
MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Piedmont Natural Gas Company Conference Call. [Operator Instructions]. As a reminder, this conference is being recorded. I would now like to turn the conference over to our host, Ms. Margaret Griffith. Please go ahead, ma'am.

Margaret M. Griffith, Director of Investor Relations

Howard, thank you. Good afternoon, and thank you for joining our First Quarter 2007 Earnings Conference Call. This call is open to the general public and the media, and is being webcast live over the internet. If you would like to access the webcast, please visit our website at www.piedmontng.com and click on the conference call link found under the Investor Relations page. On the call today we have Tom Skains, our Chairman, Chief Executive Officer, and President, and Dave Dzuricky, our Senior Vice President and Chief Financial Officer, who will present prepared remarks. There are also other members of our executive management team here to assist with questions as needed. At the end 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.

Could someone mute their line please? Thank you.

And with that I will turn the call over to Tom.

Thomas E. Skains, Chairman, President and Chief Executive Officer

Okay, thank you, Margaret. Good afternoon everybody, and thanks for taking the time to participate in our First Quarter 2007 Earnings Conference Call. As I am sure you are aware, we released earnings for our first quarter 2007 at our Annual Shareholders Meeting, held here in Charlotte last Wednesday, and filed our first quarter 2007 Form 10-Q on Friday. At our Annual Shareholders Meeting, I discussed the highlights of our fiscal year 2006, the results of our first quarter of 2007, and our goals and objectives for fiscal year 2007. And I am sure many of you either were here in Charlotte or participated on the web cast, and for that, I thank you.

For our first quarter 2007, the company reported earnings per diluted share of \$0.94, the same as we reported in the prior year quarter of 2006. We also reaffirmed our earnings guidance range of \$1.35 to \$1.45 per diluted share for fiscal year 2007, with emphasis at the upper end of that range. Also last Wednesday, Piedmont's Board of Directors increased the company's dividend for the 29th consecutive year by 4.2%, from \$0.24 per share to \$0.25 per share.

And now I'd like to turn the call over to Dave Dzuricky, who will give you more details on our first quarter 2007 financial results, and he will also address some of our ongoing 2007 business activities. Dave?

David J. Dzuricky, Senior Vice President and Chief Financial Officer

Thanks. Thank you Tom, and good afternoon everyone. As Tom said, we are pleased with our first quarter results and we are particularly pleased to be able to report a decrease in our operating and maintenance expenses compared to last year's first quarter. The business process improvements that we have been telling you about are showing up in our financials as planned.

Margin in the first quarter was down slightly from last year. But please note the extremely warm weather, as we experienced between the quarter – this first quarter, can adversely affect margin recovery through the weather normalization adjustment clauses in South Carolina and Tennessee. That, combined with the reduction in margin due to our settlement with the Attorney General in North Carolina relating to our conservation tariff, and minor gas accounting adjustments made up the shortfall.

Perhaps just as important as our first quarter results is what is still to come this year. As Tom mentioned at the annual meeting, our Hardy Storage project is scheduled to come online next month, making immediate contributions to income. Also, we began serving the North Carolina Electric Membership Cooperative in February, and that arrangement also will make immediate contributions to net income.

So we look forward to the rest of the year, and as mentioned by Tom, we have directed our guidance to the upper end of our range of \$1.35 to \$1.45. And with that, I'll turn it over to Margaret.

Margaret M. Griffith, Director of Investor Relations

Dave, thank you. And now I'd like to open the call up for the Q&A session.

QUESTION AND ANSWER SECTION

Operator: Yes ma'am. [Operator Instructions]. I am showing no questions or comments at this time, ma'am.

Margaret M. Griffith, Director of Investor Relations

Howard, thank you. This concludes our call today. We look forward to seeing you at the American Gas Association Financial Forum in April. Piedmont will be represented by members of our management team, including Tom Skains, Dave Dzuricky, and Rob Pritchard, and myself. We plan to conduct one-on-one meetings as well as our formal company presentation. As always, we thank you for your interest in Piedmont Natural Gas and for taking your time to be with us today. Thanks again, and this concludes our call. Thank you.

Operator: Ladies and gentlemen, this does conclude our conference for today. Thank you for your participation, and for using AT&T Executive Teleconference. You may now disconnect.

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