company" shall mean Piedmont Natural Gas Company, Inc. and, except in determining under Section 15(G) hereof whether or not any Change in Control of the Company has occurred, shall include any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(J) "Date of Termination" shall have the meaning set forth in Section 7.2 hereof.

(K) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties with the Company for a period of six (6) consecutive months, the Company shall have given the Executive a Notice of Termination for Disability, and, within thirty (30) days after such Notice of Termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

(L) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(M) "Executive" shall mean the individual named in the first paragraph of this Agreement.

(N) "Good Reason" for termination by the Executive of the Executive's employment shall mean the occurrence (without the Executive's express written consent) after any Change in Control, or prior to a Change in Control under the circumstances described in clauses (ii) and (iii) of the second sentence of Section 6.1 hereof (treating all references in paragraphs (I) through (VII) below to a "Change in Control" as references to a "Potential Change in Control"), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (I), (V), (VI) or (VII) below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(I) the assignment to the Executive of any duties inconsistent with the Executive's status as a senior executive officer of the Company, a change in the Executive's reporting responsibilities, titles or offices, or a substantial adverse alteration in the nature or status of the Executive's responsibilities from those in effect immediately prior to the Change in Control

other than any such alteration primarily attributable to the fact that the Company may no longer be a public company;

(II) a reduction by the Company in the Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions (not to exceed 10%) similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company including the Chief Executive Officer;

(III) the relocation of the principal executive offices to a location more than 35 miles from the Company's principal executive offices immediately prior to the Change in Control or the Company's requiring the Executive to be based anywhere other than the location of the Company's executive offices except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations;

(IV) the failure by the Company to pay to the Executive any portion of the Executive's current compensation or benefits except pursuant to an across-the-board compensation or benefit deferral (not to exceed 10%) similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company including the Chief Executive Officer, or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven (7) days of the date such compensation is due;

(V) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive's total compensation, including but not limited to the Company's long-term incentive plans or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to the Change in Control;

(VI) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's pension, supplement retirement, savings, life insurance, supplemental life insurance, medical, health and accident, or disability plans in which the Executive was participating immediately prior to the Change in Control (except for across-the-board changes similarly affecting all senior executives of the Company and all senior executives of any Person in control of the Company, including the Chief Executive Officer, not to exceed 10%), the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any material fringe benefit enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive is entitled either by prior written agreements or on the basis of years of service with the Company

in accordance with the Company's normal vacation policy in effect at the time of the Change in Control; or

(VII) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 7.1 hereof; for purposes of this Agreement, no such purported termination shall be effective.

The Executive's right to terminate the Executive's employment for Good Reason shall not be affected by the Executive's incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of any determination regarding the existence of Good Reason, any claim by the Executive that Good Reason exists shall be presumed to be correct unless the Company establishes by clear and convincing evidence that Good Reason does not exist.

(O) "Notice of Termination" shall have the meaning set forth in Section 7.1 hereof.

(P) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(Q) "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(I) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(II) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(III) any Person becomes the Beneficial owner, directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates); or

(IV) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(R) "Retirement" shall be deemed the reason for the termination by the Executive of the Executive's employment if such employment is terminated voluntarily by the Executive in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees.

(S) "Severance Payments" shall have the meaning set forth in Section 6.1 hereof.

(T) "Tax Counsel" shall have the meaning set forth in Section 6.2 hereof.

(U) "Term" shall mean the period of time described in Section 2 hereof (including any extension, continuation or termination described therein).

(V) "Total Payments" shall mean those payments so described in Section 6.2 hereof.

(W) "W-2 Compensation" shall mean all amounts received for services actually rendered in the course of employment with the Company to the extent that such amounts are includible in gross income as wages for federal income tax purposes plus all amounts that are contributed by the Company pursuant to a salary reduction agreement and which are not includible in the gross income of the Executive under Code Sections 125 or 401(k) and minus all amounts includible in the gross income of the Executive for annual base salary, expense reimbursements or allowances, moving expenses, club initiation fees or special assessments, deferred compensation and welfare benefits, or gross-ups for taxes.

PIEDMONT NATURAL GAS COMPANY

By: _____
Name: John H. Maxheim
Title: Chairman and Chief Executive Officer

THOMAS E. SKAINS

_____

Address: 8222 Greencastle Drive
Charlotte, NC 28210

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

11. Provide the gas sales summaries by month, for the 24 month period ended August, 1999. Include the step volume information for the appropriate rate classifications.

Response

11. The Company has provided this information to the staff on a monthly basis.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

12. Provide the number of billing cycles per month, the identity of any specific groups of customers billed on a particular cycle, and the normal read and bill dates during the month for each cycle.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

Response

12. There are 21 billing cycles each month. Residential and commercial meters are read through out the month. Large volume customers are read in cycle 21 each month. Enclosed are billing cycle scheduled dates for 3 months of the test year.

INFORMATION SYSTEMS

11/17/98

CYCLE of OPERATIONS

DECEMBER 1998

PLEASE NOTE:
Holidays - 12/24/98, 12/25/98, 1/1/99, 1/18/99
Sat. read - 12/5/98 Sunday bill - 12/13/98

CORPORATE OFFICE SCHEDULE

Date ---->		12/01	12/02	12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	12/27	12/28	12/29	12/30	12/31	01/01	01/02	01/03	01/04	01/05
Day----->		Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue
Prepare & send to Districts																																					
Prepare & send DCI file	NC,SC,TN	5	6	7	8	xxx	xxx	9	10	11	12,13	14	xxx	xxx	15	16	17	18	19	xxx	xxx	20	21	1	HOL	HOL	xxx	xxx	2	3	4	5	HOL	xxx	xxx	6	7
Receive from the Districts																																					
Receive DCO file		20	21	1	2	xxx	xxx	3	4	5	6,7	8	xxx	xxx	9	10	11	12	13	xxx	xxx	14	15	16	HOL	HOL	xxx	xxx	17	18	19	20	HOL	xxx	xxx	21	1
Bill Natural Gas Cycles	NC,SC,TN	19	20	21	1	xxx	xxx	2	3	4	5	6	xxx	7	8	9	10	11	12	xxx	xxx	13	14	15	HOL	HOL	xxx	xxx	16	17	18	19	HOL	xxx	xxx	20	21
Prep Date		12/01	12/02	12/03	12/04	xxx	xxx	12/07	12/08	12/09	12/10	12/11	xxx	12/13	12/14	12/15	12/16	12/17	12/18	xxx	xxx	12/21	12/22	12/23	HOL	HOL	xxx	xxx	12/28	12/29	12/30	12/31	HOL	xxx	xxx	01/04	01/05
Bill Date		12/02	12/03	12/04	12/07	xxx	xxx	12/08	12/09	12/10	12/11	12/14	xxx	12/14	12/15	12/16	12/17	12/18	12/21	xxx	xxx	12/22	12/23	12/24	HOL	HOL	xxx	xxx	12/29	12/30	12/31	01/01	HOL	xxx	xxx	01/05	01/06
Past Due Dates																								12/28							01/04						
NC & SC non-residential		12/18	12/21	12/22	12/23	xxx	xxx	12/28	12/29	12/30	12/31	01/04	xxx	01/04	01/05	01/06	01/07	01/08	01/11	xxx	xxx	01/12	01/13	01/13	HOL	HOL	xxx	xxx	01/15	01/19	01/20	01/20	HOL	xxx	xxx	01/22	01/25
NC & SC residentail		12/28	12/28	12/29	01/04	xxx	xxx	01/04	01/04	01/04	01/05	01/08	xxx	01/08	01/11	01/11	01/11	01/12	01/15	xxx	xxx	01/19	01/19	01/19	HOL	HOL	xxx	xxx	01/25	01/25	01/25	01/26	HOL	xxx	xxx	02/01	02/01
TN net to gross Date		12/16	12/17	12/18	12/21	xxx	xxx	12/22	12/23	12/28	12/29	12/30	xxx	12/30	12/31	01/04	01/05	01/06	01/07	xxx	xxx	01/08	01/11	01/11	HOL	HOL	xxx	xxx	01/13	01/14	01/15	01/15	HOL	xxx	xxx	01/20	01/21
Bankdraft - Extract		11	12	13	14	xxx	xxx	15	16	17	18	19	xxx	xxx	20	21	1	2	3	xxx	xxx	4	5	6	HOL	HOL	xxx	xxx	7,8	9	10	11	HOL	xxx	xxx	12	13
Bankdraft - Post		8	9,10	11	12	xxx	xxx	13	14	15	16	17	xxx	xxx	18	19	20	21	1	xxx	xxx	2	3	4	HOL	HOL	xxx	xxx	5	6	7,8	9	HOL	xxx	xxx	10	11

DIVISION / DISTRICT SCHEDULE

Date ---->	12/01	12/02	12/03	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	12/16	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24	12/25	12/26	12/27	12/28	12/29	12/30	12/31	01/01	01/02	01/03	01/04	01/05
Day----->	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue
READ METERS - GAS ACCOUNTS	1	2	3	4	5	xxx	6	7	8	9	10	xxx	xxx	11	12	13	14	15	xxx	xxx	16	17	18	HOL	HOL	xxx	xxx	19	20	21	1	HOL	xxx	xxx	2	3
review and send DCO file	21	1	2	3	xxx	xxx	4	5	6,7	8	9	xxx	xxx	10	11	12	13	14	xxx	xxx	15	16	17	HOL	HOL	xxx	xxx	18	19	20	21	HOL	xxx	xxx	1	2
RECEIVE FROM CENTRAL BILLING																																				
Bill Register	18	19	20	21	xxx	xxx	1	2	3	4	5	xxx	xxx	6,7	8	9	10	11	xxx	xxx	12	13	14	HOL	HOL	xxx	xxx	15	16	17	18	HOL	xxx	xxx	19	20
Review Bills	17	18	19	20	xxx	xxx	21	1	2	3	4	xxx	xxx	5	6,7	8	9	10	xxx	xxx	11	12	13	HOL	HOL	xxx	xxx	14	15	16	17	HOL	xxx	xxx	18	19
DELIQUENT NOTICES																																				
Gas Expired Cycle - First Contact																																				
Gas Expired Cycle - Termination																																				
RECEIVE DCI FILE	4	5	6	7	xxx	xxx	8	9	10	11	12,13	xxx	xxx	14	15	16	17	18	xxx	xxx	19	20	21	HOL	HOL	xxx	xxx	1	2	3	4	HOL	xxx	xxx	5	6

oper-bhm.wk4

INFORMATION SYSTEMS

CYCLE of OPERATIONS

CORPORATE OFFICE SCHEDULE

01/06/99 revised

JANUARY 1999

PLEASE NOTE:
Holidays - 01/01/99 & 01/18/99
Sat read 1/9/99 Sunday bill - 1/24/99

Date ——>	01/01	01/02	01/03	01/04	01/05	01/06	01/07	01/08	01/09	01/10	01/11	01/12	01/13	01/14	01/15	01/16	01/17	01/18	01/19	01/20	01/21	01/22	01/23	01/24	01/25	01/26	01/27	01/28	01/29	01/30	01/31	02/01	02/02	02/03	02/04	02/05
Day——>	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri
Prepare & send to Districts																																				
Prepare & send DCI file NC,SC,TN	HOL	xxx	xxx	6	7	8	9	10	xxx	xxx	11	12	13	14	15	xxx	xxx	HOL	16	17	18,19	20	xxx	xxx	21	1	2	3	4	xxx	xxx	5	6	7	8	9
Receive from the Districts																																				
Receive DCO file	HOL	xxx	xxx	21	1	2	3	4	xxx	xxx	5	6	7	8	9	xxx	xxx	HOL	10	11	12,13	14	xxx	xxx	15	16	17	18	19	xxx	xxx	20	21	1	2	3
Bill Natural Gas Cycles NC,SC,TN	HOL	xxx	xxx	20	21	1	2	3	xxx	xxx	4	5	6	7	8	xxx	xxx	HOL	9	10	11	12	xxx	13	14	15	16	17	18	xxx	xxx	19	20	21	1	2
Prep Date	HOL	xxx	xxx	01/04	01/05	01/06	01/07	01/08	xxx	xxx	01/11	01/12	01/13	01/14	01/15	xxx	xxx	HOL	01/19	01/20	01/21	01/22	xxx	01/24	01/25	01/26	01/27	01/28	01/29	xxx	xxx	02/01	02/02	02/03	02/04	02/05
Bill Date	HOL	xxx	xxx	01/05	01/06	01/07	01/08	01/11	xxx	xxx	01/12	01/13	01/14	01/15	01/19	xxx	xxx	HOL	01/20	01/21	01/22	01/25	xxx	01/25	01/26	01/27	01/28	01/29	02/01	xxx	xxx	02/02	02/03	02/04	02/05	02/08
Past Due Dates																																				
NC & SC non-residential	HOL	xxx	xxx	01/22	01/25	01/26	01/27	01/28	xxx	xxx	01/29	02/01	02/02	02/03	02/04	xxx	xxx	HOL	02/05	02/08	02/09	02/10	xxx	02/10	02/11	02/12	02/15	02/16	02/17	xxx	xxx	02/18	02/19	02/22	02/23	02/24
NC & SC residentail	HOL	xxx	xxx	02/01	02/01	02/01	02/02	02/05	xxx	xxx	02/08	02/08	02/08	02/09	02/15	xxx	xxx	HOL	02/15	02/15	02/16	02/19	xxx	02/19	02/22	02/22	02/22	02/23	02/26	xxx	xxx	03/01	03/01	03/01	03/02	03/05
TN net to gross Date	HOL	xxx	xxx	01/20	01/21	01/22	01/25	01/26	xxx	xxx	01/27	01/28	01/29	02/01	02/02	xxx	xxx	HOL	02/03	02/04	02/05	02/08	xxx	02/08	02/09	02/10	02/11	02/12	02/15	xxx	xxx	02/16	02/17	02/18	02/19	02/22
Bankdraft - Extract	HOL	xxx	xxx	12	13	14	15	16	xxx	xxx	17	18	19	20	21	xxx	xxx	HOL	1	2	3	4	xxx	xxx	5	6	7	8	9	xxx	xxx	10	11	12	~~13,14~~	15
Bankdraft - Post	HOL	xxx	xxx	10	11	12	13	14	xxx	xxx	15	16	17	18	19	xxx	xxx	HOL	20	21	1	2	xxx	xxx	3	4	5	6	7	xxx	xxx	8	9	10	11	~~12~~

12,13 14

12,13

DIVISION / DISTRICT SCHEDULE

Date ——>	01/01	01/02	01/03	01/04	01/05	01/06	01/07	01/08	01/09	01/10	01/11	01/12	01/13	01/14	01/15	01/16	01/17	01/18	01/19	01/20	01/21	01/22	01/23	01/24	01/25	01/26	01/27	01/28	01/29	01/30	01/31	02/01	02/02	02/03	02/04	02/05
Day------>	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri
READ METERS - GAS ACCOUNTS	HOL	xxx	xxx	2	3	4	5	6	7	xxx	8	9	10	11	12	xxx	xxx	HOL	13	14	15	16	xxx	xxx	17	18	19	20	21	xxx	xxx	1	2	3	4	5
review and send DCO file	HOL	xxx	xxx	1	2	3	4	5	xxx	xxx	6	7	8	9	10	xxx	xxx	HOL	11	12,13	14	15	xxx	xxx	16	17	18	19	20	xxx	xxx	21	1	2	3	4
RECEIVE FROM CENTRAL BILLING																																				
Bill Register	HOL	xxx	xxx	19	20	21	1	2	xxx	xxx	3	4	5	6	7	xxx	xxx	HOL	8	9	10	11	xxx	xxx	12,13	14	15	16	17	xxx	xxx	18	19	20	21	1
Review Bills	HOL	xxx	xxx	18	19	20	21	1	xxx	xxx	2	3	4	5	6	xxx	xxx	HOL	7	8	9	10	xxx	xxx	11	12,13	14	15	16	xxx	xxx	17	18	19	20	21
DELIQUENT NOTICES																																				
Gas Expired Cycle - First Contact																																				
Gas Expired Cycle - Termination																																				
RECEIVE DCI FILE	HOL	xxx	xxx	5	6	7	8	9	xxx	xxx	10	11	12	13	14	xxx	xxx	HOL	15	16	17	18,19	xxx	xxx	20	21	1	2	3	xxx	xxx	4	5	6	7	8

INFORMATIONS SYSTEMS

CYCLE of OPERATIONS

CORPORATE OFFICE SCHEDULE

February 1999

PLEASE NOTE:
Sunday billing: 2/14/99
Saturday read: 2/6/99
Holiday : 4/2/99

Date ---------->	02/01	02/02	02/03	02/04	02/05	02/06	02/07	02/08	02/09	02/10	02/11	02/12	02/13	02/14	02/15	02/16	02/17	02/18	02/19	02/20	02/21	02/22	02/23	02/24	02/25	02/26	02/27	02/28	03/01	03/02	03/03	03/04	03/05	03/06	03/07	03/08
Day ---------->	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon
Prepare & send to Districts																																				
Prepare & send DCI file NC,SC,TN	5	6	7	8	9	xxx	xxx	10	11	12	13,14	15	xxx	xxx	16	17	18	19	20	xxx	xxx	21	1	2	3	4	xxx	xxx	5	6	7	8	9	xxx	xxx	10
Receive from the Districts																																				
Receive DCO file	20	21	1	2	3	xxx	xxx	4	5	6	7,8	9	xxx	xxx	10	11	12	13	14	xxx	xxx	15	16	17	18	19	xxx	xxx	20	21	1	2	3	xxx	xxx	4
Billing																																				
Bill Natural Gas Cycles NC,SC,TN	19	20	21	1	2	xxx	xxx	3	4	5	6	7	xxx	8	9	10	11	12	13	xxx	xxx	14	15	16	17	18	xxx	xxx	19	20	21	1	2	xxx	xxx	3
Prep Date	02/01	02/02	02/03	02/04	02/05	xxx	xxx	02/08	02/09	02/10	02/11	02/12	xxx	xxx	02/15	02/16	02/17	02/18	02/19	xxx	xxx	02/22	02/23	02/24	02/25	02/26	xxx	xxx	03/01	03/02	03/03	03/04	03/05	xxx	xxx	03/08
Bill Date	02/02	02/03	02/04	02/05	02/08	xxx	xxx	02/09	02/10	02/11	02/12	02/15	xxx	xxx	02/16	02/17	02/18	02/19	02/22	xxx	xxx	02/23	02/24	02/25	02/26	03/01	xxx	xxx	03/02	03/03	03/04	03/05	03/08	xxx	xxx	03/09
Past Due Dates																																				
NC & SC non-residential	02/18	02/19	02/22	02/23	02/24	xxx	xxx	02/25	02/26	03/01	03/02	03/03	xxx	xxx	03/04	03/05	03/08	03/09	03/10	xxx	xxx	03/11	03/12	03/15	03/16	03/17	xxx	xxx	03/18	03/19	03/22	03/23	03/24	xxx	xxx	03/25
NC & SC residential	03/01	03/01	03/01	03/02	03/05	xxx	xxx	03/08	03/08	03/08	03/09	03/12	xxx	xxx	03/15	03/15	03/15	03/16	03/19	xxx	xxx	03/22	03/22	03/22	03/23	03/26	xxx	xxx	03/29	03/29	03/29	03/30	04/05	xxx	xxx	04/05
TN net to gross	02/16	02/17	02/18	02/19	02/22	xxx	xxx	02/23	02/24	02/25	02/26	03/01	xxx	xxx	03/02	03/03	03/04	03/05	03/08	xxx	xxx	03/09	03/10	03/11	03/12	03/15	xxx	xxx	03/16	03/17	03/18	03/19	03/22	xxx	xxx	03/23
Bankdraft																																				
Bankdraft - Extract	10	11	12,13	14	15	xxx	xxx	16	17	18	19	20	xxx	xxx	21	1	2	3	4	xxx	xxx	5	6	7,8	9	10	xxx	xxx	11	12	13	14	15	xxx	xxx	16
Bankdraft - Post	8	9	10	11	12,13	xxx	xxx	14	15	16	17	18	xxx	xxx	19	20	21	1	2	xxx	xxx	3	4	5	6	7,8	xxx	xxx	9	10	11	12	13	xxx	xxx	14

DIVISION/DISTRICT SCHEDULE

Date ---------->	02/01	02/02	02/03	02/04	02/05	02/06	02/07	02/08	02/09	02/10	02/11	02/12	02/13	02/14	02/15	02/16	02/17	02/18	02/19	02/20	02/21	02/22	02/23	02/24	02/25	02/26	02/27	02/28	03/01	03/02	03/03	03/04	03/05	03/06	03/07	03/08
Day ---------->	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon
Read Meters - Gas Accounts	1	2	3	4	5	6	xxx	7	8	9	10	11	xxx	xxx	12	13	14	15	16	xxx	xxx	17	18	19	20	21	xxx	xxx	1	2	3	4	5	xxx	xxx	6
Prepare & Send to Corporate																																				
Review and send DCO file	21	1	2	3	4	xxx	xxx	5	6	7,8	9	10	xxx	xxx	11	12	13	14	15	xxx	xxx	16	17	18	19	20	xxx	xxx	21	1	2	3	4	xxx	xxx	5
Receive from Corporate																																				
Receive DCI file	4	5	6	7	8	xxx	xxx	9	10	11	12	13,14	xxx	xxx	15	16	17	18	19	xxx	xxx	20	21	1	2	3	xxx	xxx	4	5	6	7	8	xxx	xxx	9
Receive From Central Billing																																				
Bill Register	18	19	20	21	1	xxx	xxx	2	3	4	5	6	xxx	xxx	7,8	9	10	11	12	xxx	xxx	13	14	15	16	17	xxx	xxx	18	19	20	21	1	xxx	xxx	2
Review Bills	17	18	19	20	21	xxx	xxx	1	2	3	4	5	xxx	xxx	6	7,8	9	10	11	xxx	xxx	12	13	14	15	16	xxx	xxx	17	18	19	20	21	xxx	xxx	1

1/20/99 10:21

operbhm.xls

B McGee/Customer Accounting

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

13. Provide a copy of all weather normalization workpapers.

Response:

13. Weather normalization workpapers are provided in the previously filed worksheets as schedules Rev-1 through Rev-13. Calculation of the factors for residential and commercial customers are shown on the schedules included with this response.

Tennessee 01's Residential

	MONTH	CUST	THERMS	DD 15-15	MMBTU/Cust	Heat	Base
1998	SEP	112,609	1,568,890	0.5	1.393219014		
	OCT	113,052	1,772,986	35	1.568292467		
	NOV	115,286	5,201,026	285.5	4.51141162		
	DEC	116,830	9,731,306	373.5	8.329458187		
1999	JAN	118,131	22,377,908	927.5	18.94329854		
	FEB	118,647	12,821,054	450.5	10.80604988		
	MAR	119,062	15,285,871	652.5	12.83858074		
	APR	119,024	9,379,411	271	7.880268685		
	MAY	118,400	3,344,624	87	2.824851351		
	JUN	117,838	2,011,715	0	1.707186986		
	JUL	117,638	1,676,419	0	1.42506588		
	AUG	117,365	1,476,695	0	1.258207302	0.018768861	1.301791
		1,403,882	86,647,905	3083.0		0.000940982	0.363651
						0.975480844	0.941046

NASHVILLE GAS COMPANY
RESIDENTIAL

REV-6

BASE FACTOR	1.301791088
HEAT FACTOR	0.018769
CORRELATION	97.55%

Tennessee 02's Commercial

	MONTH	CUST	THERMS	DD 15-15	MMBTU/Cust	Heat	Base
1998	SEP	15,187	1,991,594	0.5	13.11380786		
	OCT	15,205	2,234,352	35	14.69485038		
	NOV	15,517	4,342,993	285.5	27.98861249		
	DEC	15,773	7,194,119	373.5	45.61034046		
1999	JAN	16,081	13,936,873	927.5	86.66670605		
	FEB	16,111	8,729,076	450.5	54.18084539		
	MAR	16,102	9,714,943	652.5	60.33376599		
	APR	16,056	5,817,808	271	36.23447932		
	MAY	15,870	2,734,065	87	17.2278828		
	JUN	15,698	2,315,632	0	14.75112753		
	JUL	15,635	1,975,420	0	12.63460185		
	AUG	15,506	1,920,698	0	12.38680511	0.079320522	12.60655
		188,741	62,907,573	3083.0		0.003603116	1.392458
						0.979783063	3.603362

NASHVILLE GAS COMPANY
COMMERCIAL

REV-7

BASE FACTOR	12.60655466
HEAT FACTOR	0.079321
CORRELATION	97.98%

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

14. Provide a copy of any usage and growth trends and any other adjustments used to project revenues.

Response:

14. Please see response to item 13.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

17. Provide a schedule of employees for the 12 months ended August 31, 1999, identifying them as part or full time, and the account to which their compensation is charged. Also, indicate whether the employees are salaried or hourly. Identify the regular, overtime and total hours worked during the test period. Also identify the regular and total earnings during the test period. For those employees working only a partial year, give dates of employment. Identify pay rates at August 31, 1999 and the projected amount and date of raises through the attrition year. Where appropriate, show the allocation of compensation between states and non-regulated operations. Also indicate any anticipated changes in employment levels during 2000 and 2001.

PIEDMONT NATURAL GAS COMPANY, INC.
Computation of Salaries and Wages
Twelve Months Ending May 31, 2001
As of September 14, 1999 (Tennessee Salaried)

Emp. No.	Area Code	Annual @ 9/14/99	Type	Projected Salary @ 9/14/00	Projected Salary 6/1/2000-5/31/2001	Projected FICA 6/1/2000-5/31/2001	Projected Unemp. 6/1/2000-5/31/2001
1	1715	43,808.96	E	45,561	45,022	3,444	88
2	1721	38,927.20	E	40,484	40,005	3,060	88
3	1737	25,353.12	E	26,367	26,055	1,993	88
4	1737	31,957.12	E	33,235	32,842	2,512	88
5	1713	63,497.00	S	66,037	65,255	4,992	88
6	1721	54,600.00	S	56,784	56,112	4,293	88
7	1721	49,320.00	S	51,293	50,686	3,877	88
8	1721	50,273.00	S	52,284	51,665	3,952	88
9	1721	49,396.00	S	51,372	50,764	3,883	88
10	1721	50,274.00	S	52,285	51,666	3,952	88
11	1721	46,516.00	S	48,377	47,804	3,657	88
12	1721	52,440.00	S	54,538	53,892	4,123	88
13	1725	58,464.00	S	60,803	60,083	4,596	88
14	1725	10,903.00	S	11,339	11,205	857	88
15	1725	9,792.00	S	10,184	10,063	770	88
16	1725	10,693.00	S	11,121	10,989	841	88
17	1725	11,552.00	S	12,014	11,872	908	88
18	1727	41,341.00	S	42,995	42,486	3,250	88
19	1728	41,159.00	S	42,805	42,299	3,236	88
20	1730	100,700.00	S	104,728	103,489	6,213	88
21	1730	38,593.00	S	40,137	39,662	3,034	88
22	1730	57,514.00	S	59,815	59,107	4,522	88
23	1730	47,811.00	S	49,723	49,135	3,759	88
24	1731	46,815.00	S	48,688	48,112	3,681	88
25	1731	45,613.00	S	47,438	46,876	3,586	88
26	1731	43,043.00	S	44,765	44,235	3,384	88
27	1731	39,334.00	S	40,907	40,423	3,092	88
28	1737	49,606.00	S	51,590	50,980	3,900	88
29	1737	37,117.00	S	38,602	38,145	2,918	88
30	1741	69,398.00	S	72,174	71,320	5,456	88
31	1741	59,283.00	S	61,654	60,924	4,661	88
32	1741	46,167.00	S	48,014	47,446	3,630	88
33	1741	43,169.00	S	44,896	44,365	3,394	88
34	1741	51,450.00	S	53,508	52,875	4,045	88
35	1741	36,266.00	S	37,717	37,271	2,851	88
36	1750	118,000.00	S	122,720	121,268	6,470	88
37	1750	40,454.00	S	42,072	41,574	3,180	88
38	1753	60,829.00	S	63,262	62,513	4,782	88
39	1753	55,937.00	S	58,174	57,486	4,398	88
40	1753	55,935.00	S	58,172	57,484	4,398	88
41	1753	55,938.00	S	58,176	57,487	4,398	88
42	1753	53,231.00	S	55,360	54,705	4,185	88
43	1755	42,706.00	S	44,414	43,888	3,357	88
44	1755	45,935.00	S	47,772	47,207	3,611	88

PIEDMONT NATURAL GAS COMPANY, INC.
Computation of Salaries and Wages
Twelve Months Ending May 31, 2001
As of September 14, 1999 (Tennessee Salaried)

Emp. No.	Area Code	Annual @ 9/14/99	Type	Projected Salary @ 9/14/00	Projected Salary 6/1/2000-5/31/2001	Projected FICA 6/1/2000-5/31/2001	Projected Unemp. 6/1/2000-5/31/2001
45	1760	57,912.00	S	60,228	59,515	4,553	88
46	1760	40,543.00	S	42,165	41,666	3,187	88
47	1762	40,594.00	S	42,218	41,718	3,191	88
48	1763	60,839.00	S	63,273	62,524	4,783	88
49	1763	55,405.00	S	57,621	56,939	4,356	88
50	1763	56,474.00	S	58,733	58,038	4,440	88
51	1763	51,083.00	S	53,126	52,497	4,016	88
52	1763	57,020.00	S	59,301	58,599	4,483	88
53	1763	61,894.00	S	64,370	63,608	4,866	88
54	1763	49,598.00	S	51,582	50,972	3,899	88
55	1763	37,896.00	S	39,412	38,946	2,979	88
56	1763	49,705.00	S	51,693	51,081	3,908	88
57	1763	37,896.00	S	39,412	38,946	2,979	88
58	1763	48,297.00	S	50,229	49,635	3,797	88
59	1763	40,019.00	S	41,620	41,127	3,146	88
60	1763	37,896.00	S	39,412	38,946	2,979	88
61	1763	49,056.00	S	51,018	50,414	3,857	88
62	1763	37,530.00	S	39,031	38,569	2,951	88
63	1763	49,704.00	S	51,692	51,080	3,908	88
64	1763	49,598.00	S	51,582	50,972	3,899	88
65	1763	52,498.00	S	54,598	53,952	4,127	88
66	1763	50,598.00	S	52,622	51,999	3,978	88
67	1763	50,118.00	S	52,123	51,506	3,940	88
68	1763	47,017.00	S	48,898	48,319	3,696	88
69	1770	66,164.00	S	68,811	67,997	5,202	88
70	1770	55,429.00	S	57,646	56,964	4,358	88
71	1770	57,441.00	S	59,739	59,032	4,516	88
72	1770	42,665.00	S	44,372	43,847	3,354	88
73	1770	54,901.00	S	57,097	56,421	4,316	88
74	1770	38,480.00	S	40,019	39,545	3,025	88
75	1770	37,534.00	S	39,035	38,573	2,951	88
76	1771	54,377.00	S	56,552	55,883	4,275	88
77	3110	52,991.00	S	55,111	54,459	4,166	88
78	3130	44,360.00	S	46,134	45,588	3,487	88
79	5351	38,312.00	S	39,844	39,373	3,012	88
		TOTAL			3,897,992	293,681	6,952

PIEDMONT NATURAL GAS COMPANY, INC.
Computation of Salaries and Wages
Twelve Months Ending May 31, 2001
As of September 14, 1999 (Tennessee Hourly)

Emp. No.	Area Code	Annual @ 9/14/99	Type	Projected Salary @ 9/14/00	Projected Salary 6/1/2000-5/31/2001	Projected FICA 6/1/2000-5/31/2001	Projected Unemp. 6/1/2000-5/31/2001
1	1721	35,984.00	H	37,423	36,980	2,829	88
2	1721	35,984.00	H	37,423	36,980	2,829	88
3	1725	30,992.00	H	32,232	31,850	2,437	88
4	1731	30,992.00	H	32,232	31,850	2,437	88
5	1731	37,689.60	H	39,197	38,733	2,963	88
6	1731	38,792.00	H	40,344	39,866	3,050	88
7	1731	38,792.00	H	40,344	39,866	3,050	88
8	1731	38,792.00	H	40,344	39,866	3,050	88
9	1731	38,792.00	H	40,344	39,866	3,050	88
10	1731	38,792.00	H	40,344	39,866	3,050	88
11	1731	38,792.00	H	40,344	39,866	3,050	88
12	1731	38,792.00	H	40,344	39,866	3,050	88
13	1731	35,318.40	H	36,731	36,296	2,777	88
14	1731	36,483.20	H	37,943	37,494	2,868	88
15	1731	38,792.00	H	40,344	39,866	3,050	88
16	1731	38,792.00	H	40,344	39,866	3,050	88
17	1731	34,153.60	H	35,520	35,100	2,685	88
18	1731	38,792.00	H	40,344	39,866	3,050	88
19	1731	38,792.00	H	40,344	39,866	3,050	88
20	1731	38,792.00	H	40,344	39,866	3,050	88
21	1731	30,992.00	H	32,232	31,850	2,437	88
22	1731	41,891.20	H	43,567	43,051	3,293	88
23	1731	41,891.20	H	43,567	43,051	3,293	88
24	1731	38,792.00	H	40,344	39,866	3,050	88
25	1731	38,792.00	H	40,344	39,866	3,050	88
26	1731	38,792.00	H	40,344	39,866	3,050	88
27	1731	38,792.00	H	40,344	39,866	3,050	88
28	1731	41,891.20	H	43,567	43,051	3,293	88
29	1731	41,891.20	H	43,567	43,051	3,293	88
30	1731	32,406.40	H	33,703	33,304	2,548	88
31	1731	33,363.20	H	34,698	34,287	2,623	88
32	1731	31,408.00	H	32,664	32,278	2,469	88
33	1731	33,363.20	H	34,698	34,287	2,623	88
34	1753	33,363.20	H	34,698	34,287	2,623	88
35	1753	36,899.20	H	38,375	37,921	2,901	88
36	1753	34,736.00	H	36,125	35,698	2,731	88
37	1753	38,376.00	H	39,911	39,439	3,017	88
38	1753	32,843.20	H	34,157	33,753	2,582	88
39	1753	38,376.00	H	39,911	39,439	3,017	88
40	1753	36,816.00	H	38,289	37,836	2,894	88
41	1753	38,376.00	H	39,911	39,439	3,017	88
42	1753	32,843.20	H	34,157	33,753	2,582	88
43	1753	36,816.00	H	38,289	37,836	2,894	88
44	1753	36,899.20	H	38,375	37,921	2,901	88

PIEDMONT NATURAL GAS COMPANY, INC.
Computation of Salaries and Wages
Twelve Months Ending May 31, 2001
As of September 14, 1999 (Tennessee Hourly)

Emp. No.	Area Code	Annual @ 9/14/99	Type	Projected Salary @ 9/14/00	Projected Salary 6/1/2000-5/31/2001	Projected FICA 6/1/2000-5/31/2001	Projected Unemp. 6/1/2000-5/31/2001
45	1753	32,843.20	H	34,157	33,753	2,582	88
46	1753	30,742.40	H	31,972	31,594	2,417	88
47	1753	36,816.00	H	38,289	37,836	2,894	88
48	1753	30,742.40	H	31,972	31,594	2,417	88
49	1753	39,145.60	H	40,711	40,229	3,078	88
50	1753	39,145.60	H	40,711	40,229	3,078	88
51	1753	39,145.60	H	40,711	40,229	3,078	88
52	1753	39,145.60	H	40,711	40,229	3,078	88
53	1753	38,376.00	H	39,911	39,439	3,017	88
54	1753	38,376.00	H	39,911	39,439	3,017	88
55	1753	38,376.00	H	39,911	39,439	3,017	88
56	1753	38,376.00	H	39,911	39,439	3,017	88
57	1753	38,376.00	H	39,911	39,439	3,017	88
58	1753	38,376.00	H	39,911	39,439	3,017	88
59	1753	38,376.00	H	39,911	39,439	3,017	88
60	1753	38,376.00	H	39,911	39,439	3,017	88
61	1753	38,376.00	H	39,911	39,439	3,017	88
62	1753	33,966.40	H	35,325	34,907	2,670	88
63	1753	38,376.00	H	39,911	39,439	3,017	88
64	1753	39,145.60	H	40,711	40,229	3,078	88
65	1753	39,145.60	H	40,711	40,229	3,078	88
66	1753	39,145.60	H	40,711	40,229	3,078	88
67	1753	39,145.60	H	40,711	40,229	3,078	88
68	1753	39,145.60	H	40,711	40,229	3,078	88
69	1753	39,145.60	H	40,711	40,229	3,078	88
70	1753	39,145.60	H	40,711	40,229	3,078	88
71	1753	39,145.60	H	40,711	40,229	3,078	88
72	1753	39,145.60	H	40,711	40,229	3,078	88
73	1753	39,145.60	H	40,711	40,229	3,078	88
74	1753	39,145.60	H	40,711	40,229	3,078	88
75	1753	38,376.00	H	39,911	39,439	3,017	88
76	1753	38,376.00	H	39,911	39,439	3,017	88
77	1753	38,376.00	H	39,911	39,439	3,017	88
78	1753	38,376.00	H	39,911	39,439	3,017	88
79	1753	38,376.00	H	39,911	39,439	3,017	88
80	1753	38,376.00	H	39,911	39,439	3,017	88
81	1753	38,376.00	H	39,911	39,439	3,017	88
82	1753	38,376.00	H	39,911	39,439	3,017	88
83	1753	38,376.00	H	39,911	39,439	3,017	88
84	1753	38,376.00	H	39,911	39,439	3,017	88
85	1753	38,376.00	H	39,911	39,439	3,017	88
86	1753	38,376.00	H	39,911	39,439	3,017	88
87	1753	38,376.00	H	39,911	39,439	3,017	88
88	1753	38,376.00	H	39,911	39,439	3,017	88

PIEDMONT NATURAL GAS COMPANY, INC.
Computation of Salaries and Wages
Twelve Months Ending May 31, 2001
As of September 14, 1999 (Tennessee Hourly)

Emp. No.	Area Code	Annual @ 9/14/99	Type	Projected Salary @ 9/14/00	Projected Salary 6/1/2000-5/31/2001	Projected FICA 6/1/2000-5/31/2001	Projected Unemp. 6/1/2000-5/31/2001
89	1753	38,376.00	H	39,911	39,439	3,017	88
90	1753	38,376.00	H	39,911	39,439	3,017	88
91	1753	38,376.00	H	39,911	39,439	3,017	88
92	1753	38,376.00	H	39,911	39,439	3,017	88
93	1753	38,376.00	H	39,911	39,439	3,017	88
94	1753	38,376.00	H	39,911	39,439	3,017	88
95	1753	38,376.00	H	39,911	39,439	3,017	88
96	1753	38,376.00	H	39,911	39,439	3,017	88
97	1753	38,376.00	H	39,911	39,439	3,017	88
98	1753	38,376.00	H	39,911	39,439	3,017	88
99	1753	38,376.00	H	39,911	39,439	3,017	88
100	1753	38,376.00	H	39,911	39,439	3,017	88
101	1753	38,376.00	H	39,911	39,439	3,017	88
102	1753	38,376.00	H	39,911	39,439	3,017	88
103	1753	38,376.00	H	39,911	39,439	3,017	88
104	1753	38,376.00	H	39,911	39,439	3,017	88
105	1753	38,376.00	H	39,911	39,439	3,017	88
106	1753	38,376.00	H	39,911	39,439	3,017	88
107	1753	38,376.00	H	39,911	39,439	3,017	88
108	1753	38,376.00	H	39,911	39,439	3,017	88
109	1753	38,376.00	H	39,911	39,439	3,017	88
110	1753	38,376.00	H	39,911	39,439	3,017	88
111	1753	38,376.00	H	39,911	39,439	3,017	88
112	1753	38,376.00	H	39,911	39,439	3,017	88
113	1753	38,376.00	H	39,911	39,439	3,017	88
114	1753	38,376.00	H	39,911	39,439	3,017	88
115	1753	38,376.00	H	39,911	39,439	3,017	88
116	1753	39,145.60	H	40,711	40,229	3,078	88
117	1755	38,792.00	H	40,344	39,866	3,050	88
118	1755	35,921.60	H	37,358	36,916	2,824	88
119	1755	33,321.60	H	34,654	34,244	2,620	88
120	1755	32,614.40	H	33,919	33,518	2,564	88
121	1755	35,318.40	H	36,731	36,296	2,777	88
122	1755	33,321.60	H	34,654	34,244	2,620	88
123	1755	34,153.60	H	35,520	35,100	2,685	88
124	1755	32,947.20	H	34,265	33,860	2,590	88
125	1755	35,318.40	H	36,731	36,296	2,777	88
126	1755	33,321.60	H	34,654	34,244	2,620	88
127	1755	35,318.40	H	36,731	36,296	2,777	88
128	1755	32,947.20	H	34,265	33,860	2,590	88
129	1755	32,614.40	H	33,919	33,518	2,564	88
130	1755	32,614.40	H	33,919	33,518	2,564	88
131	1755	35,318.40	H	36,731	36,296	2,777	88
132	1755	34,153.60	H	35,520	35,100	2,685	88

PIEDMONT NATURAL GAS COMPANY, INC.
Computation of Salaries and Wages
Twelve Months Ending May 31, 2001
As of September 14, 1999 (Tennessee Hourly)

Emp. No.	Area Code	Annual @ 9/14/99	Type	Projected Salary @ 9/14/00	Projected Salary 6/1/2000-5/31/2001	Projected FICA 6/1/2000-5/31/2001	Projected Unemp. 6/1/2000-5/31/2001
133	1755	34,153.60	H	35,520	35,100	2,685	88
134	1755	34,153.60	H	35,520	35,100	2,685	88
135	1755	34,153.60	H	35,520	35,100	2,685	88
136	1755	32,614.40	H	33,919	33,518	2,564	88
137	1755	33,425.60	H	34,763	34,351	2,628	88
138	1755	33,904.00	H	35,260	34,843	2,665	88
139	1755	36,004.80	H	37,445	37,002	2,831	88
140	1755	36,004.80	H	37,445	37,002	2,831	88
141	1755	36,004.80	H	37,445	37,002	2,831	88
142	1755	36,004.80	H	37,445	37,002	2,831	88
143	1760	28,828.80	H	29,982	29,627	2,266	88
144	1760	27,476.80	H	28,576	28,238	2,160	88
145	1760	26,686.40	H	27,754	27,426	2,098	88
146	1760	29,660.80	H	30,847	30,482	2,332	88
147	1762	33,363.20	H	34,698	34,287	2,623	88
148	1762	38,376.00	H	39,911	39,439	3,017	88
149	1762	38,376.00	H	39,911	39,439	3,017	88
150	1763	32,843.20	H	34,157	33,753	2,582	88
151	1763	32,739.20	H	34,049	33,646	2,574	88
152	1763	35,984.00	H	37,423	36,980	2,829	88
153	1763	35,984.00	H	37,423	36,980	2,829	88
154	1763	32,739.20	H	34,049	33,646	2,574	88
155	1763	35,984.00	H	37,423	36,980	2,829	88
156	1763	35,984.00	H	37,423	36,980	2,829	88
157	1763	35,984.00	H	37,423	36,980	2,829	88
158	1763	32,739.20	H	34,049	33,646	2,574	88
159	1763	35,984.00	H	37,423	36,980	2,829	88
160	1763	38,792.00	H	40,344	39,866	3,050	88
161	1763	38,792.00	H	40,344	39,866	3,050	88
162	1763	38,792.00	H	40,344	39,866	3,050	88
163	1763	38,792.00	H	40,344	39,866	3,050	88
164	1763	38,792.00	H	40,344	39,866	3,050	88
165	1763	38,792.00	H	40,344	39,866	3,050	88
166	1763	38,376.00	H	39,911	39,439	3,017	88
167	1763	32,406.40	H	33,703	33,304	2,548	88
168	1763	31,969.60	H	33,248	32,855	2,513	88
169	1763	31,054.40	H	32,297	31,915	2,441	88
170	1763	31,969.60	H	33,248	32,855	2,513	88
171	1763	31,969.60	H	33,248	32,855	2,513	88
172	1763	31,054.40	H	32,297	31,915	2,441	88
173	1763	31,969.60	H	33,248	32,855	2,513	88
174	1763	31,054.40	H	32,297	31,915	2,441	88
175	1763	31,969.60	H	33,248	32,855	2,513	88
176	1763	31,969.60	H	33,248	32,855	2,513	88

PIEDMONT NATURAL GAS COMPANY, INC.
Computation of Salaries and Wages
Twelve Months Ending May 31, 2001
As of September 14, 1999 (Tennessee Hourly)

Emp. No.	Area Code	Annual @ 9/14/99	Type	Projected Salary @ 9/14/00	Projected Salary 6/1/2000-5/31/2001	Projected FICA 6/1/2000-5/31/2001	Projected Unemp. 6/1/2000-5/31/2001
177	1763	31,969.60	H	33,248	32,855	2,513	88
178	1763	31,969.60	H	33,248	32,855	2,513	88
179	1763	31,969.60	H	33,248	32,855	2,513	88
180	1763	31,054.40	H	32,297	31,915	2,441	88
181	1763	39,145.60	H	40,711	40,229	3,078	88
182	1763	39,145.60	H	40,711	40,229	3,078	88
183	1763	38,376.00	H	39,911	39,439	3,017	88
184	1763	38,376.00	H	39,911	39,439	3,017	88
185	1763	38,376.00	H	39,911	39,439	3,017	88
186	1763	38,376.00	H	39,911	39,439	3,017	88
187	1763	38,376.00	H	39,911	39,439	3,017	88
188	1763	38,376.00	H	39,911	39,439	3,017	88
189	1763	38,376.00	H	39,911	39,439	3,017	88
190	1763	29,660.80	H	30,847	30,482	2,332	88
191	1763	29,660.80	H	30,847	30,482	2,332	88
192	1763	29,660.80	H	30,847	30,482	2,332	88
193	1763	29,660.80	H	30,847	30,482	2,332	88
194	1763	29,660.80	H	30,847	30,482	2,332	88
195	1763	29,660.80	H	30,847	30,482	2,332	88
196	1763	29,660.80	H	30,847	30,482	2,332	88
197	1763	29,660.80	H	30,847	30,482	2,332	88
198	1763	38,376.00	H	39,911	39,439	3,017	88
199	1763	35,401.60	H	36,818	36,382	2,783	88
200	1763	35,401.60	H	36,818	36,382	2,783	88
201	1763	35,401.60	H	36,818	36,382	2,783	88
202	1763	35,401.60	H	36,818	36,382	2,783	88
203	1763	32,572.80	H	33,876	33,475	2,561	88
204	1763	31,969.60	H	33,248	32,855	2,513	88
205	1763	31,054.40	H	32,297	31,915	2,441	88
206	1763	31,969.60	H	33,248	32,855	2,513	88
207	1763	31,969.60	H	33,248	32,855	2,513	88
208	1763	31,054.40	H	32,297	31,915	2,441	88
209	1763	31,969.60	H	33,248	32,855	2,513	88
210	1763	31,969.60	H	33,248	32,855	2,513	88
211	1763	31,969.60	H	33,248	32,855	2,513	88
212	1763	31,969.60	H	33,248	32,855	2,513	88
213	1763	31,054.40	H	32,297	31,915	2,441	88
214	1763	31,969.60	H	33,248	32,855	2,513	88
215	1763	31,969.60	H	33,248	32,855	2,513	88
216	1763	31,969.60	H	33,248	32,855	2,513	88
217	1763	31,969.60	H	33,248	32,855	2,513	88
218	1763	31,969.60	H	33,248	32,855	2,513	88
219	1763	31,969.60	H	33,248	32,855	2,513	88
220	1763	31,969.60	H	33,248	32,855	2,513	88

PIEDMONT NATURAL GAS COMPANY, INC.
Computation of Salaries and Wages
Twelve Months Ending May 31, 2001
As of September 14, 1999 (Tennessee Hourly)

Emp. No.	Area Code	Annual @ 9/14/99	Type	Projected Salary @ 9/14/00	Projected Salary 6/1/2000-5/31/2001	Projected FICA 6/1/2000-5/31/2001	Projected Unemp. 6/1/2000-5/31/2001
221	1763	31,054.40	H	32,297	31,915	2,441	88
222	1763	31,969.60	H	33,248	32,855	2,513	88
223	1763	31,969.60	H	33,248	32,855	2,513	88
224	1763	31,969.60	H	33,248	32,855	2,513	88
225	1763	31,969.60	H	33,248	32,855	2,513	88
226	1763	31,969.60	H	33,248	32,855	2,513	88
227	1763	39,145.60	H	40,711	40,229	3,078	88
228	1763	39,145.60	H	40,711	40,229	3,078	88
229	1763	38,376.00	H	39,911	39,439	3,017	88
230	1770	33,363.20	H	34,698	34,287	2,623	88
231	1770	29,660.80	H	30,847	30,482	2,332	88
232	1770	38,376.00	H	39,911	39,439	3,017	88
233	1770	38,376.00	H	39,911	39,439	3,017	88
234	1770	38,376.00	H	39,911	39,439	3,017	88
235	1770	38,376.00	H	39,911	39,439	3,017	88
236	1770	38,376.00	H	39,911	39,439	3,017	88
237	1770	38,376.00	H	39,911	39,439	3,017	88
238	1770	38,376.00	H	39,911	39,439	3,017	88
239	1770	39,395.20	H	40,971	40,486	3,097	88
240	1770	39,395.20	H	40,971	40,486	3,097	88
241	1770	39,395.20	H	40,971	40,486	3,097	88
242	1770	39,395.20	H	40,971	40,486	3,097	88
243	1770	39,395.20	H	40,971	40,486	3,097	88
244	1770	39,395.20	H	40,971	40,486	3,097	88
245	1770	39,395.20	H	40,971	40,486	3,097	88
246	1770	38,376.00	H	39,911	39,439	3,017	88
247	1771	39,395.20	H	40,971	40,486	3,097	88
248	1771	39,395.20	H	40,971	40,486	3,097	88
249	1771	39,395.20	H	40,971	40,486	3,097	88
250	1771	39,395.20	H	40,971	40,486	3,097	88
251	1771	39,395.20	H	40,971	40,486	3,097	88
252	1771	32,884.80	H	34,200	33,795	2,585	88
253	1771	32,884.80	H	34,200	33,795	2,585	88
254	1771	32,884.80	H	34,200	33,795	2,585	88
255	1771	32,884.80	H	34,200	33,795	2,585	88
256	1771	32,884.80	H	34,200	33,795	2,585	88
		TOTAL			9,459,122	723,613	22,528

PIEDMONT NATURAL GAS COMPANY, INC.
Average Overtime Hours

Line No.	Month	12 months Aug-95 (1)	12 months Aug-96 (2)	12 months Aug-97 (3)	12 months Aug-98 (4)	12 months Aug-99 (5)	95-99 Average (6)	98-99 Average (7)
1	September	8,782	6,271	5,569	4,228	2,722		
2	October	15,193	11,483	11,350	3,617	4,547		
3	November	13,906	11,979	12,567	10,927	11,881		
4	December	10,419	7,429	7,596	3,282	3,663		
5	January	10,346	10,299	10,905	2,600	3,915		
6	February	8,985	7,529	5,123	2,528	2,389		
7	March	6,585	4,387	5,116	2,188	2,087		
8	April	5,536	3,760	4,857	3,936	2,357		
9	May	6,233	3,085	1,953	6,082	2,628		
10	June	4,627	4,185	2,719	2,464	1,677		
11	July	6,077	2,997	1,728	1,782	1,835		
12	August	4,712	3,158	1,263	1,566	1,810		
13		101,401	76,562	70,746	45,200	41,511	67,084	43,356

PIEDMONT NATURAL GAS COMPANY, INC.
Projected Overtime Pay

Line No.	Area Code (1)	Straight Time Wages (2)	Number of Employees (3)	Total Hours (3) * 2080 (4)	Rate Per Hour (5)	O/T Rate (5)*1.5 (6)	Projected O/T Hours (7)	Projected O/T Payroll (8)
1	1721	73,960	2	4,160	17.78	26.67	81	2,160
2	1725	31,850	1	2,080	15.31	22.97	2	46
3	1731	1,155,539	30	62,400	18.52	27.78	663	18,416
4	1753	3,232,059	83	172,640	18.72	28.08	14339	402,669
5	1755	919,192	26	54,080	17.00	25.50	1440	36,713
6	1760	115,773	4	8,320	13.92	20.87	548	11,438
7	1762	113,165	3	6,240	18.14	27.20	0	0
8	1763	2,782,496	80	166,400	16.72	25.08	16625	416,998
9	1770	663,683	17	35,360	18.77	28.15	6069	170,866
10	1771	371,405	10	20,800	17.86	26.78	3589	96,128
11	Total	9,459,122	256	532,480			43,356	1,155,435

PIEDMONT NATURAL GAS COMPANY, INC.
Projected Overtime Hours

Line No.	Area Code	1998 Overtime	Dist. %	Projected Attrition Period Overtime
1	1721	87	0.19%	81
2	1725	2	0.00%	2
3	1731	711	1.53%	663
4	1753	15,386	33.07%	14,339
5	1755	1,545	3.32%	1,440
6	1760	588	1.26%	548
7	1763	17,838	38.34%	16,625
8	1770	6,512	14.00%	6,069
9	1771	3,851	8.28%	3,589
10		46,520	100%	43,356

PIEDMONT NATURAL GAS COMPANY, INC.
Salaries and Wages Charged to M&J

Line No.		12 months Aug 31 1998	12 months Aug 31 1999	1998-1999 Average
1	Salaries/wages - M&J	462,963	160,013	311,488
2	Less: Commissions	66,187	71,204	68,696
3	Clearing accounts Salaries/wages - M&J	17,432	16,938	17,185
4	Total Payroll Charged to M&J	414,208	105,747	259,978
5	Total Payroll	13,759,759	14,947,840	14,353,800
6	Percent Charged to M&J	3.01%	0.71%	1.81%

PIEDMONT NATURAL GAS COMPANY, INC.
Additions to September 14, 1999 Employee Count (Tennessee direct)

Position	Number	Hourly Rate	Current Annual	Projected @9/14/00	Projected 6/1/2000-5/31/2001	FICA	Unemp.
Garage Worker	1	14.56	30,285	31,496	31,123	2,381	88
Pipe Layer Fusor	1	14.93	31,054	32,297	31,915	2,441	88
Service Representative	1	17.02	35,402	36,818	36,382	2,783	88
Measurement Clerk	1	13.73	28,558	29,701	29,349	2,245	88
Meter Reader	1	15.68	32,614	33,919	33,518	2,564	88
Total Additions	5		157,914	164,231	162,287	12,414	440

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

18. Provide a schedule showing by month, from September 1, 1997, through August 31, 1999, identifying the amount and the percentage of total payroll capitalized on a total Company and Tennessee only basis.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST #1

Item 18

	TOTAL COMPANY			TENNESSEE		
	Payroll Capitalized	Total Payroll	Percentage	Payroll Capitalized	Total Payroll	Percentage
September 1997	524,371	5,516,740	9.51%	187,829	1,143,062	16.43%
October	532,239	5,527,282	9.63%	204,118	1,199,893	17.01%
November	935,294	8,741,790	10.70%	336,303	1,852,641	18.15%
December	629,332	5,531,290	11.38%	212,875	1,005,214	21.18%
January 1998	586,664	5,488,078	10.69%	210,422	1,022,306	20.58%
February	606,140	5,425,007	11.17%	204,862	1,006,214	20.36%
March	560,689	5,425,374	10.33%	189,576	998,757	18.98%
April	548,132	5,383,396	10.18%	188,902	1,034,853	18.25%
May	808,232	8,099,671	9.98%	266,238	1,536,525	17.33%
June	561,776	5,317,495	10.56%	189,876	985,466	19.27%
July	586,002	5,549,654	10.56%	192,114	980,608	19.59%
August	601,811	5,417,340	11.11%	192,706	994,220	19.38%
September	639,918	5,591,391	11.44%	209,463	1,028,311	20.37%
October	652,632	5,506,972	11.85%	214,503	1,082,912	19.81%
November	1,196,090	8,187,225	14.61%	348,961	1,775,265	19.66%
December	785,081	5,339,862	14.70%	207,464	1,060,258	19.57%
January 1999	728,086	6,261,302	11.63%	206,647	1,416,339	14.59%
February	653,341	5,825,187	11.22%	194,827	1,135,674	17.16%
March	641,864	5,808,397	11.05%	181,393	1,241,284	14.61%
April	637,544	6,055,470	10.53%	196,463	1,245,219	15.78%
May	1,064,059	9,000,904	11.82%	297,307	1,312,963	22.64%
June	630,409	5,848,097	10.78%	194,278	1,208,978	16.07%
July	622,329	6,178,382	10.07%	206,430	1,232,474	16.75%
August	678,028	6,011,859	11.28%	217,056	1,208,161	17.97%

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

19. Provide a description of each type of service that employees of Piedmont perform for Nashville operations.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

Item 19

Description of each type of service that employees of Piedmont perform for Nashville operations:

Chairman, President and CEO
Strategic direction and ensuring successful operations, financial results and relations with shareholders, customers and the general public.

Corporate Planning
Evaluation, development and coordination of planning systems and objective-setting processes.

Corporate Secretary
Interaction and communication with the Board of Directors, officers and shareholders, administration of certain Corporate matters and provision of legal advice.

Gas Supply and Services
Assuring an available, adequate and continuous supply of gas and gas services to meet the demands of both present and future customers.

Inventory Control and Purchasing
Management of material acquisition and distribution and negotiation and administration of purchasing contracts to procure materials and services to meet needs at the optimum levels of cost, quality and dependability.

Finance and Accounting
Financial planning for a full range of financial and accounting services, including rate administration, gas accounting, customer accounting, treasury, cash management, tax, corporate accounting and financial reporting.

Internal Audit
Conducts financial and operational audits to verify compliance with accepted accounting principles, Company policies and applicable rules and regulations and reports the findings and recommends corrective action to improve internal controls and efficiency of operations.

Information Services
Provides computing technology, including the data center and security, applications systems and information services administration and planning.

Employee Relations
Provides human resource and insurance management, including policies and programs covering employment, wage and salary administration, training, placement and succession planning, union contract administration and activities involving risk insurance plans and employee benefit plans.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

20. Provide detailed workpapers supporting the calculation of the Life Insurance expense, Long-Term Disability, Hospitalization expenses, and other miscellaneous employee insurance expenses. For the attrition period show the total and capitalized amount.

NASHVILLE GAS COMPANY
Employee Benefits
For The Twelve Months Ending May 31,2001

Line No.		Test Year Amount	Adjust.	Attrition Yr. Amt.
		(1)	(2)	(3)
1.	ESOP	10,501	1.0317	10,834
2.	Employee Pension Plan	650,858	Footnote A	907,417
3.	Employee Insurance	2,353,767	1.0317	2,428,381
4.	Savings Plan	573,998	1.0317	592,194
5.	Other	86,525	1.0317	89,268
6.	Total	$3,675,649	$352,445	$4,028,094

A/ Test Period Pension Expense	650,858
Less FASB 87 Expense	263,759
Pension Expense less FASB 87	387,099
Growth Factor	1.0317
Attrition Period Amount	399,370
Plus Amortization of Deferred Pension Expense	508,047
Total Pension Expense	907,417

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 22

22. Provide an insurance schedule for the 12 months ended August 31, 1999, identifying the policies in effect, the type of coverage, the coverage period, the annual premiums, the amount included as an expense, the account charged, the beneficiaries, and the allocation used. Also provide the above information for those policies currently in effect and any anticipated changes in policies in 2000 and 2001.

22. The attached schedules provide the requested insurance information. No significant changes in coverage are anticipated for 2000 and 2001.

SUMMARY O ¡URANCE COSTS
BY POLICY TYPE
FOR THE 12 MONTH PERIOD
ENDING AUGUST 31, 1999

INSURANCE COMPANY & POLICY NUMBER	POLICY TYPE	BENEFICIARY OF COVERAGE	POLICY PERIOD	INSURANCE COVERAGE	BUDGET ACCOUNT	ACTUAL YEARLY PREMIUM	AGENT
National Union Fire Ins. Co. Pol #415-77-22	Excess Workers' Compensation	All Employees	11/01/97-2000	Statutory WC $1,000,000 EL $300,000 Retention	925.10	$59,428.56	AON
Liberty Bond Services	Self-Insured WC Bonds	All Employees	Continuous 11/01 - 11/01	$500,000 North Carolina (#18000032) $250,000 South Carolina (#18000031) $350,000 Tennessee (#18000030)	925.10	$6,600	AON
National Union Fire Ins. Co. Pol. #7202419	Automobile Liability	Piedmont	11/01/1998-1999	$1,000,000 Each Accident (CSL) $100,000 SIR	925.10	$194,097.00	POLK & SULLIVAN
National Union Fire Ins. Co. Pol. #5440493	General Liability	Piedmont	11/01/1998-1999	$900,000 Per Occurrence $2,000,000 Gen'l Aggregate/Loc./Proj. $100,000 SIR	925.10	$402,490.00	POLK & SULLIVAN
National Union Fire Ins. Co. Pol #ST260-45-46	Property Coverage	Piedmont	11/01/97-2000	$35,000,000 Blanket Limit	924.00	$112,752	AON
National Union Fire Ins. Co. Pol #BE3570705	Umbrella Liability	Piedmont	11/01/1995-2000	$25,000,000 Liability After $1 Million Primary Liability	925.10	$145,172	AON
Hartford Steam Boiler Insp. and Insurance Company Pol #BMI-SA-4908892-01	Boiler & Machinery	Piedmont	11/01/1998-1999	$20,000,000 Each Accident $25,000 Deductible	924.00	$56,400	AON
Underwriters at Lloyds, London Pol #COI 970290	Excess Package	Piedmont	11/01/1997-2001	$15,000,000 Excess Property $35,000,000 Excess Property/Windstorm $20,000,000 Excess Property/B&M $80,000,000 Excess of $25,000,000 Umbrella	925.10	$104,285.00	AON
Travelers C & S Pol #001 FF 103012512	Fiduciary Liability	Benefit Plan Administrators & Piedmont	4/1/1997-2000	$5,000,000 Limit	925.10	$14,829.00	MARSH
Hartford Fire Pol #DDD PU4365	Blanket Crime	Piedmont	6/1/1998-2001	$1,500,000 Limit $10,000 Deductible	924.00	$8,363.00	MARSH
Lumberman's Mutual (Kemper) Pol #3AT593511-04	EDP/Contractor's Equipment	Piedmont	11/01/1998-1999	$15,405,533 EDP Equipment $1,252,144 Media $1,000,000 Extra Expense (total limit) $2,500 Deductible	924.00	$15,328	AON
AIG Life Insurance GTP 803-3268	Key Man Accident	Officers, Directors & Board Members	5/27/98-5/27/99	$1,500,000 Aggregate $200,000 Life	Off. 926.20 Dir. 930.20	$3,723.00	Benefit Controls
AIG Life Insurance GTP 803-3267	Business Travel Accident	All Employees	5/27/98-5/27/99	$1,500,000 Aggregate $200,000 Life - Salaried $100,000 Life - Hourly	926.20	$8,326.00	Benefit Controls
Great American Pol #DOL8811417	Directors & Officers Liability		09/01/1996-2000	$15,000,000 Aggregate $10,000,000 Outside Directorships $200,000 Deductible	Off. 926.20 Dir. 930.20	$91,532	AON
					Total	$1,211,276.93	

SUMMARY O JURANCE COSTS
BY POLICY TYPE
FOR THE 12 MONTH PERIOD
ENDING JANUARY 31, 2000

INSURANCE COMPANY & POLICY NUMBER	POLICY TYPE	BENEFICIARY OF COVERAGE	POLICY PERIOD	INSURANCE COVERAGE		BUDGET ACCOUNT	ACTUAL YEARLY PREMIUM	AGENT
National Union Fire Ins. Co. Pol #415-77-22	Excess Workers' Compensation	All Employees	11/01/97-2000	Statutory $1,000,000 $300,000	WC EL Retention	925.10	$60,017.13	AON
Liberty Bond Services	Self-Insured WC Bonds	All Employees	Continuous 11/01 - 11/01	$500,000 $250,000 $350,000	North Carolina (#18000032) South Carolina (#18000031) Tennessee (#18000030)	925.10	$6,600	AON
National Union Fire Ins. Co. Pol. # CA 7203208 RA	Automobile Liability	Piedmont	11/01/1999-2000	$1,000,000 $100,000	Each Accident (CSL) SIR	925.10	$197,561.00	POLK & SULLIVAN
National Union Fire Ins. Co. Pol. #GL 5441389 RA	General Liability	Piedmont	11/01/1999-2000	$900,000 $2,000,000 $100,000	Per Occurrence Gen'l Aggregate/Loc./Proj. SIR	925.10	$470,586.00	POLK & SULLIVAN
National Union Fire Ins. Co. Pol #ST960302	Property Coverage	Piedmont	11/01/97-2000	$35,000,000	Blanket Limit	924.00	$135,966	AON
National Union Fire Ins. Co. Pol #BE3098090	Umbrella Liability	Piedmont	11/01/1995-2000	$25,000,000 After $1 Million	Liability Primary Liability	925.10	$137,913	AON
Hartford Steam Boiler Insp. and Insurance Company Pol #BMI-SA-4908892	Boiler & Machinery	Piedmont	11/01/1999-2000	$20,000,000 $25,000	Each Accident Deductible	924.00	$59,255	AON
Underwriters at Lloyds, London Pol #COI 970290	Excess Package	Piedmont	11/01/1997-2001	$15,000,000 $35,000,000 $20,000,000 $80,000,000	Excess Property Excess Property/Windstorm Excess Property/B&M Excess of $25,000,000 Umbrella	925.10	$104,285.07	AON
Travelers C & S Pol #001 FF 103012512	Fiduciary Liability	Benefit Plan Administrators & Piedmont	4/1/1997-2000	$5,000,000	Limit	925.10	$14,829.00	MARSH
Hartford Fire Pol #DDD PU4365	Blanket Crime	Piedmont	6/1/1998-2001	$1,500,000 $10,000	Limit Deductible	924.00	$8,363.00	MARSH
Lumberman's Mutual (Kemper) Pol #3AT593511-05	EDP/Contractor's Equipment	Piedmont	11/01/1999-2000	$15,405,533 $1,252,144 $1,000,000 $2,500	EDP Equipment Media Extra Expense (total limit) Deductible	924.00	$15,761	AON
AIG Life Insurance GTP 803-3268	Key Man Accident	Officers, Directors & Board Members	5/27/99-5/27/00	$1,500,000 $200,000	Aggregate Life	Off. 926.20 Dir. 930.20	$3,723.00	Benefit Controls
AIG Life Insurance GTP 803-3267	Business Travel Accident	All Employees	5/27/99-5/27/00	$1,500,000 $200,000 $100,000	Aggregate Life - Salaried Life - Hourly	926.20	$8,326.00	Benefit Controls
Great American Pol #DOL8811417	Directors & Officers Liability		09/01/1996-2000	$15,000,000 $10,000,000 $200,000	Aggregate Outside Directorships Deductible	Off. 926.20 Dir. 930.20	$91,532	AON
						Total	$1,302,668.57	

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

25. Provide a schedule identifying all directors, meetings attended, and the amount of director's fees attributable to each for September 1, 1997, through August 31, 1999.

BOARD OF DIRECTOR MEETINGS
September 1, 1997 – August 31, 1999

	12/5/97	2/28/98	6/5/98	8/28/98	12/4/98	2/2/99	2/26/99	6/4/99	8/26-27/99
J. Amos	✓	✓	✓	✓	✓	✓	✓	✓	✓
C. Butler, III	✓	✓	✓		✓	✓	✓	✓	✓
S. DiGiovanni	✓	✓	✓	✓	✓	✓	✓	✓	✓
J. Harris	✓	✓	✓	✓	✓		✓	✓	✓
M. Helms	✓	✓	✓	✓	✓		✓	✓	✓
J. Maxheim[1]	✓	✓	✓	✓	✓	✓	✓	✓	✓
J. McNair, III	✓	✓	✓	✓	✓	✓	✓	✓	✓
N. McWherter	✓		✓	✓	✓	✓	✓	✓	✓
W. Montgomery, Jr.		✓		✓	✓		✓		✓
D. Russell, Jr.	✓	✓	✓		✓	✓	✓		✓
W. Schiefer[2]									✓
J. Simkins, Jr.	✓	✓	✓	✓	✓	✓	✓	✓	✓

Fees for meeting attendance are $750.00 per meeting.

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[1] Not eligible for fees.

[2] Elected to Board on 6/4/99. Not eligible for fees.