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OFFICE OF THE
EXECUTIVE SECRETARY

March 9, 2001

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

RE: Natural Gas Billing Policy Review
Docket No. 01-00147

Dear Mr. Waddell:

Enclosed please find the original and 14 copies of United Cities Gas Company's response to the questions asked in the above-referenced docket.

Should you have any questions, please feel free to contact me at 615-771-8330.

Sincerely,

A handwritten signature in cursive script, reading "Mark G. Thessin".

Mark G. Thessin
VP - Rates & Regulatory Affairs

Enclosures

Cc: Mike Horne
Pat Childers
Joe Conner
Consumer Advocate

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QUESTION #1

The percentage of storage remaining as of January 31, 2001 is as follows:

ETN-	Tennessee Gas	23%
	CNG-GSS	40%
	LNGS	62%
	Early Grove	18%
	Saltville	53%
MTN-	Barnsley	18%
	CBG-GSS	28%
	TETCO-SS1	65%
Union City	SGT	19%

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QUESTION #2

Attached is a listing of the number of customers interrupted/curtailed in the month of January, 2001. The Company did not have any curtailments in the Month of February and so far in the month of March. The amount of future curtailments will be subject to weather conditions.

Tennessee Curtailment - January

	Curtailment Dates 12/19 - 01/03	12/19 - 01/04	12/19 - 01/10	12/21 - 01/04	Totals
# of Shelbyville customers				10	10
# of Maryville customers				8	8
# of Morristown customers	10	16			16
# of Greeneville customers		7	5		10
# of Johnson City customers			4		12
# of Elizabethton customers	6				4
# of Kingsport customers	9				6
# of Bristol, TN customers			9		9
Totals	25	23	9	18	75

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QUESTION #3

United Cities does not foresee any problems serving firm customers for this heating season.

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QUESTION #4

The current gas prices (Purchased Gas Adjustments) do not affect the base rates but do affect our overall price to the customer. United Cities Gas Company, as do the other regulated utilities, operate under a Weather Normalization Adjustment (WNA). The mechanism adjusts each customer's bill (when rendered) for weather that is colder than or warmer than normal. UCG's base rates are developed based on normal (30 year) heating degree days. Since weather will most likely be colder than or warmer than normal, the WNA mechanism was filed jointly by the regulated utilities and approved by the Tennessee Public Service Commission. When the billing period is colder than normal and the customer's usage is higher than it would be under normal weather, a dollar adjustment is made to the customer's bill to "adjust out" the colder than normal base portion of the bill. This adjustment is similarly made when weather is warmer than normal. The WNA adjustment applies only to UCG's base commodity rate set forth in its rate schedules. UCG's purchased gas adjustment applies to all consumption regardless of colder than or warmer than normal weather. As a result, UCG does not realize an increase in its rate of return because of the colder than normal weather. Gas Costs represents approximately 80% of our overall selling price. United Cities base rates under all Rate Schedules represent non-gas cost of service established in a rate proceeding and do not include gas cost components. One hundred percent of gas cost is reflected and recovered through the Purchased Gas Adjustment.

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QUESTION #5

UCG filed a reduction in its Purchased Gas Adjustment to be effective March 1, 2001. This PGA reflected a 34% reduction from the previous month's level. NYMEX prices are trending downwards but may change when utilities begin injecting into storage. United Cities will continue to monitor (1) the market price of natural gas and (2) the under/(over) gas cost recovery balance to determine when the Company will file its next PGA.

The (over) under recoveries including unbilled revenue are as follows:

October	2000	-	\$5,493,824.68
November	2000	-	\$7,956,062.47
December	2000	-	\$6,352,702.23
January	2001	-	\$5,614,106.88

All amounts are cumulative.

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QUESTION #6

Attached is a bill stuffer that was provided in all customers' bill in September, 2000. In addition, the Company has provided numerous pamphlets, media releases and pieces of information to its regulators, city officials and customers.



Dear Valued Customer,

We want to make you aware of an unusual and significant rise in the price

of natural gas; nationwide, natural gas commodity prices are about 50 percent higher than last year. As a result, United Cities Gas Company is paying more to purchase its natural gas supply, and this means if prices remain at current levels your gas bills will be higher. There are a number of reasons for the recent increase in natural gas prices:

- Greater Demand for Natural Gas. Industrial growth, spurred by a healthy economy, has increased the demand for natural gas. Also, summer demand for natural gas has increased due to its use in gas-fired electric generating plants to produce electricity for air conditioning. In addition, storage reserves are below last year's levels and slightly below the five-year average.
- Less Exploration and Production. Natural gas exploration and production declined in 1998 and into 1999 due to low wellhead prices. Current levels of exploration and production are high but according to market forecasts, the increased activity has already been factored into gas prices.
- Higher Energy Prices. The increase in overall fuel prices for other commodities such as crude oil, gasoline, and home heating oil have also contributed to the rise in natural gas prices.

For these reasons, you will likely pay more for your natural gas usage if prices remain at current levels. Although you may see a slight increase in your gas bill over the next few months, you probably will not notice a significant increase until weather turns colder.

As your natural gas provider, we remain committed to meeting your natural gas energy needs into the future. Our responsibility is to make prudent gas purchases to assure an adequate gas supply for all of our customers. The actual cost we pay for gas, with no mark-up or profit, is the cost you are billed, based on your consumption. United Cities Gas Company charges you for the *delivery* of natural gas and for *services* it provides such as meter reading, billing and customer service. Additionally, as a regulated utility, the regulatory agency in your state must first approve any change in gas commodity costs or gas service costs before it is applied to your bill.

In order to plan for the uncertainty of increasing gas costs, our Budget Billing program is an excellent way to even out your monthly gas bill payments. Call us today toll-free at 1-888-824-3434 and we will be happy to explain our program to you.

Even with current higher gas prices, natural gas continues to be the fuel of choice and the best energy value. Families and businesses alike enjoy the warmth, comfort, reliability, and clean-burning efficiency of natural gas. United Cities Gas Company shares your hope that natural gas prices will soon return to lower levels and we promise to keep you informed about natural gas market conditions. For your information, on the back side of this insert, we have included some conservation tips to help you prepare your home for the upcoming winter season.

We appreciate the opportunity to serve you. If you have any questions, please call us at your convenience, 24 hours a day, seven days a week at 1-888-824-3434.

Sincerely,

Thomas R. Blose, Jr.

Thomas R. Blose, Jr.
President

COST SAVINGS TIPS FOR STAYING WARM THIS WINTER

1. Installing a programmable setback thermostat can be a convenient and effective way to control heating costs without sacrificing comfort. You can set it for a warmer temperature while you're home and a lower temperature at night and also while no one is home during the day.
2. A dirty furnace filter can drive up the cost of heating your home. Check your furnace filter frequently and replace or clean it as needed.
3. A humidifier - either on your furnace or as a separate unit - can help control heating costs. That's because you feel warmer in moist air and can set your thermostat lower.
4. Adjust register openings to keep various rooms of your home at the desired temperature. Remember that heat rises, so you may want to partially close upstairs registers.
5. Use draperies, blinds, curtains or shutters on all windows to slow the loss of heat through the glass. Keep window coverings open on sunny days to let in the sun's warmth. Close them to insulate against cold outside air at night.
6. Rearrange furniture for winter, placing it next to inside walls, instead of outside walls, and away from windows. Avoid blocking heating registers and air returns with furniture, draperies, or carpet.
7. Use kitchen, bath and other ventilating fans sparingly in cold weather. In just one hour, these fans can blow away a houseful of warm air.
8. If you have ceiling fans, make sure the mountings are snug and tight. Use clear caulking to seal any leaks you may find as even minor cracks around the base can let in lots of cold air.
9. Purchase some inexpensive, precut insulation gaskets and seal out the cold air entering your home through electrical switches and outlet plates, particularly those on outside walls.
10. Closets and cabinets on outside walls can leak a great deal of cold air, so make sure the doors fit snugly and keep them tightly closed.

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QUESTION #7

Yes, the Company will waive late fees for payment plans upon request by the customer.

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QUESTION #8

No. The Company has not made a practice of reporting credit history to outside "credit agencies", however, this practice is now being considered as possible additional incentive for customers to pay their bills. The Company does not routinely contact credit agencies to research payment histories for current customers. We are considering credit checks and positive identification services for reestablishing service at an address that has been turned off for non-pay.

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QUESTION #9

Yes. The Company uses credit history to establish an internal credit rating for the customer. Customers are rated into four categories- Excellent, Good, Fair or Poor and these credit scores are taken into account when delinquency steps are initiated. Accounts with higher credit scores are extended more days before termination activity is initiated. The standards were previously provided in response to Question No. 3 of the February 2, 2001 TRA Data Request on disconnections.