

Setting our  
sights on

**EXCELLENCE**

2012

SUMMARY  
ANNUAL  
REPORT

## Dear Shareholders

The fundamentals of our industry and our Company are strong as natural gas is playing an important role in our country's efforts to reinvigorate the economy, spur new investment, create jobs, and lay the foundation for a more secure energy future. The natural gas supply picture in the United States has never been more promising and our customers and our Company are benefiting from the expansion of our business to deliver clean-burning, affordable natural gas to the growth markets we serve.

I am pleased to report that we achieved significant strategic, operational and financial success in 2012 as we executed our strategic directives and business objectives to create long term value for our shareholders. This level of performance would not have been possible without the dedication and commitment of our 1,750 employees at Piedmont Natural Gas, all living and working our shared values of integrity, respect, stewardship, excellence and health. I am honored to share our 2012 Summary Annual Report with you on their behalf.

### Our 2012 Achievements

As always, I want to mention that our first priority as a Company is safety - for the public, our customers and our employees. We continue to focus on a strong safety culture within our organization by engaging our employees in the development and execution of robust safety programs. We also devote significant financial and human resources to the execution of our transmission and distribution integrity management programs. Our large utility capital expenditure program of \$525-575 million planned for 2013 is not only devoted to the completion of our Sutton project mentioned below, but to higher utility capital expenditures related to pipeline integrity, safety and compliance programs as well as supporting system and technology infrastructure.

After a winter in 2011-2012 that was the warmest in more than 35 years, our employees rallied to focus on operational and financing efficiencies, expense discipline and margin growth. As a result, our 2012 net income of \$119.8 million and earnings per diluted share of \$1.66 were about 6% better than the year before. Our total shareholder return (stock price appreciation and dividends) for the three year period ended October 31, 2012 was 54% (compared to 45% for the S&P 500), and ranked in the 63rd percentile of our industry peer group. Our Board of Directors increased the dividend in 2012 for the 34th consecutive year. The \$1.20 annualized dividend was a 3.4% increase over the prior year.

Our sales and marketing teams generated a notable improvement in new customer additions in 2012, with a growth rate of 1.3% across our three state service area. We added 13,274 new customers during the year, up 26% from 2011. Residential new construction gains of 7,939 were up 16% from the year before, residential conversions of 3,789 were up 67% and commercial customer gains of 1,546 were up 10% from 2011. In the industrial markets, our major account services team added 32 new customers with annualized margin of about \$2 million. And in the transportation market, our business development team made significant progress in increasing the number of Piedmont's publicly accessible fueling stations for compressed natural gas (CNG) vehicles. We now own and operate eight such facilities at Company resource centers throughout our three state service area. In addition to our own fleet, these facilities serve third party customer fleets, such as AT&T and Frito Lay. We will continue to add more CNG fueling stations, diversify our fleet of service vehicles and grow the third party CNG customer market in 2013.

In 2012, our engineering, construction and operations teams executed the largest capital expansion program in the history of the Company, investing over \$550 million for core customer growth, expansion to serve new power generation facilities and system infrastructure and pipeline integrity management programs. A significant amount of that capital was directed toward our portfolio of power generation expansion services for Duke Energy Progress (DEP) in North Carolina. In June, we completed and placed into service our Wayne County project providing natural gas delivery service to DEP's new natural gas power generation facility at their Wayne County energy



complex. We are also on schedule to complete our expansion project for DEP's new Sutton natural gas power generation facility near Wilmington by June 2013. These capital expansion projects are supported by long term fixed monthly demand charge contracts.

Our finance and legal teams successfully maintained our financial strength and flexibility in 2012 through the execution of our financing programs to support our capital expansion program, reduce our interest expense, preserve our liquidity and strong balance sheet and protect our high quality credit ratings. Through their efforts, we are well positioned to access the capital markets for future growth opportunities.

In last year's report, I mentioned that we were working to shape our Company's future by identifying and pursuing strategic opportunities to enhance long term shareholder value. In 2012, we continued to pursue investment opportunities in pipeline infrastructure to deliver clean-burning, domestic gas supplies to growing markets. We also sought additional natural gas supply diversity for the benefit of our customers. Our commercial and business development teams made significant progress on these strategic endeavors during the year.

In November, we announced our joint venture investment to purchase a 24% equity stake in the Constitution Pipeline project with Williams Partners and Cabot Oil & Gas. This estimated \$750 million interstate pipeline project is slated by March 2015 to transport clean-burning, low cost natural gas supplies from the prolific Marcellus supply region in northern Pennsylvania to major high value northeastern markets. The Constitution Pipeline is well positioned in the marketplace to bring value to East Coast natural gas producers and consumers. Although we are not a customer of the project, it aligns well with our strategic focus on expanding our investments in complementary energy-related businesses to enhance shareholder value.

Also in November, we executed our supply diversification strategy to bring abundant and low cost natural gas supplies from the Marcellus supply basin to our natural gas markets in the Carolinas. We signed a long term contract with Cabot Oil & Gas to purchase firm, price-competitive Marcellus gas supplies. We also signed a long-term firm contract with Williams-Transco for its Leidy Southeast expansion project to transport those gas supplies to our markets. These new supply arrangements are scheduled to begin in December 2015 and we believe they will provide diversification, reliability, and gas cost benefits to Piedmont's customers.

## Setting Our Sights On Excellence

Our Company has a long track record of financial and operating success during both good economic times and times of great uncertainty and challenge. We have achieved this by focusing on our vision and mission and pursuing our strategic directives and business objectives consistent with our core values. In the pages that follow, we articulate our journey toward financial and operational excellence in all aspects of our business. Piedmont's vision, mission and values are the foundation of our seven strategic directives:

- Promote the benefits of natural gas
- Be the energy and service provider of choice
- Achieve excellence in customer service every time
- Execute sustainable business practices
- Enhance our healthy, high performance culture
- Preserve financial strength and flexibility, and
- Expand our core natural gas and complementary energy-related business to enhance shareholder value

I am excited about the future of our Company and to be part of the natural gas industry during this new era in our energy economy. In setting our sights on excellence, I am confident we will continue to achieve results that create long term value for our shareholders. On behalf of our management and employee teams and our Board of Directors, I thank you for your continued investment and support.



**Thomas E. Skains**

*Chairman, President and Chief Executive Officer*

*January 7, 2013*



The natural gas message is compelling. Natural gas is clean-burning, affordable, reliable, and safe. With its domestic abundance, it is the foundational fuel for our nation's energy security and growing energy independence. The natural gas industry provides support for our local, state, and national economies by creating new jobs through the responsible development of our natural resources, investing in new pipeline delivery systems and other critical infrastructure, and delivering affordable and competitively priced natural gas supplies to energy markets across the United States.

## Our Message

At Piedmont Natural Gas, we provide far more than natural gas to a home, business or community. We provide warmth for homes, heat for food and plenty of hot water. We provide lower energy costs, greater reliability, and less maintenance. We provide cleaner air and a smaller carbon footprint. And, we provide active volunteers, civic leadership, financial support, and ongoing involvement in the communities we serve. In sum, we seek to provide peace of mind.

We initiated the Piedmont Ambassador program in 2012 to help deliver our message, strengthen our connections with the communities we serve, and educate the public about Piedmont and the benefits of natural gas. We see the impact of this program in the overall level of satisfaction our customers have with our product, our service and our Company. We see its influence on customer loyalty through the decision of our customers to choose natural gas and to recommend Piedmont to their friends and neighbors as a trusted and reliable energy service provider. We measure and track our results by asking our customers for their opinion through independent surveys. In 2012, customer loyalty (measured by overall customer satisfaction and the likelihood of customers to choose natural gas and to recommend Piedmont as a service provider) rose for the second year in a row. Our reputation and community involvement scores also increased for the second year in a row and reflect Piedmont's strong image and reputation within the community.

As we look ahead to the future, our goal is simple: keep spreading our message while we promote the benefits of natural gas. We will do this through our messaging programs and through the efforts of our employees, who will always be our best ambassadors and the face of our Company in the communities we serve. We will continue to educate our key audiences: existing and prospective customers; local communities and civic leaders; elected officials at the local, state and federal levels; and, state and federal regulators. We will continue to measure our success by tracking consumer awareness of the benefits of natural gas, customer loyalty, and the impact of our involvement in our local communities.

As a Key Account Services  Representative, **Beth Potts** touts the benefits of natural gas to key trade allies in the Company's Commercial and Residential markets.

Our message is truly a compelling one. It resonates with our customers and creates new opportunities for our Company. It is a message we are proud to tell and reflects our optimism about our product, our Company and our industry.

Vehicles using Compressed  Natural Gas (CNG) like the Ford Transit Connect shown here, continue to gain in popularity as a result of the clean-burning, low emission benefits of natural gas.





< Piedmont employees throughout the Company work together in teams to improve business processes, ensure customer satisfaction, and build customer loyalty.



^ As an Operations Performance Analyst, **Jorge Nava** is focused on making Piedmont the first, best, and final choice when it comes to energy service providers.

Customers have a choice when it comes to energy and, unlike electricity, natural gas is an energy option, not a necessity. As a result, Piedmont has a simple yet challenging goal when adding customers to our natural gas distribution system: We must be the customer's preferred energy choice. Our value proposition provides our current customers and our prospective customers with the reason for this choice:

*As an energy source, natural gas provides superior energy value because it is comfortable, affordable, clean-burning and reliable. As an energy service provider, Piedmont Natural Gas is a trusted, reliable partner committed to giving its customers excellent customer service and peace of mind.*

The facts are clear. Natural gas is the cleanest of all fossil fuels and, when used directly by energy consumers, emits fewer greenhouse gas emissions across the production chain than electricity. Natural gas is delivered through a safe, reliable and efficient energy delivery network that is three times more efficient than the electrical grid. And, natural gas is affordable: Since 2008, Piedmont's residential retail natural gas rates have fallen by 30 to 40 percent. The costs of operating and maintaining natural gas appliances and heating equipment has never been more affordable and offers energy consumers with clear advantages over other forms of energy.

In 2012, our efforts to be the customer's first, best, and final energy choice were marked by several significant successes. We met or exceeded each of our customer growth goals resulting in total new customer additions of 13,274, a gross customer growth rate of 1.3 percent and an increase of 26 percent compared with 2011. We improved our customer acquisition process, reducing the time required to serve new commercial customers and more quickly respond to customer needs. We made it easier for customers to access information on our website. We established performance measures related to "the ease of doing business with us" and began capturing customer feedback related to our field customer service activities in order to sharpen our focus on the quality of service provided to our customers.

In 2013, we will continue our efforts to become the most trusted and reliable energy service provider available to our existing and prospective customers. Our value proposition is at the center of our sales and delivery services plan for 2013 and we will continue our focus on attaching and converting energy consumers to comfortable, affordable and clean-burning natural gas.

At the end of the day, being the customer's first, best, and final energy choice will drive our growth. It will also define and differentiate our product and our service from other energy choices for the long-term benefit of our customers and our shareholders.

## The Customer's Choice

At Piedmont, we strive to provide every customer with excellent service every time. In 2012, we made significant gains toward this goal by implementing a simplified on-line bill view and payment process for residential and commercial customers, establishing a dedicated service group for our commercial customers, and developing a pilot program for expanded home service hours during evenings and on weekends. We continuously improve customer service by asking our customers for real-time input and conducting surveys throughout the year that provide valuable information and help focus our attention on the services that are most important to our customers.

## A Standard of Excellence

In 2013, we are focused on enhancements to our customers' online experience and our other customer communications channels. These enhancements will make it easier for our customers to do business with us, giving our customers the ability to schedule service on-line. We plan to improve our mobile service options and enhance our estimated time of arrival and service delivery. We also plan to increase our communications beyond the traditional bill inserts, direct mail pieces, and paid media. We will publish more frequent customer newsletters, enhance our social media presence, and increase our email notifications and alerts. These channels are important to successfully reach targeted audiences with integrated, consistent customer service messages.

To measure our performance and track the impact of our service improvements, we rely on several different customer surveys that ask for important feedback. We are included in the J.D. Power and Associates residential customer satisfaction study of natural gas utilities. In the most recent study, Piedmont ranked 7th in the South Large segment and scored in the top third of all large natural gas utilities surveyed (43 companies) and in the top quartile of all natural gas utilities surveyed (75 companies). Piedmont's overall residential customer satisfaction scores improved for the second year in a row and we also showed improved performance in 25 of the 37 different attributes used to determine customer satisfaction. Since 2010, Piedmont has increased its customer satisfaction levels in each of the factors measured: Billing and Payment; Price; Corporate Citizenship; Communications; Customer Service; and, Field Service.

In addition to J.D. Power and other independent surveys, we also conduct our own same-day field customer service surveys designed to measure satisfaction with our in-home service as delivered through our service scheduling operations and service technicians. These results indicated overall customer satisfaction of 92 percent, with a "first-trip" service resolution rate of almost 88 percent.

We are making consistent progress and are confident in the improvements we are making toward excellence in customer service. Our goal is to rank in the top tier of all natural gas utilities for customer satisfaction and loyalty. We will do this by providing every customer excellent service every time.



Service Technician **Matt Martin**   
helps set a standard of excellence  
as a member of Piedmont's Field  
Services team.

Providing every customer   
with excellent service  
every time is our goal.





< *At Piedmont, one of our strategic directives is to execute sustainable business practices; we do this, in part, by reducing our impact on the environment.*

We recognize that exceptional operational and financial performance is achievable over the long-term when the underlying business practices are sustainable. At Piedmont, we define sustainability as, “a business approach that focuses on stewardship as a means for creating value in our organization by proactively integrating economic, environmental and social aspects of our business into our strategy.” Our sustainability goals clearly reflect this approach to stewardship and value creation:

- *We will always think safety first;*
- *We will be a valuable information source for all our stakeholders;*
- *We will pursue excellence in customer service and in our business operations;*
- *We will empower and engage our employees;*
- *We will reduce our impact on the environment;*
- *We will develop strong communities; and,*
- *We will create value for our shareholders.*

As we pursue the achievement of these goals, we are mindful of the important role that sustainability and corporate citizenship have played in our history. We recognize their relevance to our strategic planning process and their influence on our efforts to achieve excellence in all that we do. In 2012, we took a number of important steps in the process of executing sustainable business practices that will help lay the foundation for our continued success. These steps include the establishment of performance measures to achieve our sustainability goals; the successful execution of our employee safety and pipeline integrity management programs; the incorporation of enhanced risk assessments into project feasibility and planning processes; and, enhancements to our enterprise compliance program.

We also began the important work of building the awareness and participation of our workforce on the execution of sustainable business practices. We have assembled a team of leaders to champion our sustainability goals and identify key areas in which we can achieve early sustainability wins. These include instituting a green purchasing program, establishing fleet and facility energy usage and carbon emission reductions, and taking action to reduce waste and increase recycling activities.

In 2013, we plan to enhance the measurement, reporting, and analysis of our sustainability efforts while also issuing our second Sustainability Report which will highlight our progress in each of these areas. We look forward to sharing that report with you and further communicating all that we are doing to execute sustainable business practices.



▲ *Engineer **Antwan Jones**' involvement with the Company's pipeline integrity management programs helps Piedmont maintain a safe and reliable system for our customers.*

## Sustainability

Piedmont's healthy, high-performance culture is the foundation for our financial and operating results. It sets the path for achieving the right results in the right way. And, as a reflection of our values, our corporate culture plays a defining role in maintaining a vibrant and energized organization. It begins with the recruitment of talented and diverse individuals that share our most fundamental core values of integrity, respect, stewardship, excellence, and health. We provide our employees the educational opportunities and tools to enable personal success and help contribute to an efficient, safe and rewarding work experience. In 2012 the health of our organization was evident in our employees' commitment to compliance, our focus on safety, our development of sustainable business practices, and our successful efforts to overcome the warmest winter in 35 years to deliver outstanding financial results for our shareholders.

## Our Culture

We embrace a learning mindset as a fundamental component of our corporate culture. This learning mindset is the foundation for our Enterprise Quality Management (EQM) and Compass Leadership Development programs. In 2012, twenty of our teammates participated in our Lean Six Sigma green belt program, an EQM initiative, designed to increase efficiencies in our business functions and to improve our customer and employee satisfaction.

We initiated the Compass Program in 2012 with twenty participants to develop leaders at all levels of the organization. This year-long program provides our employees access to advanced development opportunities, including participation on special project teams, experiential learning activities, and both internal and external leadership training. The program is customized for each participant to allow for individual development. Our Compass program, which will accept a new class each year, will help our employees strengthen their leadership skills and gain a broader understanding of our organization and the industry.

Individual and organizational health and wellness are also important components of our corporate culture. In 2012, we continued numerous programs designed to help employees improve their overall health, and encourage healthy life choices. The results were impressive and illustrate our employees' engagement in these efforts. Our annual health screening event and our on-line employee health risk assessment tool each had a participation rate of 94% of all employees.

We believe our corporate culture provides Piedmont with a distinct advantage when it comes to attracting and retaining talented new employees and developing the next generation of leaders at our Company. We look forward to building upon this strong foundation in the years ahead.



**Renee Hansen, Director** ▲  
of Organizational Effectiveness and Learning, helped initiate Piedmont's Compass Program to develop leaders at all levels of the Company.

Employee health and wellness >  
is also an important aspect of Piedmont's healthy, high-performance corporate culture.



# NYSE

# PNY

< *Piedmont's commitment to financial strength and flexibility is a hallmark of the Company.*

Piedmont has demonstrated the ability to successfully manage and even thrive during periods of economic challenge and uncertainty as well as times of economic growth and opportunity. This has been possible because of our steadfast commitment to financial strength and flexibility. Our performance in 2012 reflects that commitment. Piedmont posted another year of growth in earnings per diluted share that was 6 percent higher than 2011. We generated earnings per diluted share at the upper end of our guidance range for the year. We also increased our dividend for the 34th consecutive year, and achieved total shareholder returns in excess of the S&P 500 and the median of our industry peer group over the past three years.

## Financial Strength and Flexibility

Our financial strength is demonstrated in other ways as well. We maintained our equity capitalization at our target range of 50 percent to 55 percent of our capital structure. We deployed our financial resources to not only manage the seasonality of our business, but to support the largest capital program in the history of our company and stay poised to take advantage of future opportunities. Our strong balance sheet is a key factor in our credit quality, as measured by Moody's and Standard & Poor's who rate Piedmont A3 and A, respectively.

The demands of our business and the energy marketplace require us to be nimble and finance our growth projects in a timely and cost-effective manner. To this end, our finance team is constantly reviewing cost effective financing solutions. In 2012 we placed new long term debt in the 'private placement' market where we borrowed funds in increments at fixed rates. This type of funding mechanism fits better with our construction program and proved to be both cost effective and in line with our timing needs.

Our commitment to financial strength and flexibility has become a hallmark of our Company and its preservation is one of our strategic directives as we stay poised to take advantage of future opportunities and weather future economic challenges. Our strong financial position serves as a platform that allows us to be strategic and opportunistic in our pursuit of new market growth whether it comes from our core natural gas business or from new or existing energy-related businesses. It is a platform that has served our company, our shareholders and our customers well for more than 62 years and it gives us confidence that we are ready for the future.



^ *Helping with Piedmont's cash management and commercial paper program are employees **Cathi Leigh Nicholson** (Treasury Analyst) and **Jennifer Searcy** (Sr. Cash Specialist).*

Our commitment to building long-term shareholder value begins with a clear focus on Piedmont's core business and where we see future opportunities to enhance value through growth and expansion.

Piedmont's core business is the safe and reliable distribution of natural gas to more than one million customers in our three state service area of North Carolina, South Carolina and Tennessee. It is a business we know well and one we continue to grow through the expanding role for natural gas in our residential, commercial and industrial markets, and in the emerging power generation and transportation markets. The role for natural gas is enhanced through the availability of abundant, low-cost supplies of clean-burning and efficient natural gas making it one of the most affordable and sensible options available to energy consumers today.

## Shareholder Value

We continue to make significant investments in our transmission and distribution systems as a result of continued growth in our residential, commercial, and industrial markets and our ongoing execution of pipeline projects to provide natural gas delivery service to new power generation facilities in our North Carolina service area. We are also making large investments to maintain the reliability and safety of our natural gas pipeline delivery systems. Through our existing transmission and distribution pipeline integrity management programs, we regularly identify reliability and safety enhancements to our pipeline network and invest in new infrastructure or system upgrades. In 2012, our utility capital investments totaled more than \$550 million. In 2013, our utility capital program is planned to be in the range of \$525 - \$575 million.

As a regulated natural gas distribution company, one of the most important relationships we maintain is the one we share with each of our state regulatory commissions. We maintain forthright and honest communications with our regulators consistent with our core values. In 2012, we executed a rate case in Tennessee through a settlement of regulatory tariffs and rate designs that balanced the interests of shareholders and customers. In each of our states, we will maintain the trust of all of our regulatory bodies and pursue regulatory tariffs and rate designs that balance the interests of customers and shareholders.

Even as we remain firmly and strategically invested in our core utility business, we recognize that complementary energy-related investment opportunities exist outside of our natural gas distribution operations and offer Piedmont additional means of enhancing long-term shareholder value. Our portfolio of complementary energy-related joint ventures includes joint ventures in intrastate natural gas transportation (Cardinal Pipeline Company), interstate natural gas storage (Pine Needle LNG Company and Hardy Storage Company) and unregulated retail



Operations Technician ^

**Joe Latimer** communicates frequently with homeowners and businesses concerning Piedmont's system expansion and pipeline integrity management activities.

natural gas marketing (SouthStar Energy Services) businesses. Our equity participation in these joint ventures effectively leverages our core competencies and adds value to our business and to our shareholders.

Our latest expansion of complementary energy-related businesses came in November, 2012 when we announced our investment in Constitution Pipeline Company. Constitution Pipeline is a new interstate natural gas pipeline designed to transport abundant low cost natural gas supplies from the Marcellus supply region in northern Pennsylvania to premium East Coast markets. The project will provide substantial benefits to both natural gas producers and consumers. Piedmont Natural Gas joins Williams Partners and Cabot Oil & Gas as a 24% equity participant in the joint venture and we expect to invest about \$180 million in the new project.

The new 30-inch, 121-mile long Constitution Pipeline is designed to transport 650,000 dekatherms of natural gas per day and is fully subscribed under long-term contracts with established natural gas producers currently operating in the Marcellus basin in Pennsylvania. The pipeline will connect with the Iroquois Gas Transmission and Tennessee Gas Pipeline systems in Schoharie County, New York. Construction of the new pipeline is expected to begin in April 2014 after receipt of a certificate of public convenience and necessity from the Federal Energy Regulatory Commission and is projected to have an in-service date of March 2015.

We believe Constitution Pipeline is an excellent investment opportunity for our Company and we are excited to be joining Williams Partners and Cabot Oil & Gas in this new joint venture.





## Piedmont Natural Gas Board of Directors

*Left to Right*

**Frankie T. Jones, Sr.**

*President and Chief Executive Officer  
Phoenix One Enterprises, Inc.  
Burlington, North Carolina*

**Vicki W. McElreath**

*Retired Audit Partner  
PricewaterhouseCoopers LLP  
Savannah, Georgia*

**Malcolm E. Everett III**

*Lead Independent Director  
Retired Senior Executive Vice President  
Wachovia Corporation  
Charlotte, North Carolina*

**E. James Burton**

*Dean of the Jennings A. Jones  
College of Business  
Middle Tennessee State University  
Murfreesboro, Tennessee*

**Muriel W. Sheubrooks**

*Retired Partner  
Greater Carolinas Real Estate Services, Inc.  
Charlotte, North Carolina*

**Frank B. Holding, Jr.**

*Chairman and Chief Executive Officer  
First Citizens BancShares, Inc.  
Raleigh, North Carolina*

**Thomas E. Skains**

*Chairman, President and  
Chief Executive Officer  
Piedmont Natural Gas Company, Inc.  
Charlotte, North Carolina*

**Aubrey B. Harwell, Jr.**

*Managing Partner  
Neal & Harwell, PLC  
Nashville, Tennessee*

**David E. Shi**

*President Emeritus  
Furman University  
Greenville, South Carolina*

**John W. Harris**

*President  
Lincoln Harris LLC  
Charlotte, North Carolina*

**Minor M. Shaw**

*President  
Micco Corporation  
Greenville, South Carolina*

**Phillip D. Wright**

*Retired Senior Vice President  
Williams Companies  
Houston, Texas*

## Executive Management Team

< Left to right

**Victor M. Gaglio**  
Senior Vice President and  
Chief Utility Operations Officer

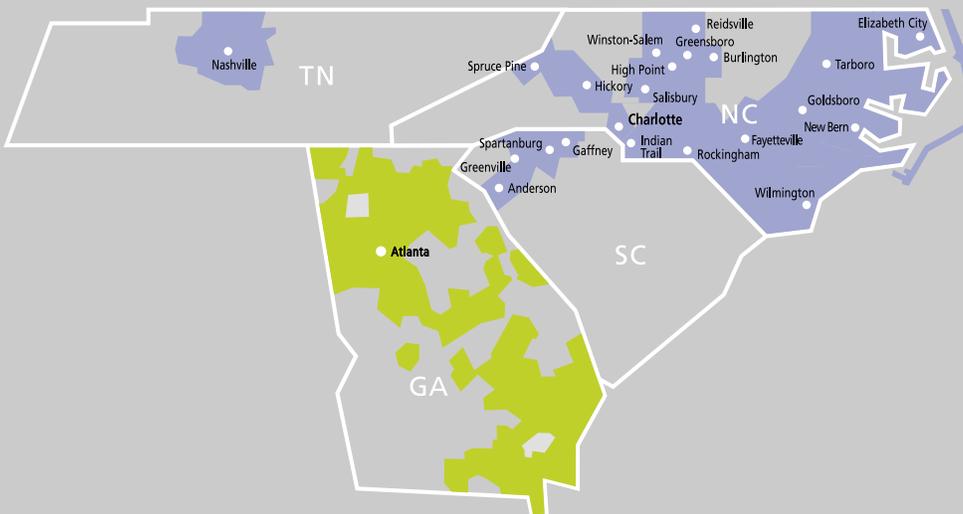
**Franklin H. Yoho**  
Senior Vice President and  
Chief Commercial Operations Officer

**Jane R. Lewis-Raymond**  
Senior Vice President,  
General Counsel, Corporate Secretary  
and Chief Compliance and  
Community Affairs Officer

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

**Kevin M. O'Hara**  
Senior Vice President and  
Chief Administrative Officer

**Karl W. Newlin**  
Senior Vice President and  
Chief Financial Officer



 Piedmont Natural Gas

 SouthStar Energy Services, our unregulated retail natural gas marketing joint venture, d.b.a. Georgia Natural Gas

### About the Company

Piedmont Natural Gas is an energy services company primarily engaged in the distribution of natural gas to more than one million residential, commercial, industrial and power generation utility customers in portions of North Carolina, South Carolina and Tennessee, including 51,600 customers served by municipalities who are wholesale customers. Our subsidiaries are invested in joint venture, energy-related businesses, including unregulated retail natural gas marketing, and regulated interstate natural gas transportation and storage and intrastate natural gas transportation businesses. More information about Piedmont Natural Gas is available on the Internet at [www.piedmontng.com](http://www.piedmontng.com).

## Financial Highlights

*In thousands except per share amounts, degree days and customer additions*

### Earnings and Dividends

	2012	2011	Percent Change
Net Income	\$ 119,847	\$ 113,568	5.5 %
Earnings Per Share of Common Stock:			
Basic	\$ 1.67	\$ 1.58	5.7 %
Diluted	\$ 1.66	\$ 1.57	5.7 %
Dividends Per Share	\$ 1.19	\$ 1.15	3.5 %

### Margin, Revenues and Volumes

	2012	2011	Percent Change
Margin (Operating Revenues less Cost of Gas)	\$ 575,446	\$ 573,639	0.3 %
Operating Revenues	\$ 1,122,780	\$ 1,433,905	(21.7)%
Gas Volumes - Dekatherms:			
Sales	82,087	104,740	(21.6)%
Transportation	242,213	175,021	38.4 %
Total System Throughput	324,300	279,761	15.9 %
Secondary Market Sales	48,373	48,835	(0.9)%
Degree Days - System Average	2,668	3,662	(27.1)%

### Construction and Customer Additions

	2012	2011	Percent Change
Utility Construction Expenditures*	\$ 529,576	\$ 243,641	117.4 %
Gross Customer Additions	13,300	10,500	26.7 %
Net Utility Plant - Year End	\$3,105,086	\$ 2,627,262	18.2 %

### Common Stock

	2012	2011	Percent Change
Book Value Per Share - Year End	\$ 14.21	\$ 13.84	2.7 %
Market Value Per Share - Year End	\$ 31.87	\$ 32.69	(2.5)%
Average Shares of Common Stock:			
Basic	71,977	72,056	(0.1)%
Diluted	72,278	72,266	- %

\* Excludes AFUDC.

*This report contains forward-looking statements. These statements are based on management's current expectations and information currently available and are believed to be reasonable and are made in good faith. However, the forward-looking statements are subject to future events, risks, uncertainties and other factors that could cause actual results to differ materially from those projected in the statements. Factors that may make the actual results differ from anticipated results include, but are not limited to, weather conditions, rate of customer growth, the cost and availability of natural gas, competition from other energy providers, new legislation and regulations and application of existing laws and regulations, economic and capital market conditions, the cost and availability of labor and materials and other uncertainties, all of which are difficult to predict and some of which are beyond our control. For these reasons, you should not place undue reliance on these forward-looking statements when making investment decisions. The words "expect," "believe," "project," "anticipate," "intend," "should," "could," "assume," "can," "estimate," "forecast," "future," "indicate," "outlook," "plan," "predict," "seek," "target," "would," and variations of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements are only as of the date they are made and we do not undertake any obligation to update publicly any forward-looking statement, either as a result of new information, future events or otherwise. More information about the risks and uncertainties relating to these forward-looking statements may be found in Piedmont's latest Form 10-K which is available on the SEC's website at <http://www.sec.gov>.*



■ Reflects the sale of one-half of our interest in SouthStar in 2010.

\* Results for 2010 include the gain on Piedmont's sale of one-half of its 30 percent ownership interest in SouthStar Energy Services to AGL Resources for \$57.5 million. The after-tax gain on the transaction was \$30.3 million or \$0.42 per diluted share.

## Annual Meeting

The 2013 Annual Meeting of Shareholders will be held at the corporate office of the Company, 4720 Piedmont Row Drive, Charlotte, North Carolina 28210, at 8:30 a.m. on Wednesday, March 6, 2013. This Summary Annual Report and the financial statements contained herein are presented solely for the general information of security holders and others and are not intended for use in connection with any purchase or sale of securities.

## Written Requests For Common Stock Transfers and Other Shareholder Inquiries Regarding:

- Direct deposit of dividend payments
- IRS Form 1099s
- Replacement of dividend checks
- Automatic bank draft for stock purchases
- Lost or stolen stock certificates
- Consolidation of accounts
- Change of address
- Dividend Reinvestment and Stock Purchase Plan

Wells Fargo Shareowner Services  
P.O. Box 64874, St. Paul, MN 55164-0874  
Tel: 877-724-6451  
[www.shareowneronline.com](http://www.shareowneronline.com)

## Common Stock Listing

Our common stock is listed and traded on the New York Stock Exchange under the symbol "PNY." The abbreviations "PiedmontNG" or "PiedNG" appear in various stock listings.

## Dividend Reinvestment and Stock Purchase Plan

The Dividend Reinvestment and Stock Purchase Plan provides investors and shareholders with a convenient method for reinvesting dividends and purchasing shares of common stock directly from the Company without paying brokerage commissions.

Plan Features:

- Initial investment of \$250, up to \$120,000 per calendar year
- Voluntary cash purchases from \$25 per payment to \$120,000 per calendar year
- 5% discount on shares purchased with reinvested dividends
- Deposit share certificates for safekeeping
- Automatic monthly investing available

Call 877-724-6451 for information about the Plan, including a prospectus and enrollment forms.

## Financial Inquiries

Anyone seeking financial information should contact:  
Nick Gaiamo  
Investor Relations  
Tel: 704-731-4952  
[nick.gaiamo@piedmontng.com](mailto:nick.gaiamo@piedmontng.com)

## Media Inquiries

The media should contact:  
David L. Trusty  
Managing Director – Public Relations  
Tel: 704-731-4391  
[david.trusty@piedmontng.com](mailto:david.trusty@piedmontng.com)

## Publications Available

To view a copy of press releases or the most recent financial results, please visit the Company's web site: [www.piedmontng.com](http://www.piedmontng.com)  
The following reports are also available on our web site:

- Summary Annual Report
- Sustainability Report

## Independent Registered Public Accounting Firm

Deloitte & Touche LLP  
1100 Carillon Building  
227 West Trade Street  
Charlotte, North Carolina

## Street Address

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Charlotte, North Carolina 28210  
Tel: 704-364-3120

## Mailing Address

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## On the Web

[www.piedmontng.com](http://www.piedmontng.com)

Piedmont Natural Gas is an Equal Opportunity Employer.

# Our Shareholders



As we set our sights on financial and operational excellence in every aspect of our business, we will remain focused on our vision and mission. We will pursue our strategic directives and business objectives through the execution of sustainable business practices and in a manner consistent with our core values.

**Front Cover:** Piedmont employees Bryan Manges (Manager - Corporate Accounting) and Renee Callahan (Manager - Budget/Forecast/JV Administration) help set the Company's sights on excellence.

