

FINAL TRANSCRIPT

Thomson StreetEventsSM

PNY - Q3 2007 Piedmont Natural Gas Earnings Conference Call

Event Date/Time: Sep. 13. 2007 / 2:30PM ET

Sep. 13. 2007 / 2:30PM, PNY - Q3 2007 Piedmont Natural Gas Earnings Conference Call

CORPORATE PARTICIPANTS

John Sutphin

Piedmont Natural Gas - Manager, Fin., IR

Tom Skains

Piedmont Natural Gas - Chairman, CEO, President

Dave Dzuricky

Piedmont Natural Gas - SVP, CFO

CONFERENCE CALL PARTICIPANTS

Brooke Glenn Mullin

JPMorgan - Analyst

Yiktat Fung

Zimmer Lucas Partners - Analyst

Angela Ho

Wachovia Securities - Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you very much for standing by. Welcome to your third quarter earnings conference call. At this time, all participants are in a listen-only mode, so later we will conduct a question and answer session. I will give instructions at that time. (OPERATOR INSTRUCTIONS) As a reminder, the conference is being recorded. I would now like to turn the conference over to our host and Manager of Finance and Investor Relations, Mr. John Sutphin. Please go ahead.

John Sutphin - *Piedmont Natural Gas - Manager, Fin., IR*

Thanks, Bob. Good morning, and thank you for joining third quarter 2007 earnings conference call. The call is open to the general public and is being webcast live over the Internet. If you would like to access the webcast of this call please visit our website at www.piedmontng.com and choose the investors link. On the right-hand side of that page you will find a link to the webcast. On the call today presenting prepared remarks we have Tom Skains, President, Chairman, and Chief Executive Officer; and Dave Dzuricky, Senior Vice President and Chief Financial Officer. Other members of our executive management team are also in attendance to assist with questions. At the conclusion of the prepared remarks, we will open the discussion to questions.

Finally, this call may include forward-looking statements within the meaning of the Securities laws. Actual results may materially differ from those discussed in the forward-looking statements. More information about the risks and uncertainties relating to these forward-looking statements may be found in Piedmont's latest Form 10-K and Form 10-Q which are available on the SEC's website at www.SEC.gov. With that, I will turn the call over to Tom.

Tom Skains - *Piedmont Natural Gas - Chairman, CEO, President*

Thank you, John. Good afternoon, everyone, and thank you for participating in our third quarter 2007 earnings conference call. As I'm sure you're aware we filed our third quarter 10-Q and released our third quarter earnings following our quarterly Board meeting last Friday. At the conclusion of the second quarter of this year we discussed the ongoing positive impact of our business strategies and objectives. Today we're pleased to present a similar message with regard to our third quarter results. As we concluded the third quarter of 2007, our net income was \$112.7 million fiscal year-to-date, up \$9.3 million from the same time period last year. This translates to diluted earnings per share of \$1.51 an 11% increase over the same time period in 2006.

Sep. 13. 2007 / 2:30PM, PNY - Q3 2007 Piedmont Natural Gas Earnings Conference Call

Within the third quarter of 2007 our seasonal loss was \$9.1 million, an improvement of \$3.3 million from our seasonal loss in the third quarter of 2006. These earnings results were driven by utility margins that surpassed last year's mark by \$2.2 million and joint venture income which was \$3.8 million greater than the third quarter of 2006. The continued growth of our customer base within our service territories and our ability to acquire and retain these customers remains the key driver of our margin growth. While our organic growth remained strong, we have continued to focus our attention on the improvement of core business processes that will deliver long-term value to our shareholders, customers, and the communities that we serve.

Our continuous process improvement initiatives remain a focal point as we further enhance the efficiency and the effectiveness of our internal processes and the structure of the organization as a whole. We continue to see the ongoing positive impact of these initiatives in the form of O&M expenses which are down \$5.4 million year-to-date while we simultaneously engage our organization in initiatives that will create long-term value for our stakeholders. Some examples includes the successful completion of the full year of our 80/20 customer service initiative, the completion of full AMR installation across our system earlier this year, and the consolidation of our payment and collection functions currently under way just to name a few of examples.

Addressing the needs of our various stakeholder groups while simultaneously improving both financial and operational efficiency remain among the primary goals of the Company moving into the fourth quarter and beyond. For further discussion of our third quarter and year-to-date financial results, I would now like to turn the call over to our Senior Vice President and Chief Financial Officer, Dave Dzuricky. Dave.

Dave Dzuricky - Piedmont Natural Gas - SVP, CFO

Thank you, Tom. Yes, 2007 has been satisfying from a financial point of view. We continue to see good top line growth in our margins for the quarter and the nine months reflecting the continued expansion of our markets as Tom had previously mentioned. And innovative regulatory mechanisms we have in place that protected those margins in the face of 12% warmer than normal weather and customer conservation.

Our operation and maintenance expense in the quarter was essentially flat with last year and down 5.4 million for the nine months. In 2006 we did have severance costs associated with our management restructuring and the financial benefits of that action are reflected in the current year. Our joint ventures also performed well increasing nearly \$4 million for the quarter and \$7 million for the nine months. Of course Party Storage just went into service April 1, of this year so was not in last year's results. SouthStar continues to show good year-on-year earnings growth.

The quarter and the year have not been without their challenges, however. We recognized in the third quarter \$3.6 million relating to severance payments associated with further streamlining of our business operations. We also were ordered by the North Carolina Utilities Commission to discontinue an accounting convention relating to capitalizing and amortizing demand charges as we move gas in and out of storage. This is a practice that the Company adopted in the early 1980s and will have a negative impact on earnings in the third quarter of \$2.5 million net of tax. In spite of these challenges our September 7, earnings press release reaffirmed our guidance range of \$1.40 to \$1.50 per diluted share. Overall we're pleased with the third quarter and nine-month results and look forward to the remainder of the year. With that, I am going to turn it back over to John Sutphin.

John Sutphin - Piedmont Natural Gas - Manager, Fin., IR

Thank you, Dave. This concludes our prepared remarks, and we now welcome your questions.

Sep. 13. 2007 / 2:30PM, PNY - Q3 2007 Piedmont Natural Gas Earnings Conference Call

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) We do have a question from the line of Brooke Glenn Mullin with JPMorgan. Go ahead.

Brooke Glenn Mullin - *JPMorgan - Analyst*

Good afternoon. Can you just give us an update a HL's option regarding SouthStar, if there is any conversations ongoing there and what the next steps are?

Dave Dzuricky - *Piedmont Natural Gas - SVP, CFO*

Thank you, Brook. This is Dave Dzuricky. What we have is what's disclosed in our 10-Q, and there is a decision point that could come up November 1. The option is strictly in AGLR's hands at this point in time, so it probably would be better to check with them as opposed to us. We are here waiting to either hear or not hear from them.

Brooke Glenn Mullin - *JPMorgan - Analyst*

Thank you.

Operator

Thank you. We have a question from the line of Yiktat Fung with Zimmer Lucas Partners. Please go ahead.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

Good afternoon.

Tom Skains - *Piedmont Natural Gas - Chairman, CEO, President*

Good afternoon.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

I would just like to again update if there are any plans currently to file a rate case in North Carolina or Tennessee?

Tom Skains - *Piedmont Natural Gas - Chairman, CEO, President*

You're breaking up.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

Hello, can you hear me?

Sep. 13. 2007 / 2:30PM, PNY - Q3 2007 Piedmont Natural Gas Earnings Conference Call

Tom Skains - *Piedmont Natural Gas - Chairman, CEO, President*

Was the question are there any plans to file a rate case in North Carolina.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

That's correct.

Tom Skains - *Piedmont Natural Gas - Chairman, CEO, President*

Yes. This is Tom Skains. Good afternoon. We have, as you know, not filed any general rate case proceedings this year, and that's of course true in all three states. The footnote to that is, however, we do operate under a rate stabilization act in South Carolina which for electing utilities such as Piedmont, it encompasses annual cost and revenue filings and rate adjustments that are provided for in accordance with the legislation in that state.

In 2008, next year, under the provisions of the North Carolina Utility Commission order that approved our last rate case which included our decoupling tariff mechanism, that decoupling tariff mechanism is due to expire by its own terms unless Piedmont files to extend it. It is incumbent upon us to make a filing in 2008 should we choose to extend that decoupling tariff. That is certainly our intention at this point. That is to make a filing on North Carolina to seek that extension along with trueing up our cost in revenues, but that's just our intention at this moment. Of course things could cause that to change, but I can't anticipate that occurring at this juncture.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

With the filing, if there is one, would that be made this year or next year?

Tom Skains - *Piedmont Natural Gas - Chairman, CEO, President*

The North Carolina filing would be made in the spring of 2008 to be effective November 1, of 2008 which is the beginning of our 2009 fiscal year in terms of the effectiveness of any changes in revenues, margins, and expense recovery.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

One last question. You spoke about a \$2.5 million charge, due to some, I guess, accounting, regulatory accounting adjustments in South Carolina, associated with demand charges. Can you just explain that a bit more and is this a nonrecurring item?

Tom Skains - *Piedmont Natural Gas - Chairman, CEO, President*

Yes. I am going to try to explain it fairly simply, and thank you for asking that question because I misspoke and said that that was a charge in the third quarter. That's a charge that will occur in the fourth quarter but was disclosed in our third quarter Q. Basically what capitalized demand attempts to do is recognize the fact that some of our flowing supplies in the summer go to storage and those flowing supplies have to get to storage through transportation and payment of upstream charges, so what we did was shape or added along with the commodity cost of gas a component of demand charges that were capitalized into storage in the summertime and then were withdrawn -- when the withdrawals occurred in the wintertime, those charges came back out and were reflected as a charge to earnings. This was done from a financial reporting point of view strictly, and so it did not affect our customers in any way nor would a change affect our customers in any way. And the final answer is, yes, that is a one-time event, a nonrecurring item.

Sep. 13. 2007 / 2:30PM, PNY - Q3 2007 Piedmont Natural Gas Earnings Conference Call

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

Thank you very much.

Operator

Thank you. There is a question from the line of Angela Ho with Wachovia.

Angela Ho - *Wachovia Securities - Analyst*

Good afternoon. Just got a quick question on the AMR. Was that about 1 million in points you guys installed or - and can you tell me about like how much cost savings you're expected to get out of that?

Tom Skains - *Piedmont Natural Gas - Chairman, CEO, President*

Yes, Angela. Thanks for the question. You're right. It is about 1 million points that we had installed, and we completed that earlier this calendar year. We actually, if I recall, completed the North Carolina portion of that in January of this year and followed up with the other two stage shortly thereafter. The savings as you can imagine are in the form of less meter readers, less trucks, less fuel, less accidents, less insurance risks, and we have all of those savings embedded in our guidance. Clearly we would not have expended the dollars that we did had it not been an economic proposition, but to try to isolate one project at a time and talk about the relative economics of it, I am not sure where that would get us, but clearly it was an economic project from the point of view of our cost of capital.

Angela Ho - *Wachovia Securities - Analyst*

Great. Thank you.

Operator

Thank you. (OPERATOR INSTRUCTIONS) Gentlemen, there are no other questions in queue.

John Sutphin - *Piedmont Natural Gas - Manager, Fin., IR*

Thank you, Bob. As always, we thank you for your interest in Piedmont Natural Gas and for taking time to be with us today. That concludes our third quarter 2007 earnings call.

Operator

Thank you. Ladies and gentlemen, this conference will be available for replay after 6 p.m. Eastern this evening through October 25, 2007. You may access the AT&T replay system at any time by dialing 800-475-6701 and entering the access code 885416. Again, those numbers are 800-475-6701 access code 885416. That does conclude our conference for today. Thank you for your participation, and you may now disconnect.

Sep. 13. 2007 / 2:30PM, PNY - Q3 2007 Piedmont Natural Gas Earnings Conference Call

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2007, Thomson Financial. All Rights Reserved.