DISCOVERY REQUEST

INTERROGATORIES AND REQUESTS TO PRODUCE

DISCOVERY REQUEST NO. 1: Provide all information related to monthly forfeited discounts, uncollectible revenues and net write-offs from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

RESPONSE: See attached schedule

NASHVILLE GAS COMPANY
Docket No. 03-00209
Tennessee Consumer Advocate Division Discovery Request

The Company does not record 'forfeited discounts'. The below schedule shows monthly late payment fees for the period June 2000 to June 2003.

Account	Fiscal Year	Fiscal Period	Sum Amount
48700	2000	8	54,987.03
48700	2000	9	43,774.72
48700	2000	10	-13,276.98
48700	2000	11	41,238.89
48700	2000	12	60,338.20
48700	2001	1	77,593.78
48700	2001	2	173,725.12
48700	2001	3	324,828.13
48700	2001	4	522,979.58
48700	2001	5	283,349.48
48700	2001	6	171,797.41
48700	2001	7	112,341.84
48700	2001	8	48,946.70
48700	2001	9	48,941.73
48700	2001	10	39,149.77
48700	2001	11	32,683.59
48700	2001	12	38,780.13
48700	2002	1	45,586.49
48700	2002	2	81,105.44
48700	2002	3	91,240.32
48700	2002	4	178,724.46
48700	2002	5	118,893.04
48700	2002	6	76,168.42
48700	2002	7	51,376.34
48700	2002	8	33,636.97
48700	2002	9	30,750.86
48700	2002	10	31,870.33
48700	2002	11	26,197.34
48700	2002	12	27,608.59
48700	2003	1	31,369.24
48700	2003	2	80,941.13
48700	2003	3	176,150.67
48700	2003	4	191,494.32
48700	2003	5	177,558.53
48700	2003	6	139,312.99
48700	2003	7	74,549.03
48700	2003	8	41,723.92

The Company does not record uncollectible revenues. The below schedule shows the uncollectible expense recorded for the period June 2000 to June 2003.

Account	Fiscal Year	Fiscal Period	Sum Amount
90400	2000	8	14,640.00
90400	2000	9	13,140.00
90400	2000	10	-135,153.00
90400	2000	11	25,186.00
90400	2000	12	-38,254.00
90400	2001	1	31,680.00
90400	2001	2	53,030.00
90400	2001	3	317,700.00
90400	2001	4	62,520.00
90400	2001	5	52,300.00
90400	2001	6	30,390.00
90400	2001	7	20,820.00
90400	2001	8	13,660.00
90400	2001	9	172,020.00
90400	2001	10	162,610.00
90400	2001	11	74,440.00
90400	2001	12	-327,498.00
90400	2002	1	36,310.00
90400	2002	2	59,170.00
90400	2002	3	80,550.00
90400	2002	4	77,370.00
90400	2002	5	53,410.00
90400	2002	6	1,320.00
90400	2002	7	10,520.00
90400	2002	8	7,650.00
90400	2002	9	10,340.00
90400	2002	10	10,280.00
90400	2002	11	14,000.00
90400	2002	12	354,197.32
90400	2003	1	29,440.00
90400	2003	2	47,980.00
90400	2003	3	354,900.00
90400	2003	4	62,730.00
90400	2003	5	43,310.00
90400	2003	6	29,900.00
90400	2003	7	15,740.00
90400	2003	8	81,550.00

Net Write-offs for the period June 2000 to June 2003.

Account	Fiscal Year	Fiscal Period	Sum Amount
14410	2000	8	40,684.77
14410	2000	9	101,964.53
14410	2000	10	65,445.09
14410	2000	11	18,429.13
14410	2000	12	-49,255.89
14410	2001	1	-27,729.66
14410	2001	2	-11,129.95
14410	2001	3	2,109.47
14410	2001	4	18,558.19
14410	2001	5	54,916.13
14410	2001	6	159,840.15
14410	2001	7	275,961.49
14410	2001	8	297,022.29
14410	2001	9	280,902.10
14410	2001	10	221,327.17
14410	2001	11	16,763.71
14410	2001	12	35,003.72
14410	2002	1	-75,600.84
14410	2002	2	-30,509.40
14410	2002	3	-23,144.21
14410	2002	4	-5,410.07
14410	2002	5	15,910.60
14410	2002	6	43,875.56
14410	2002	7	75,990.63
14410	2002	8	77,543.52
14410	2002	9	73,644.31
14410	2002	10	71,958.40
14410	2002	11	-9,324.92
14410	2002	12	279,479.80
14410	2003	1	-9,594.03
14410	2003	2	-20,739.98
14410	2003	3	-11,903.81
14410	2003	4	-2,845.98
14410	2003	5	33,426.65
14410	2003	6	71,620.59
14410	2003	7	190,132.51
14410	2003	8	257,530.35

DISCOVERY REQUEST NO. 2: Provide monthly expenses recorded in Account 903 (Customer Records and Collection Expenses) listed by sub-account detail, by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

RESPONSE: See attached schedule

NASHVILLE GAS COMPANY
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Monthly Expenses Recorded in the 903 accounts for the period June 2000 to June 2003

District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2000	8	00	90310	2,369.45
2000	8	17	90310	66,472.62
2000	8	17	90315	112.43
2000	8	00	90320	2,530.63
2000	8	17	90320	40,057.83
2000	8	17	90321	1,800.08
2000	8	00	90330	1,886.70
2000	8	17	90330	25,654.43
2000	8	17	90360	591.39
2000	8	00	90370	764.00
2000	9	00	90310	5,915.41
2000	9	17	90310	66,288.31
2000	9	17	90315	124.54
2000	9	00	90320	2,716.03
2000	9	17	90320	35,906.03
2000	9	17	90321	1,820.45
2000	9	00	90330	2,223.00
2000	9	17	90330	28,373.25
2000	9	17	90360	663.91
2000	9	00	90370	170,000.00
2000	9	17	90370	1,601.09
2000	10	00	90310	3,692.12
2000	10	17	90310	68,097.88
2000	10	17	90315	149.08
2000	10	00	90320	2,506.83
2000	10	17	90320	38,696.12
2000	10	17	90321	2,178.03
2000	10	00	90330	1,884.80
2000	10	17	90330	22,088.17
2000	10	00	90340	1,227.91
2000	10	00	90350	2,836.56
2000	10	17	90360	568.12
2000	10	17	90370	3,550.00
2000	11	00	90310	3,522.34
2000	11	17	90310	75,399.69
2000	11	17	90315	38.38
2000	11	00	90320	2,486.59
2000	11	17	90320	35,316.94
2000	11	17	90321	2,305.59
2000	11	00	90330	1,843.00
2000	11	17	90330	26,289.48

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District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2000	11	00	90340	1,227.91
2000	11	00	90350	577.49
2000	11	17	90360	651.33
2000	12	00	90310	6,010.94
2000	12	17	90310	99,731.16
2000	12	17	90315	143.94
2000	12	00	90320	4,206.39
2000	12	17	90320	53,190.94
2000	12	17	90321	4,169.36
2000	12	00	90330	1,968.40
2000	12	17	90330	42,589.45
2000	12	00	90340	4,293.91
2000	12	00	90350	100.08
2000	12	17	90360	706.48
2000	12	17	90370	2,962.32
2001	1	00	90310	4,049.09
2001	1	17	90310	72,349.41
2001	1	17	90315	105.55
2001	1	00	90320	2,827.81
2001	1	17	90320	35,018.66
2001	1	17	90321	2,737.78
2001	1	00	90330	2,515.60
2001	1	17	90330	28,062.03
2001	1	00	90340	7,392.96
2001	1	17	90370	5,954.46
2001	2	00	90310	3,611.86
2001	2	17	90310	69,683.18
2001	2	17	90315	250.59
2001	2	00	90320	2,803.66
2001	2	17	90320	36,349.34
2001	2	17	90321	2,944.58
2001	2	00	90330	3,420.00
2001	2	17	90330	33,417.75
2001	2	00	90340	21,143.96
2001	2	00	90350	6.16
2001	2	17	90360	1,113.50
2001	2	00	90370	100.00
2001	3	00	90310	2,644.83
2001	3	17	90310	78,362.23
2001	3	17	90315	1,672.02
2001	3	00	90320	2,649.85

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District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2001	3	17	90320	37,099.06
2001	3	17	90321	3,514.58
2001	3	17	90330	27,090.22
2001	3	00	90340	4,343.00
2001	3	17	90360	460.54
2001	3	00	90370	500.00
2001	4	00	90310	3,299.66
2001	4	17	90310	62,564.59
2001	4	17	90315	2,455.80
2001	4	00	90320	2,845.00
2001	4	17	90320	51,884.92
2001	4	17	90321	4,733.70
2001	4	00	90330	3,091.30
2001	4	17	90330	29,313.44
2001	4	00	90340	8,865.96
2001	4	17	90360	444.77
2001	4	00	90370	-1,981.88
2001	5	00	90310	3,983.10
2001	5	17	90310	73,439.78
2001	5	17	90315	602.57
2001	5	00	90320	2,813.88
2001	5	17	90320	54,049.93
2001	5	17	90321	5,383.61
2001	5	00	90330	6,078.10
2001	5	17	90330	29,058.74
2001	5	00	90340	-18,134.04
2001	5	17	90360	825.78
2001	5	00	90370	750.00
2001	5	17	90370	3,000.00
2001	6	00	90310	6,117.74
2001	6	17	90310	99,975.78
2001	6	17	90315	318.52
2001	6	00	90320	3,573.28
2001	6	17	90320	70,581.68
2001	6	17	90321	6,982.37
2001	6	00	90330	3,192.00
2001	6	17	90330	42,357.61
2001	6	00	90340	11,858.39
2001	6	17	90360	538.88
2001	7	00	90310	9,603.79
2001	7	17	90310	74,141.39

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Year	Period	District	Account	Sum Amount
2001	7	17	90315	148.72
2001	7	00	90320	2,334.81
2001	7	17	90320	45,902.14
2001	7	17	90321	3,533.51
2001	7	00	90330	2,698.00
2001	7	17	90330	28,398.15
2001	7	00	90350	3,206.63
2001	7	17	90350	34.68
2001	7	17	90360	386.62
2001	7	00	90370	300.00
2001	8	00	90310	6,124.39
2001	8	17	90310	77,144.80
2001	8	17	90315	187.10
2001	8	00	90320	2,317.80
2001	8	17	90320	38,940.39
2001	8	17	90321	2,991.69
2001	8	00	90330	2,283.80
2001	8	17	90330	26,486.63
2001	8	00	90340	21,862.96
2001	8	00	90350	2,868.19
2001	8	17	90360	756.73
2001	8	00	90370	774.56
2001	8	17	90370	5,852.44
2001	9	00	90310	6,417.42
2001	9	17	90310	85,081.77
2001	9	17	90315	145.93
2001	9	00	90320	2,423.87
2001	9	17	90320	41,083.66
2001	9	17	90321	2,855.10
2001	9	00	90330	1,799.30
2001	9	17	90330	28,567.73
2001	9	00	90340	14,599.96
2001	9	00	90350	8,746.06
2001	9	17	90360	597.43
2001	10	00	90310	6,144.13
2001	10	17	90310	88,214.85
2001	10	17	90315	78.30
2001	10	00	90320	2,145.02
2001	10	17	90320	40,216.73
2001	10	17	90321	2,961.67
2001	10	00	90330	1,953.20

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District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2001	10	17	90330	30,284.94
2001	10	00	90340	11,533.96
2001	10	00	90350	258.91
2001	10	17	90360	757.39
2001	11	00	90310	8,992.09
2001	11	17	90310	128,338.70
2001	11	17	90315	441.73
2001	11	00	90320	3,530.65
2001	11	17	90320	55,763.43
2001	11	17	90321	4,406.01
2001	11	17	90330	44,388.49
2001	11	00	90340	10,000.96
2001	11	00	90350	2,978.39
2001	11	17	90360	305.51
2001	11	00	90370	-31,996.44
2001	11	17	90370	3,915.68
2001	12	00	90310	10,313.15
2001	12	17	90310	89,993.37
2001	12	00	90320	2,642.96
2001	12	17	90320	47,493.63
2001	12	17	90321	2,886.98
2001	12	00	90330	4,052.70
2001	12	17	90330	31,580.61
2001	12	00	90340	12,790.96
2001	12	00	90350	7,635.07
2001	12	17	90360	972.08
2001	12	00	90370	109,554.32
2001	12	17	90370	125.00
2002	1	00	90310	11,572.94
2002	1	17	90310	99,858.13
2002	1	00	90320	2,521.63
2002	1	17	90320	40,357.78
2002	1	17	90321	2,835.17
2002	1	00	90330	2,853.80
2002	1	17	90330	28,372.28
2002	1	00	90340	21,247.96
2002	1	00	90350	21,446.27
2002	1	17	90360	519.08
2002	1	00	90370	94.88
2002	1	17	90370	2,927.92
2002	2	00	90310	5,670.85

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District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2002	2	17	90310	98,857.95
2002	2	17	90315	100.91
2002	2	00	90320	2,640.68
2002	2	17	90320	46,432.50
2002	2	17	90321	2,934.44
2002	2	17	90325	84.83
2002	2	00	90330	853.10
2002	2	17	90330	30,831.35
2002	2	00	90340	2,668.00
2002	2	00	90350	6,560.40
2002	2	17	90360	503.34
2002	2	00	90370	185,079.70
2002	3	00	90310	10,263.99
2002	3	17	90310	98,283.87
2002	3	17	90315	59.88
2002	3	00	90320	3,149.32
2002	3	17	90320	49,260.98
2002	3	17	90321	2,739.30
2002	3	17	90325	19.96
2002	3	17	90330	27,334.27
2002	3	00	90340	24,565.40
2002	3	00	90350	15,612.73
2002	3	17	90360	445.97
2002	3	00	90370	500.00
2002	4	00	90310	16,818.67
2002	4	17	90310	95,695.56
2002	4	17	90315	1,115.61
2002	4	00	90320	2,580.76
2002	4	17	90320	46,644.91
2002	4	17	90321	3,521.90
2002	4	17	90325	159.68
2002	4	00	90330	896.80
2002	4	17	90330	29,007.04
2002	4	00	90340	8,759.96
2002	4	00	90350	7,821.14
2002	4	17	90360	455.82
2002	4	00	90370	185,000.00
2002	5	00	90310	38,635.41
2002	5	17	90310	120,995.85
2002	5	17	90315	399.57
2002	5	00	90320	6,142.01

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District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2002	5	17	90320	67,791.32
2002	5	17	90321	5,273.64
2002	5	17	90325	19.96
2002	5	00	90330	134.34
2002	5	17	90330	43,857.80
2002	5	00	90340	12,668.96
2002	5	00	90350	10,245.89
2002	5	17	90350	50.53
2002	5	17	90360	471.59
2002	5	00	90370	185,125.00
2002	5	17	90370	3,878.86
2002	6	00	90310	67,090.65
2002	6	17	90310	88,088.30
2002	6	17	90315	19.96
2002	6	00	90320	9,385.65
2002	6	17	90320	49,933.41
2002	6	17	90321	3,138.31
2002	6	17	90330	28,890.16
2002	6	00	90340	12,854.96
2002	6	00	90350	14,119.17
2002	6	17	90360	690.37
2002	6	00	90370	185,000.00
2002	6	17	90370	245.07
2002	7	00	90310	66,025.22
2002	7	17	90310	85,605.59
2002	7	17	90315	59.88
2002	7	00	90320	11,666.44
2002	7	17	90320	51,914.27
2002	7	17	90321	3,302.15
2002	7	17	90325	99.80
2002	7	00	90330	461.15
2002	7	17	90330	25,914.41
2002	7	00	90340	11,427.96
2002	7	17	90340	3,915.00
2002	7	00	90350	12,190.95
2002	7	17	90360	489.90
2002	7	00	90370	180,074.71
2002	7	17	90370	85.00
2002	8	00	90310	69,461.80
2002	8	17	90310	85,805.05
2002	8	17	90315	50.46

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District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2002	8	00	90320	10,933.85
2002	8	17	90320	44,128.56
2002	8	17	90321	3,066.70
2002	8	00	90330	1,257.47
2002	8	17	90330	24,924.82
2002	8	00	90340	4,148.44
2002	8	00	90350	10,943.08
2002	8	17	90360	462.00
2002	8	00	90370	186,495.43
2002	9	00	90310	71,050.13
2002	9	17	90310	88,932.28
2002	9	17	90315	439.86
2002	9	00	90320	8,423.45
2002	9	17	90320	43,377.62
2002	9	17	90321	2,820.41
2002	9	17	90325	40.42
2002	9	00	90330	493.41
2002	9	17	90330	25,184.14
2002	9	00	90340	18,814.38
2002	9	00	90350	6,276.65
2002	9	17	90360	611.52
2002	9	00	90370	194,875.00
2002	9	17	90370	2,954.00
2002	10	00	90310	4,910.78
2002	10	17	90310	85,191.72
2002	10	17	90315	81.69
2002	10	17	90320	49,379.00
2002	10	17	90321	2,474.25
2002	10	00	90330	710.60
2002	10	17	90330	26,117.92
2002	10	00	90340	11,481.41
2002	10	00	90350	9,959.39
2002	10	17	90360	552.49
2002	10	00	90370	195,080.30
2002	10	17	90370	-1,477.00
2002	11	00	90310	45.00
2002	11	17	90310	121,870.40
2002	11	17	90315	197.02
2002	11	17	90320	67,237.34
2002	11	17	90321	3,597.83
2002	11	17	90325	134.55

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Monthly Expenses Recorded in the 903 accounts for the period June 2000 to June 2003

District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2002	11	00	90330	4,786.54
2002	11	17	90330	38,936.66
2002	11	00	90340	11,481.41
2002	11	00	90350	10,280.76
2002	11	17	90360	555.26
2002	11	00	90370	195,000.00
2002	11	17	90370	4,000.00
2002	12	00	90310	45.00
2002	12	17	90310	79,418.82
2002	12	17	90315	108.68
2002	12	17	90320	59,605.33
2002	12	17	90321	2,083.50
2002	12	00	90330	4,513.62
2002	12	17	90330	26,737.25
2002	12	00	90340	11,481.41
2002	12	17	90340	4,000.00
2002	12	00	90350	10,007.16
2002	12	17	90360	601.50
2002	12	00	90370	195,000.00
2002	12	17	90370	150.00
2003	1	00	90310	6,016.04
2003	1	17	90310	80,170.81
2003	1	17	90315	41.40
2003	1	17	90320	49,045.30
2003	1	17	90321	3,276.00
2003	1	17	90325	20.70
2003	1	00	90330	1,149.84
2003	1	17	90330	26,133.88
2003	1	00	90350	6,408.38
2003	1	17	90360	443.92
2003	1	00	90370	225,000.00
2003	2	00	90310	3,985.53
2003	2	17	90310	87,824.60
2003	2	17	90315	46.58
2003	2	17	90320	43,869.19
2003	2	17	90321	2,839.50
2003	2	00	90330	1,006.94
2003	2	17	90330	25,439.74
2003	2	00	90340	7,332.97
2003	2	00	90350	9,706.54
2003	2	17	90360	457.61

NASHVILLE GAS COMPANY
Docket No. 03-00209
Tennessee Consumer Advocate Division Discovery Request

Monthly Expenses Recorded in the 903 accounts for the period June 2000 to June 2003

District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2003	2	00	90370	205,000.00
2003	3	00	90310	3,838.63
2003	3	17	90310	90,729.06
2003	3	17	90315	228.81
2003	3	17	90320	44,449.57
2003	3	17	90321	2,239.47
2003	3	17	90325	20.70
2003	3	00	90330	701.74
2003	3	17	90330	24,596.34
2003	3	00	90340	7,332.97
2003	3	00	90350	10,877.47
2003	3	17	90360	526.40
2003	3	00	90370	227,727.49
2003	4	00	90310	3,197.57
2003	4	17	90310	82,268.70
2003	4	17	90315	502.35
2003	4	17	90320	47,655.34
2003	4	17	90321	4,293.28
2003	4	17	90325	41.40
2003	4	00	90330	1,145.97
2003	4	17	90330	26,792.05
2003	4	00	90340	7,332.97
2003	4	00	90350	18,073.73
2003	4	17	90360	468.73
2003	4	00	90370	225,342.83
2003	4	17	90370	4,000.00
2003	5	00	90310	2,881.65
2003	5	17	90310	111,260.38
2003	5	17	90315	747.30
2003	5	17	90320	83,743.49
2003	5	17	90321	7,827.40
2003	5	17	90325	871.15
2003	5	00	90330	877.75
2003	5	17	90330	41,128.84
2003	5	00	90340	7,332.97
2003	5	00	90350	14,595.73
2003	5	17	90360	453.80
2003	5	00	90370	232,475.63
2003	6	00	90310	45.00
2003	6	17	90310	78,438.84
2003	6	17	90315	270.21

NASHVILLE GAS COMPANY
Docket No. 03-00209
Tennessee Consumer Advocate Division Discovery Request

Monthly Expenses Recorded in the 903 accounts for the period June 2000 to June 2003

District 17 represents Tennessee direct charges. District 00 represents charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

Year	Period	District	Account	Sum Amount
2003	6	17	90320	50,572.89
2003	6	17	90321	4,511.86
2003	6	17	90325	269.10
2003	6	00	90330	3,550.15
2003	6	17	90330	26,388.99
2003	6	00	90350	11,294.97
2003	6	17	90360	485.81
2003	6	00	90370	255,135.12
2003	7	00	90310	2,890.25
2003	7	17	90310	72,913.34
2003	7	17	90315	166.59
2003	7	17	90320	49,823.82
2003	7	17	90321	4,288.94
2003	7	17	90325	62.10
2003	7	00	90330	432.25
2003	7	17	90330	27,831.70
2003	7	00	90340	7,332.97
2003	7	00	90350	7,744.09
2003	7	17	90360	382.43
2003	7	00	90370	196,000.00
2003	7	17	90370	4,000.00
2003	8	00	90310	3,759.65
2003	8	17	90310	81,384.96
2003	8	17	90315	186.67
2003	8	17	90320	49,206.99
2003	8	17	90321	3,811.54
2003	8	17	90325	62.10
2003	8	17	90330	24,609.34
2003	8	00	90340	15,185.46
2003	8	00	90350	10,640.14
2003	8	17	90360	499.96
2003	8	00	90370	226,950.00

DISCOVERY REQUEST NO. 3: Provide the number of SONP's (Shut-Off Due to Non-Payment) by month and by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

RESPONSE: See attached schedule

Nashville Gas Company
Tennessee Regulatory Authority
Discovery Data Request No. 3
Consumer Advocate and Protection Division

Provide the number of SONP's (Shut-Off Due to Non Payment) by month and by year from the beginning of the attrition year in the company's last rate proceding through the latest month for which information is currently available.

Month	Number of Disconnects
Jun-00	1,093
Jul-00	467
Aug-00	381
Sep-00	285
Oct-00	243
Nov-00	202
Dec-00	138
Total 00	2,809
Jan-01	546
Feb-01	993
Mar-01	1,587
Apr-01	1,523
May-01	1,416
Jun-01	859
Jul-01	708
Aug-01	449
Sep-01	186
Oct-01	240
Nov-01	145
Dec-01	150
Total 01	7,263
Jan-02	462
Feb-02	407
Mar-02	752
Apr-02	1,162
May-02	1,321
Jun-02	555
Jul-02	589
Aug-02	305
Sep-02	204
Oct-02	218
Nov-02	144
Dec-02	99
Total 02	6,218
Jan-03	289
Feb-03	701
Mar-03	1,207
Apr-03	1,546
May-03	1,141
Jun-03	1,150
Total 03	6,034

8/15/2003 rcc

DISCOVERY REQUEST NO. 4: Provide the amount of past due/delinquent accounts that have been collected by collectors, including outside collection agents and/or company personnel, by month, from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available. Provide detail by company personnel or collection agents.

RESPONSE: See attached schedule

Discovery Request No. 4				
Month/Year	Nashville Adj. Beauru	Nashville Gas	Total Amount Collected (Utility)	Expenses
Jun-00	$6,643	$9,716	$16,359	$4,174
Jul-00	$5,931	$9,200	$15,131	$3,308
Aug-00	$11,844	$19,220	$31,064	$7,640
Sep-00	$9,534	$19,393	$28,927	$7,024
Oct-00	$6,847	$30,051	$36,898	$9,197
Nov-00	$6,580	$18,898	$25,478	$10,910
Dec-00	$7,698	$33,003	$40,702	$6,778
Jan-01	$2,006	$8,749	$10,754	$2,846
Feb-01	$4,163	$12,857	$17,020	$4,241
Mar-01	$3,737	$16,447	$20,184	$5,364
Apr-01	$7,101	$18,521	$25,621	$5,472
May-01	$13,459	$23,688	$37,147	$7,964
Jun-01	$21,191	$29,453	$50,644	$11,714
Jul-01	$25,914	$26,697	$52,611	$11,097
Aug-01	$36,389	$39,152	$75,540	$17,580
Sep-01	$32,613	$24,062	$56,674	$14,722
Oct-01	$38,387	$59,291	$97,678	$26,823
Nov-01	$26,044	$63,817	$89,861	$25,678
Dec-01	$1,692	$49,547	$51,240	$20,037
Jan-02	$11,921	$37,734	$49,655	$15,323
Feb-02	$16,552	$29,110	$45,662	$13,589
Mar-02	$13,351	$16,248	$29,599	$9,001
Apr-02	$13,589	$14,955	$28,544	$7,231
May-02	$11,557	$12,072	$23,629	$6,674
Jun-02	$19,371	$12,869	$32,240	$8,864
Jul-02	$13,473	$14,071	$27,544	$7,025
Aug-02	$13,263	$15,600	$28,864	$6,887
Sep-02	$11,245	$9,881	$21,126	$5,326
Oct-02	$13,586	$17,125	$30,711	$8,110
Nov-02	$12,618	$31,087	$43,706	$10,876
Dec-02	$7,958	$14,544	$22,502	$6,281
Jan-03	$3,810	$9,552	$13,362	$3,343
Feb-03	$10,201	$17,982	$28,183	$6,810
Mar-03	$4,789	$12,812	$17,600	$3,902
Apr-03	$5,402	$17,026	$22,428	$3,583
May-03	$9,559	$27,761	$37,321	$5,867
Jun-03	$14,426	$19,658	$34,084	$7,009
Total	$474,444	$841,847	$1,316,292	$338,270

DISCOVERY REQUEST NO. 5: Provide the number of employees detailed by job function charged to credit and collections, meter reading, customer service, call center or other customer contact positions (list by month and from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available). List by job title, by month and by year.

RESPONSE: See attached schedules

Discovery Request No. 5

Customer Service Department - 1731

Date	Customer Account Clerk	Senior Customer Service representative	Customer Service Representative	Senior Teller	Teller	Customer Service Clerk	Receptionist	Supervisor	Manager
*Account Description	90330 = 67.5% 90310 = 30% 90320 = 2.5%	90310 = 12.5% 90320 = 37.5% 90330 = 50%	90310 = 75% 90320 = 25%	90310 = 100%	90321 = 67.5% 90320 = 1.5% 90310 = 31%	90310 = 62.5% 90320 = 37.5%	90310 = 100%	90100 = 100%	90100 = 100%
Jun-00	5	3	15	1	3	1	1	3	1
Jul-00	5	3	15	1	3	1	1	3	1
Aug-00	5	3	15	1	3	1	1	3	1
Sep-00	5	3	15	1	3	1	1	3	1
Oct-00	5	3	15	1	3	1	1	3	1
Nov-00	5	3	15	1	3	1	1	3	1
Dec-00	5	3	15	1	3	1	1	3	1
Jan-01	5	3	15	1	3	1	1	3	1
Feb-01	5	3	15	1	3	1	1	3	1
Mar-01	5	3	15	1	3	1	1	3	1
Apr-01	5	3	15	1	3	1	1	3	1
May-01	5	3	15	1	3	1	1	3	1
Jun-01	5	3	19	1	3	1	1	3	1
Jul-01	5	3	19	1	3	1	1	3	1
Aug-01	5	3	19	1	3	1	1	3	1
Sep-01	5	3	19	1	3	1	1	3	1
Oct-01	5	3	19	1	3	1	1	3	1
Nov-01	5	3	19	1	3	1	1	3	1
Dec-01	5	3	19	1	3	1	1	3	1
Jan-02	5	3	19	1	3	1	1	3	1
Feb-02	5	3	19	1	3	1	1	3	1
Mar-02	5	3	19	1	3	1	1	3	1
Apr-02	5	3	19	1	3	1	1	3	1
May-02	5	3	19	1	3	1	1	3	1
Jun-02	5	3	19	1	3	1	1	3	1
Jul-02	5	3	19	1	3	1	1	3	1
Aug-02	5	3	18	1	3	1	1	3	1
Sep-02	5	3	18	1	3	1	1	3	1
Oct-02	5	3	18	1	3	1	1	3	1
Nov-02	5	3	18	1	3	1	1	3	1
Dec-02	5	3	18	1	3	1	1	3	1
Jan-03	5	3	17	1	3	1	1	3	1
Feb-03	5	3	17	1	3	1	1	3	1
Mar-03	5	3	17	1	3	1	1	3	1
Apr-03	5	3	17	1	3	1	1	3	1
May-03	5	3	17	1	3	1	1	3	1
Jun-03	5	3	16	1	3	1	1	3	1
			16	1	3	1	1	3	1

*Account
90330 - Customer Billing
90310 - Contract, Credit Investigations
90320 - Collections
90321 - Cashier
90100 - Supervision

Discovery Request No. 5

DATE	METER READERS	METER SERVICES DEPARTMENT - 1755			
		URN OFF REP	SYSTEM ANALYST	SUPERVISORS	MANAGER
	Meter Reading 90200	Collection Expense 90320	Customer Billing and Accounting 90330	Supervision 90100	Supervision 90100
Jun-00	20	6	1	2	1
Jul-00	20	6	1	2	1
Aug-00	20	6	1	2	1
Sep-00	20	6	1	2	1
Oct-00	20	6	1	2	1
Nov-00	20	6	1	2	1
Dec-00	20	6	1	2	1
Jan-01	20	6	1	2	1
Feb-01	20	8	1	2	1
Mar-01	20	8	1	2	1
Apr-01	20	8	1	2	1
May-01	20	8	1	2	1
Jun-01	20	8	1	2	1
Jul-01	20	8	1	2	1
Aug-01	20	8	1	2	1
Sep-01	20	8	1	2	1
Oct-01	20	8	1	2	1
Nov-01	20	8	1	2	1
Dec-01	20	8	1	2	1
Jan-02	20	8	1	2	1
Feb-02	20	8	1	2	1
Mar-02	20	8	1	2	1
Apr-02	20	8	1	2	1
May-02	20	8	1	2	1
Jun-02	20	8	1	2	1
Jul-02	20	8	1	2	1
Aug-02	20	8	1	2	1
Sep-02	20	8	1	2	1
Oct-02	20	8	1	2	1
Nov-02	20	8	1	2	1
Dec-02	20	8	1	2	1
Jan-03	20	8	1	2	1
Feb-03	20	8	1	2	1
Mar-03	20	8	1	2	1
Apr-03	20	8	1	2	1
May-03	20	8	1	2	1
Jun-03	20	8	1	2	1

DISCOVERY REQUEST NO. 6: After how many days is a past due/delinquent account deemed uncollectible?

RESPONSE:

Please see response to Item 8 for a detailed explanation of the time line for delinquency and subsequent charge-off.

DISCOVERY REQUEST NO. 7: Provide the payroll expense for all employee positions charged to Account 903. Identify these positions by job title, by month and by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

RESPONSE: See attached schedule

NASHVILLE GAS COMPANY
Docket No. 03-00209
Tennessee Consumer Advocate Division Discovery Request

District 17 represents Tennessee direct payroll charges. District 00 represents payroll charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
	00 Total			1,088.41
	17 Total			30,270.62
		90310 Total		31,359.03
	17 Total			56.46
		90315 Total		56.46
	00 Total			1,119.00
	17 Total			16,563.73
		90320 Total		17,682.73
	17 Total			802.00
		90321 Total		802.00
	17 Total			11,912.76
		90330 Total		11,912.76
2000-06-11 Total				61,812.98
	00 Total			1,281.04
	17 Total			29,258.48
		90310 Total		30,539.52
	17 Total			55.97
		90315 Total		55.97
	00 Total			1,411.63
	17 Total			17,051.08
		90320 Total		18,462.71
	17 Total			998.08
		90321 Total		998.08
	17 Total			13,153.67
		90330 Total		13,153.67
2000-06-25 Total				63,209.95
	00 Total			1,144.92
	17 Total			30,385.66
		90310 Total		31,530.58
	17 Total			36.90
		90315 Total		36.90
	00 Total			1,136.26
	17 Total			15,161.65
		90320 Total		16,297.91
	17 Total			964.36
		90321 Total		964.36
	17 Total			13,193.25

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During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
		90330 Total		13,193.25
2000-07-09 Total				62,023.00
	00 Total			2,814.47
	17 Total			27,644.73
		90310 Total		30,459.20
	17 Total			87.64
		90315 Total		87.64
	00 Total			1,579.77
	17 Total			15,613.71
		90320 Total		17,193.48
	17 Total			856.09
		90321 Total		856.09
	17 Total			14,572.00
		90330 Total		14,572.00
2000-07-23 Total				63,168.41
	00 Total			1,358.51
	17 Total			28,221.64
		90310 Total		29,580.15
	17 Total			110.70
		90315 Total		110.70
	00 Total			1,252.23
	17 Total			15,173.06
		90320 Total		16,425.29
	17 Total			1,033.26
		90321 Total		1,033.26
	17 Total			13,847.51
		90330 Total		13,847.51
2000-08-06 Total				60,996.91
	00 Total			1,251.52
	17 Total			28,833.61
		90310 Total		30,085.13
	17 Total			38.38
		90315 Total		38.38
	00 Total			1,254.60
	17 Total			15,794.17
		90320 Total		17,048.77
	17 Total			1,144.77

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During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
		90321 Total		1,144.77
	17 Total			13,952.66
		90330 Total		13,952.66
2000-08-20 Total				62,269.71
	00 Total			1,242.66
	17 Total			29,574.36
		90310 Total		30,817.02
	00 Total			1,243.17
	17 Total			15,181.34
		90320 Total		16,424.51
	17 Total			1,268.21
		90321 Total		1,268.21
	17 Total			14,293.23
		90330 Total		14,293.23
2000-09-03 Total				62,802.97
	00 Total			1,222.38
	17 Total			32,509.69
		90310 Total		33,732.07
	17 Total			38.38
		90315 Total		38.38
	00 Total			1,243.42
	17 Total			15,382.20
		90320 Total		16,625.62
	17 Total			1,037.38
		90321 Total		1,037.38
	17 Total			11,996.25
		90330 Total		11,996.25
2000-09-17 Total				63,429.70
	00 Total			2,296.22
	17 Total			29,232.71
		90310 Total		31,528.93
	00 Total			1,431.37
	17 Total			15,851.17
		90320 Total		17,282.54
	17 Total			1,414.87
		90321 Total		1,414.87
	17 Total			13,954.14

NASHVILLE GAS COMPANY
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During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
		90330 Total		13,954.14
2000-10-01 Total				64,180.48
	00 Total			1,364.48
	17 Total			29,397.37
		90310 Total		30,761.85
	17 Total			143.94
		90315 Total		143.94
	00 Total			1,363.71
	17 Total			15,844.55
		90320 Total		17,208.26
	17 Total			1,440.38
		90321 Total		1,440.38
	17 Total			14,016.60
		90330 Total		14,016.60
2000-10-15 Total				63,571.03
	00 Total			1,405.62
	17 Total			29,021.16
		90310 Total		30,426.78
	00 Total			1,411.31
	17 Total			15,776.46
		90320 Total		17,187.77
	17 Total			1,314.11
		90321 Total		1,314.11
	17 Total			14,499.71
		90330 Total		14,499.71
2000-10-29 Total				63,428.37
	00 Total			1,380.60
	17 Total			27,362.12
		90310 Total		28,742.72
	17 Total			67.17
		90315 Total		67.17
	00 Total			1,378.66
	17 Total			17,055.74
		90320 Total		18,434.40
	17 Total			1,376.37
		90321 Total		1,376.37
	17 Total			14,913.96

NASHVILLE GAS COMPANY
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During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
		90330 Total		14,913.96
2000-11-12 Total				63,534.62
	00 Total			1,450.80
	17 Total			32,218.19
		90310 Total		33,668.99
	17 Total			38.38
		90315 Total		38.38
	00 Total			1,449.15
	17 Total			14,110.30
		90320 Total		15,559.45
	17 Total			1,361.41
		90321 Total		1,361.41
	17 Total			13,148.07
		90330 Total		13,148.07
2000-11-26 Total				63,776.30
	00 Total			1,400.32
	17 Total			28,594.04
		90310 Total		29,994.36
	17 Total			97.07
		90315 Total		97.07
	00 Total			1,402.78
	17 Total			15,915.52
		90320 Total		17,318.30
	17 Total			1,543.42
		90321 Total		1,543.42
	17 Total			14,568.72
		90330 Total		14,568.72
2000-12-10 Total				63,521.87
	00 Total			1,418.94
	17 Total			30,717.69
		90310 Total		32,136.63
	17 Total			153.52
		90315 Total		153.52
	00 Total			1,400.88
	17 Total			14,805.52
		90320 Total		16,206.40
	17 Total			1,401.16

NASHVILLE GAS COMPANY
Docket No. 03-00209
Tennessee Consumer Advocate Division Discovery Request

District 17 represents Tennessee direct payroll charges. District 00 represents payroll charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
		90321 Total		1,401.16
	17 Total			13,728.55
		90330 Total		13,728.55
2000-12-24 Total				63,626.26
	00 Total			1,315.56
	17 Total			32,208.00
		90310 Total		33,523.56
	17 Total			443.86
		90315 Total		443.86
	00 Total			1,320.58
	17 Total			14,962.34
		90320 Total		16,282.92
	17 Total			1,858.06
		90321 Total		1,858.06
	17 Total			12,823.03
		90330 Total		12,823.03
2001-01-07 Total				64,931.43
	00 Total			1,329.27
	17 Total			28,569.71
		90310 Total		29,898.98
	17 Total			1,228.16
		90315 Total		1,228.16
	00 Total			1,329.27
	17 Total			17,767.35
		90320 Total		19,096.62
	17 Total			1,656.52
		90321 Total		1,656.52
	17 Total			14,267.19
		90330 Total		14,267.19
2001-01-21 Total				66,147.47
	00 Total			1,409.02
	17 Total			28,213.83
		90310 Total		29,622.85
	17 Total			981.79
		90315 Total		981.79
	00 Total			1,429.56
	17 Total			21,401.00

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Date	District	Account	ID	Sum Amount
		90320 Total		22,830.56
	17 Total			2,305.72
		90321 Total		2,305.72
	17 Total			14,278.65
		90330 Total		14,278.65
2001-02-04 Total				70,019.57
	00 Total			1,370.45
	17 Total			29,108.83
		90310 Total		30,479.28
	17 Total			1,474.01
		90315 Total		1,474.01
	00 Total			1,415.44
	17 Total			22,629.16
		90320 Total		24,044.60
	17 Total			2,427.98
		90321 Total		2,427.98
	17 Total			15,014.79
		90330 Total		15,014.79
2001-02-18 Total				73,440.66
	00 Total			1,383.85
	17 Total			33,610.97
		90310 Total		34,994.82
	17 Total			376.10
		90315 Total		376.10
	00 Total			1,484.22
	17 Total			23,040.14
		90320 Total		24,524.36
	17 Total			2,689.23
		90321 Total		2,689.23
	17 Total			14,766.16
		90330 Total		14,766.16
2001-03-04 Total				77,350.67
	00 Total			1,309.96
	17 Total			30,573.61
		90310 Total		31,883.57
	17 Total			226.47
		90315 Total		226.47

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Date	District	Account	ID	Sum Amount
	00 Total			1,329.66
	17 Total			21,523.40
		90320 Total		22,853.06
	17 Total			2,694.38
		90321 Total		2,694.38
	17 Total			14,292.58
		90330 Total		14,292.58
2001-03-18 Total				71,950.06
	00 Total			1,243.88
	17 Total			31,358.76
		90310 Total		32,602.64
	17 Total			126.37
		90315 Total		126.37
	00 Total			1,244.84
	17 Total			22,766.93
		90320 Total		24,011.77
	17 Total			2,621.42
		90321 Total		2,621.42
	17 Total			14,920.88
		90330 Total		14,920.88
2001-04-01 Total				74,283.08
	00 Total			1,184.71
	17 Total			31,690.87
		90310 Total		32,875.58
	17 Total			57.57
		90315 Total		57.57
	00 Total			1,178.71
	17 Total			20,915.35
		90320 Total		22,094.06
	17 Total			1,939.59
		90321 Total		1,939.59
	17 Total			12,830.47
		90330 Total		12,830.47
2001-04-15 Total				69,797.27
	00 Total			1,851.69
	17 Total			29,177.16
		90310 Total		31,028.85

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Date	District	Account	ID	Sum Amount
	17 Total			134.58
		90315 Total		134.58
	00 Total			1,149.73
	17 Total			20,422.22
		90320 Total		21,571.95
	17 Total			2,421.36
		90321 Total		2,421.36
	17 Total			14,586.26
		90330 Total		14,586.26
2001-04-29 Total				69,743.00
	00 Total			4,803.00
	17 Total			33,632.43
		90310 Total		38,435.43
	17 Total			110.34
		90315 Total		110.34
	00 Total			1,121.38
	17 Total			18,798.55
		90320 Total		19,919.93
	17 Total			1,920.94
		90321 Total		1,920.94
	17 Total			14,397.46
		90330 Total		14,397.46
2001-05-13 Total				74,784.10
	00 Total			2,353.71
	17 Total			30,524.01
		90310 Total		32,877.72
	17 Total			38.38
		90315 Total		38.38
	00 Total			1,213.43
	17 Total			17,765.88
		90320 Total		18,979.31
	17 Total			1,612.57
		90321 Total		1,612.57
	17 Total			14,000.69
		90330 Total		14,000.69
2001-05-27 Total				67,508.67
	00 Total			1,703.96

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Date	District	Account	ID	Sum Amount
	17 Total			33,817.76
		90310 Total		35,521.72
	17 Total			57.57
		90315 Total		57.57
	00 Total			1,154.31
	17 Total			17,083.57
		90320 Total		18,237.88
	17 Total			1,447.52
		90321 Total		1,447.52
	17 Total			12,706.72
		90330 Total		12,706.72
2001-06-10 Total				67,971.41
	00 Total			2,099.12
	17 Total			31,217.31
		90310 Total		33,316.43
	17 Total			129.53
		90315 Total		129.53
	00 Total			1,163.49
	17 Total			17,634.93
		90320 Total		18,798.42
	17 Total			1,544.17
		90321 Total		1,544.17
	17 Total			13,779.91
		90330 Total		13,779.91
2001-06-24 Total				67,568.46
	00 Total			1,853.29
	17 Total			30,658.98
		90310 Total		32,512.27
	17 Total			28.79
		90315 Total		28.79
	00 Total			1,227.57
	17 Total			16,796.81
		90320 Total		18,024.38
	17 Total			1,355.07
		90321 Total		1,355.07
	17 Total			13,921.90
		90330 Total		13,921.90

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Date	District	Account	ID	Sum Amount
2001-07-08 Total				65,842.41
	00 Total			2,338.38
	17 Total			33,411.18
		90310 Total		35,749.56
	17 Total			115.14
		90315 Total		115.14
	00 Total			1,196.30
	17 Total			18,216.91
		90320 Total		19,413.21
	17 Total			1,500.03
		90321 Total		1,500.03
	17 Total			14,546.83
		90330 Total		14,546.83
2001-07-22 Total				71,324.77
	00 Total			1,621.83
	17 Total			33,046.76
		90310 Total		34,668.59
	17 Total			38.38
		90315 Total		38.38
	00 Total			1,119.55
	17 Total			18,041.31
		90320 Total		19,160.86
	17 Total			1,584.12
		90321 Total		1,584.12
	17 Total			14,918.34
		90330 Total		14,918.34
2001-08-05 Total				70,370.29
	00 Total			2,069.50
	17 Total			35,770.39
		90310 Total		37,839.89
	17 Total			39.92
		90315 Total		39.92
	00 Total			1,025.47
	17 Total			18,422.98
		90320 Total		19,448.45
	17 Total			1,377.55
		90321 Total		1,377.55

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Date	District	Account	ID	Sum Amount
	17 Total			15,346.60
		90330 Total		15,346.60
2001-08-15 Total				74,052.41
	00 Total			2,664.57
	17 Total			34,399.42
		90310 Total		37,063.99
	17 Total			321.60
		90315 Total		321.60
	00 Total			1,112.38
	17 Total			18,966.35
		90320 Total		20,078.73
	17 Total			1,192.20
		90321 Total		1,192.20
	17 Total			14,447.02
		90330 Total		14,447.02
2001-09-02 Total				73,103.54
	00 Total			2,459.26
	17 Total			34,170.66
		90310 Total		36,629.92
	17 Total			39.92
		90315 Total		39.92
	00 Total			1,156.10
	17 Total			18,686.51
		90320 Total		19,842.61
	17 Total			1,124.62
		90321 Total		1,124.62
	17 Total			14,078.77
		90330 Total		14,078.77
2001-09-16 Total				71,715.84
	00 Total			2,802.10
	17 Total			31,247.59
		90310 Total		34,049.69
	17 Total			80.21
		90315 Total		80.21
	00 Total			1,262.17
	17 Total			19,442.57
		90320 Total		20,704.74

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Date	District	Account	ID	Sum Amount
	17 Total			2,089.19
		90321 Total		2,089.19
	17 Total			15,862.70
		90330 Total		15,862.70
2001-09-30 Total				72,786.53
	00 Total			2,570.27
	17 Total			32,096.51
		90310 Total		34,666.78
	00 Total			1,299.79
	17 Total			19,061.34
		90320 Total		20,361.13
	17 Total			1,419.13
		90321 Total		1,419.13
	17 Total			15,731.33
		90330 Total		15,731.33
2001-10-14 Total				72,178.37
	00 Total			2,348.21
	17 Total			32,487.24
		90310 Total		34,835.45
	00 Total			1,343.17
	17 Total			19,515.22
		90320 Total		20,858.39
	17 Total			1,467.85
		90321 Total		1,467.85
	17 Total			14,659.94
		90330 Total		14,659.94
2001-10-28 Total				71,821.63
	00 Total			2,425.28
	17 Total			30,176.52
		90310 Total		32,601.80
	00 Total			1,300.73
	17 Total			19,780.20
		90320 Total		21,080.93
	17 Total			1,583.46
		90321 Total		1,583.46
	17 Total			15,494.53
		90330 Total		15,494.53

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Date	District	Account	ID	Sum Amount
2001-11-11 Total				70,760.72
	00 Total			2,046.26
	17 Total			35,172.61
		90310 Total		37,218.87
	00 Total			1,220.90
	17 Total			18,965.46
		90320 Total		20,186.36
	17 Total			1,251.71
		90321 Total		1,251.71
	17 Total			12,877.75
		90330 Total		12,877.75
2001-11-25 Total				71,534.69
	00 Total			2,123.46
	17 Total			29,985.20
		90310 Total		32,108.66
	17 Total			40.29
		90315 Total		40.29
	00 Total			1,263.53
	17 Total			21,779.55
		90320 Total		23,043.08
	17 Total			1,648.52
		90321 Total		1,648.52
	17 Total			84.83
		90325 Total		84.83
	17 Total			15,084.35
		90330 Total		15,084.35
2001-12-09 Total				72,009.73
	00 Total			2,577.75
	17 Total			31,603.96
		90310 Total		34,181.71
	17 Total			60.62
		90315 Total		60.62
	00 Total			1,377.15
	17 Total			20,357.47
		90320 Total		21,734.62
	17 Total			1,285.92
		90321 Total		1,285.92

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Date	District	Account	ID	Sum Amount
	17 Total			15,747.00
		90330 Total		15,747.00
2001-12-23 Total				73,009.87
	00 Total			2,152.57
	17 Total			36,902.48
		90310 Total		39,055.05
	00 Total			1,618.91
	17 Total			21,311.94
		90320 Total		22,930.85
	17 Total			1,087.77
		90321 Total		1,087.77
	17 Total			11,772.28
		90330 Total		11,772.28
2002-01-06 Total				74,845.95
	00 Total			2,444.53
	17 Total			32,064.41
		90310 Total		34,508.94
	17 Total			59.88
		90315 Total		59.88
	00 Total			1,530.41
	17 Total			22,949.94
		90320 Total		24,480.35
	17 Total			1,651.53
		90321 Total		1,651.53
	17 Total			19.96
		90325 Total		19.96
	17 Total			15,526.07
		90330 Total		15,526.07
2002-01-20 Total				76,246.73
	00 Total			2,287.66
	17 Total			37,557.33
		90310 Total		39,844.99
	17 Total			736.37
		90315 Total		736.37
	00 Total			1,278.44
	17 Total			21,309.45
		90320 Total		22,587.89

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Date	District	Account	ID	Sum Amount
	17 Total			1,749.30
		90321 Total		1,749.30
	17 Total			13,977.82
		90330 Total		13,977.82
2002-02-03 Total				78,896.37
	00 Total			2,325.44
	17 Total			33,653.57
		90310 Total		35,979.01
	17 Total			379.24
		90315 Total		379.24
	00 Total			1,302.32
	17 Total			22,427.43
		90320 Total		23,729.75
	17 Total			1,772.60
		90321 Total		1,772.60
	17 Total			159.68
		90325 Total		159.68
	17 Total			15,029.22
		90330 Total		15,029.22
2002-02-17 Total				77,049.50
	00 Total			2,543.93
	17 Total			33,411.62
		90310 Total		35,955.55
	17 Total			159.68
		90315 Total		159.68
	00 Total			1,214.85
	17 Total			22,040.49
		90320 Total		23,255.34
	17 Total			1,843.96
		90321 Total		1,843.96
	17 Total			14,879.26
		90330 Total		14,879.26
2002-03-03 Total				76,093.79
	00 Total			1,930.37
	17 Total			33,706.99
		90310 Total		35,637.36
	17 Total			159.68

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Date	District	Account	ID	Sum Amount
		90315 Total		159.68
	00 Total			1,206.76
	17 Total			21,384.70
		90320 Total		22,591.46
	17 Total			1,727.48
		90321 Total		1,727.48
	17 Total			14,365.89
		90330 Total		14,365.89
2002-03-17 Total				74,481.87
	00 Total			29,336.80
	17 Total			37,190.37
		90310 Total		66,527.17
	17 Total			80.21
		90315 Total		80.21
	00 Total			3,720.40
	17 Total			21,700.00
		90320 Total		25,420.40
	17 Total			1,702.20
		90321 Total		1,702.20
	17 Total			19.96
		90325 Total		19.96
	17 Total			14,612.65
		90330 Total		14,612.65
2002-03-31 Total				108,362.59
	00 Total			31,864.39
	17 Total			36,114.46
		90310 Total		67,978.85
	00 Total			4,599.05
	17 Total			21,267.94
		90320 Total		25,866.99
	17 Total			1,366.21
		90321 Total		1,366.21
	17 Total			15,342.52
		90330 Total		15,342.52
2002-04-14 Total				110,554.57
	00 Total			32,367.24
	17 Total			34,763.53

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Date	District	Account	ID	Sum Amount
		90310 Total		67,130.77
	17 Total			19.96
		90315 Total		19.96
	00 Total			4,786.60
	17 Total			22,361.28
		90320 Total		27,147.88
	17 Total			1,772.10
		90321 Total		1,772.10
	17 Total			13,524.74
		90330 Total		13,524.74
2002-04-28 Total				109,595.45
	00 Total			32,599.67
	17 Total			36,518.35
		90310 Total		69,118.02
	17 Total			59.88
		90315 Total		59.88
	00 Total			4,148.87
	17 Total			22,379.21
		90320 Total		26,528.08
	17 Total			1,587.89
		90321 Total		1,587.89
	17 Total			12,650.14
		90330 Total		12,650.14
2002-05-12 Total				109,944.01
	00 Total			30,112.40
	17 Total			35,891.38
		90310 Total		66,003.78
	00 Total			7,517.57
	17 Total			19,450.34
		90320 Total		26,967.91
	17 Total			1,714.26
		90321 Total		1,714.26
	17 Total			99.80
		90325 Total		99.80
	00 Total			15.33
	17 Total			13,264.27
		90330 Total		13,279.60

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Date	District	Account	ID	Sum Amount
2002-05-26 Total				108,065.35
	00 Total			33,154.14
	17 Total			38,840.56
		90310 Total		71,994.70
	00 Total			6,224.10
	17 Total			19,485.82
		90320 Total		25,709.92
	17 Total			1,449.41
		90321 Total		1,449.41
	17 Total			11,957.94
		90330 Total		11,957.94
2002-06-09 Total				111,111.97
	00 Total			32,217.63
	17 Total			37,548.73
		90310 Total		69,766.36
	17 Total			50.46
		90315 Total		50.46
	00 Total			4,709.75
	17 Total			20,171.29
		90320 Total		24,881.04
	17 Total			1,617.29
		90321 Total		1,617.29
	17 Total			12,966.88
		90330 Total		12,966.88
2002-06-23 Total				109,282.03
	00 Total			34,083.83
	17 Total			37,427.62
		90310 Total		71,511.45
	17 Total			220.30
		90315 Total		220.30
	00 Total			4,176.76
	17 Total			19,265.58
		90320 Total		23,442.34
	17 Total			1,444.40
		90321 Total		1,444.40
	17 Total			12,475.89
		90330 Total		12,475.89

NASHVILLE GAS COMPANY
Docket No. 03-00209
Tennessee Consumer Advocate Division Discovery Request

District 17 represents Tennessee direct payroll charges. District 00 represents payroll charges originating in the Corporate Office which are allocated to all three jurisdictions on the basis of net plant.

During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
2002-07-07 Total				109,094.38
	00 Total			32,956.14
	17 Total			36,655.32
		90310 Total		69,611.46
	17 Total			219.56
		90315 Total		219.56
	00 Total			4,246.69
	17 Total			18,643.12
		90320 Total		22,889.81
	17 Total			1,376.01
		90321 Total		1,376.01
	17 Total			40.42
		90325 Total		40.42
	17 Total			12,685.35
		90330 Total		12,685.35
2002-07-21 Total				106,822.61
	00 Total			85.27
	17 Total			34,526.44
		90310 Total		34,611.71
	17 Total			40.29
		90315 Total		40.29
	17 Total			20,425.74
		90320 Total		20,425.74
	17 Total			1,236.69
		90321 Total		1,236.69
	17 Total			13,722.09
		90330 Total		13,722.09
2002-08-04 Total				70,036.52
	17 Total			39,916.20
		90310 Total		39,916.20
	17 Total			41.40
		90315 Total		41.40
	17 Total			20,280.85
		90320 Total		20,280.85
	17 Total			1,237.56
		90321 Total		1,237.56
	17 Total			12,395.83

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Date	District	Account	ID	Sum Amount
		90330 Total		12,395.83
2002-08-18 Total				73,871.84
	17 Total			36,680.17
		90310 Total		36,680.17
	17 Total			62.47
		90315 Total		62.47
	17 Total			19,974.94
		90320 Total		19,974.94
	17 Total			1,319.35
		90321 Total		1,319.35
	17 Total			20.70
		90325 Total		20.70
	17 Total			12,896.39
		90330 Total		12,896.39
2002-09-01 Total				70,954.02
	17 Total			37,356.02
		90310 Total		37,356.02
	17 Total			93.15
		90315 Total		93.15
	17 Total			19,711.93
		90320 Total		19,711.93
	17 Total			1,080.00
		90321 Total		1,080.00
	17 Total			20.70
		90325 Total		20.70
	17 Total			12,838.87
		90330 Total		12,838.87
2002-09-15 Total				71,100.67
	17 Total			34,869.05
		90310 Total		34,869.05
	17 Total			41.40
		90315 Total		41.40
	17 Total			20,884.04
		90320 Total		20,884.04
	17 Total			1,198.48
		90321 Total		1,198.48
	17 Total			93.15

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Date	District	Account	ID	Sum Amount
		90325 Total		93.15
	17 Total			13,201.40
		90330 Total		13,201.40
2002-09-29 Total				70,287.52
	17 Total			34,497.97
		90310 Total		34,497.97
	17 Total			62.10
		90315 Total		62.10
	17 Total			20,865.15
		90320 Total		20,865.15
	17 Total			994.50
		90321 Total		994.50
	17 Total			13,360.70
		90330 Total		13,360.70
2002-10-13 Total				69,780.42
	17 Total			34,918.00
		90310 Total		34,918.00
	17 Total			46.58
		90315 Total		46.58
	17 Total			20,373.56
		90320 Total		20,373.56
	17 Total			1,089.00
		90321 Total		1,089.00
	17 Total			13,353.65
		90330 Total		13,353.65
2002-10-27 Total				69,780.79
	17 Total			34,242.64
		90310 Total		34,242.64
	17 Total			41.40
		90315 Total		41.40
	17 Total			20,263.14
		90320 Total		20,263.14
	17 Total			1,534.50
		90321 Total		1,534.50
	17 Total			13,262.75
		90330 Total		13,262.75
2002-11-10 Total				69,344.43

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Date	District	Account	ID	Sum Amount
	17 Total			34,670.69
		90310 Total		34,670.69
	17 Total			20,788.53
		90320 Total		20,788.53
	17 Total			1,741.50
		90321 Total		1,741.50
	17 Total			20.70
		90325 Total		20.70
	17 Total			12,871.13
		90330 Total		12,871.13
2002-11-24 Total				70,092.55
	17 Total			39,607.95
		90310 Total		39,607.95
	17 Total			19,487.93
		90320 Total		19,487.93
	17 Total			1,395.00
		90321 Total		1,395.00
	17 Total			12,189.92
		90330 Total		12,189.92
2002-12-08 Total				72,680.80
	17 Total			34,382.99
		90310 Total		34,382.99
	17 Total			46.58
		90315 Total		46.58
	17 Total			20,602.65
		90320 Total		20,602.65
	17 Total			1,444.50
		90321 Total		1,444.50
	17 Total			13,249.82
		90330 Total		13,249.82
2002-12-22 Total				69,726.54
	17 Total			42,131.46
		90310 Total		42,131.46
	17 Total			41.40
		90315 Total		41.40
	17 Total			18,568.11
		90320 Total		18,568.11

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During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
	17 Total			767.97
		90321 Total		767.97
	17 Total			10,798.25
		90330 Total		10,798.25
2003-01-05 Total				72,307.19
	17 Total			35,372.61
		90310 Total		35,372.61
	17 Total			187.41
		90315 Total		187.41
	17 Total			20,021.80
		90320 Total		20,021.80
	17 Total			1,471.50
		90321 Total		1,471.50
	17 Total			20.70
		90325 Total		20.70
	17 Total			13,770.42
		90330 Total		13,770.42
2003-01-19 Total				70,844.44
	17 Total			38,232.98
		90310 Total		38,232.98
	17 Total			191.48
		90315 Total		191.48
	17 Total			20,679.32
		90320 Total		20,679.32
	17 Total			1,930.50
		90321 Total		1,930.50
	17 Total			20.70
		90325 Total		20.70
	17 Total			13,615.35
		90330 Total		13,615.35
2003-02-02 Total				74,670.33
	17 Total			36,430.00
		90310 Total		36,430.00
	17 Total			310.87
		90315 Total		310.87
	17 Total			21,230.18
		90320 Total		21,230.18

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Date	District	Account	ID	Sum Amount
	17 Total			2,362.78
		90321 Total		2,362.78
	17 Total			20.70
		90325 Total		20.70
	17 Total			13,176.70
		90330 Total		13,176.70
2003-02-16 Total				73,531.23
	17 Total			34,467.34
		90310 Total		34,467.34
	17 Total			269.84
		90315 Total		269.84
	17 Total			24,561.54
		90320 Total		24,561.54
	17 Total			2,610.00
		90321 Total		2,610.00
	17 Total			373.85
		90325 Total		373.85
	17 Total			13,566.50
		90330 Total		13,566.50
2003-03-02 Total				75,849.07
	17 Total			31,929.87
		90310 Total		31,929.87
	17 Total			332.19
		90315 Total		332.19
	17 Total			24,271.98
		90320 Total		24,271.98
	17 Total			2,750.85
		90321 Total		2,750.85
	17 Total			248.40
		90325 Total		248.40
	17 Total			13,963.58
		90330 Total		13,963.58
2003-03-16 Total				73,496.87
	17 Total			33,098.73
		90310 Total		33,098.73
	17 Total			145.27
		90315 Total		145.27

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Date	District	Account	ID	Sum Amount
	17 Total			26,304.70
		90320 Total		26,304.70
	17 Total			2,466.55
		90321 Total		2,466.55
	17 Total			248.90
		90325 Total		248.90
	17 Total			13,598.76
		90330 Total		13,598.76
2003-03-30 Total				75,862.91
	17 Total			32,799.42
		90310 Total		32,799.42
	17 Total			270.21
		90315 Total		270.21
	17 Total			22,568.53
		90320 Total		22,568.53
	17 Total			2,362.50
		90321 Total		2,362.50
	17 Total			20.70
		90325 Total		20.70
	17 Total			13,495.30
		90330 Total		13,495.30
2003-04-13 Total				71,516.66
	17 Total			38,926.63
		90310 Total		38,926.63
	17 Total			19,507.03
		90320 Total		19,507.03
	17 Total			2,149.36
		90321 Total		2,149.36
	17 Total			248.40
		90325 Total		248.40
	17 Total			12,893.69
		90330 Total		12,893.69
2003-04-27 Total				73,725.11
	17 Total			32,165.19
		90310 Total		32,165.19
	17 Total			62.10
		90315 Total		62.10

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Date	District	Account	ID	Sum Amount
	17 Total			22,357.16
		90320 Total		22,357.16
	17 Total			2,164.50
		90321 Total		2,164.50
	17 Total			62.10
		90325 Total		62.10
	17 Total			14,625.82
		90330 Total		14,625.82
2003-05-11 Total				71,436.87
	17 Total			34,281.08
		90310 Total		34,281.08
	17 Total			104.49
		90315 Total		104.49
	17 Total			19,965.50
		90320 Total		19,965.50
	17 Total			2,124.44
		90321 Total		2,124.44
	17 Total			13,178.21
		90330 Total		13,178.21
2003-05-25 Total				69,653.72
	17 Total			37,272.06
		90310 Total		37,272.06
	17 Total			82.80
		90315 Total		82.80
	17 Total			20,056.38
		90320 Total		20,056.38
	17 Total			1,926.04
		90321 Total		1,926.04
	17 Total			41.40
		90325 Total		41.40
	17 Total			11,299.22
		90330 Total		11,299.22
2003-06-08 Total				70,677.90
	17 Total			33,677.58
		90310 Total		33,677.58
	17 Total			103.87
		90315 Total		103.87

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During the period June 2000 to June 2003, 164 Corporate Office and Tennessee employees charged payroll to the 903 series of accounts. Examples of position titles include: Customer Service Representatives, Supervisor-Customer Information Center, Regional Business Managers and Regional Manager - Customer Service.

Date	District	Account	ID	Sum Amount
	17 Total			20,258.15
		90320 Total		20,258.15
	17 Total			1,885.50
		90321 Total		1,885.50
	17 Total			20.70
		90325 Total		20.70
	17 Total			13,310.12
		90330 Total		13,310.12
2003-06-22 Total				69,255.92
	Grand Total			5,952,290.70

DISCOVERY REQUEST NO. 8: Identify and describe all policies and procedures used in billing, collecting and writing off of uncollectible accounts as of the test year in the latest rate case and as of 7/1/2003. Include a time line and description of the entire collection process, including, but not confined to, meter reading, billing payments, due date, cut-off notice date, cut-off date, collection processes, date referred to collection, collection costs, write-offs, etc. In addition, describe the company's policies and procedures for use of outside collection agents, including, but not confined to, the number of days that a past due/delinquent account is outstanding before referral to outside collection agents as well as fee arrangements with collection agents.

RESPONSE: See attached schedules

Utility Delinquency Process – Nashville Gas

The purpose of this document is to respond to the Tennessee Regulatory Authority's request for information as stated in Discovery Request No. 08.

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Important Notice

All accounts follow a delinquency timeline for collection action with the on cycle billing that present a past due balance on the 65th day.

An Important Notice is included with the on-cycle bill allowing 10 days for payment to be received to avoid further collection action. With the expiration of this Important Notice (day 11), the collection process described below occurs for all delinquent customers.

First Contact

Accounts are eligible for a First Contact Notice (door tag) when the past due amount is greater than $49.99 or the customer has not made payment in 90 days but is under the threshold amount. The account is then forecasted to receive a first contact notice on the eleventh day after the on cycle bill occurs, (bill date is considered day zero and the customers notice expires on the tenth day.)

The CIS system generates a door tag during the nightly batch processing for all delinquent customers that meet the above criteria. Accounts that have not made a satisfactory payment agreement will receive the door tag notifying them of the pending disconnection activity. All door tags that have been delivered are updated in the CIS system, which will forecast the disconnection order.

Disconnect for Non-Pay

Accounts that have received an Important Notice and First Contact are eligible for disconnection after the expiration date of the first contact notice (3 days) if one of the following has not occurred.

1) Payment of past due amount
2) Satisfactory payment agreement
3) Payment of entire bill

Furthermore, accounts are not cut off on Fridays or on a day preceding a holiday. The customer must have immediate recourse to Nashville Gas to have service restored when payment is received. Customers are charged a reconnection fee for the non-pay reconnect.

> **Note:** If a payment to an account is made during the delinquency process that will pay the past due amount in full, or reduce the amount below the threshold, the disconnect order will be canceled.

Accounts that hold a delinquency amount above the thresholds at the time of the expiration of the First Contact will have a disconnect order generated during the CIS batch process. A field collector will work these orders that day.

When a Disconnect for Non-Pay order has been completed, the customer will have 5 days from the date the order was completed to pay the necessary charges to restore service, otherwise the account will be Final Billed during the night batch processing of day 5.

Final Bill Process

The Final Bill amount will be past due 25 days from the final bill date. This activity will start the Post Final Bill delinquency and collection process. The customer will be sent a First Collection Letter informing the customer of the delinquent final bill amount due. The timeline to the expiration of this letter is 15 days from the letter generation.

Charge Off Time-Line

If no activity occurs within 15 days after the First Collection letter, the account will be forwarded to a collection agency. This period in the timeline is day 40. The collection agency immediately issues a first pre-collect letter. Accounts that remain unpaid for an additional 15 days will receive a second pre-collect letter from the agency. If no payment activity occurs within 20 days of the agencies second pre-collect letter, the customers account will be charged off within the CIS system. This period in the time line is day 75.

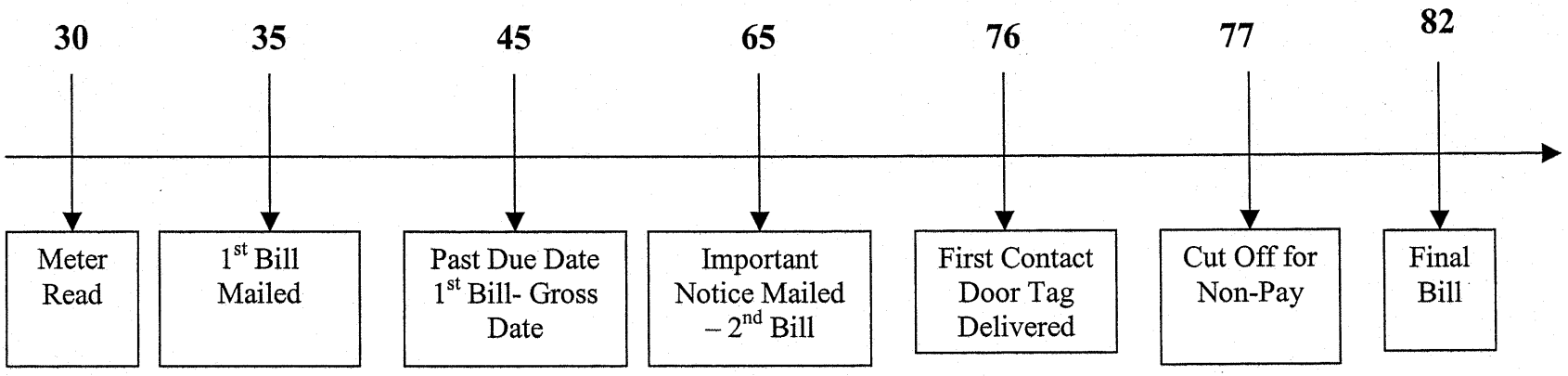
> Note: Collection action taken on final billed accounts is based on calendar days not business days. If the action falls on a non-business day, it rolls to the next business day.

Return from Agency

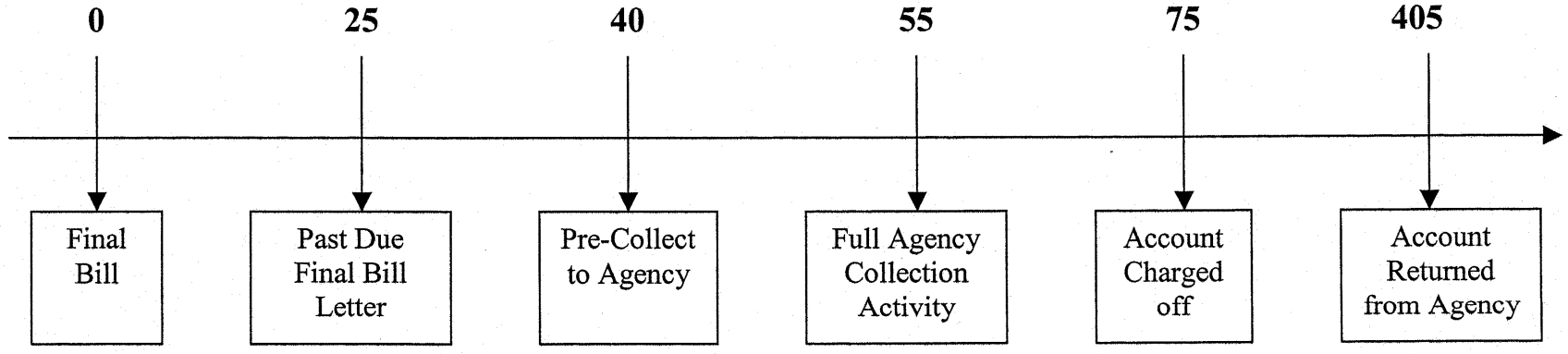
The accounts reported to the collection agency will be returned to Nashville Gas 405 calendar days from the final bill date.

Nashville Gas - Collection Timeline

Active Billing Timeline



Post Final Bill Timeline



DISCOVERY REQUEST NO. 9: Provide a narrative or other summary of the potential impact of any changes on bad debts expense since the company's last rate case.

RESPONSE:

Since Nashville Gas Company's last rate case, gas prices have remained volatile. As evidenced by the joint petition filed by the three LDCs in Docket No. 01-00802, Nashville Gas experienced uncollectible accounts during the 12 months ended October 31, 2001, far in excess of the amount allowed for recovery in Nashville Gas' last rate case, in Docket No. 99-00994. The evidence presented in Docket No. 01-00802 showed that Nashville Gas experienced net write-offs during the 12 months ended October 31, 2001 of $1,535,000. This amount compares to the $410,837 for uncollectible accounts expense recovery allowed in Nashville Gas' last rate case. During the test period in Nashville Gas' currently pending rate case, the actual uncollectible accounts expense recorded was $697,067.

The Company has not conducted a study to identify all "of the potential impact of any changes on bad debts expense since the company's last rate case." Obviously, the vast majority of the increase can be attributed to the increase in the wholesale cost of gas. Other factors impacting uncollectible accounts are a general downturn in the national and state economies that has led to increased unemployment, reductions in production by many businesses and plant closures resulting from bankruptcies.

DISCOVERY REQUEST NO. 10: List and explain all factors which may have caused a change in bad debts expense since the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

RESPONSE:

See response to Discovery Request No. 9.

DISCOVERY REQUEST NO. 11: Describe in detail the total amount of capital required to "carry" the accounts receivable balances associated with customers that pay after the due date (date when the late payment charge is added to the billed balance):

a) using the latest available year, and

b) using the test year from the latest rate case.

RESPONSE:

The Company does not maintain its accounting records in a manner to identify the accounts receivable balances associated with customers that pay after the due date. An aging of accounts receivable is performed each month in which the existing accounts receivable balance at a point in time is segregated into the categories of *current, 30-day past due, 60-day past due* and *90 days and over past due*. The *current* category would include the accounts receivable balances associated with those customers that pay after the due date but before the bill is 30 days past due. A copy of the report representing the status of delinquent accounts as of August 15, 2003 is attached.

The calculation to quantify carrying costs would involve applying the overall rate of return (grossed-up for taxes for the equity component) to the average accounts receivable balance associated with customers paying after the due date. As explained, since the Company's accounting records do not identify the accounts receivable balances in the manner requested, the calculation of the "carrying charges" is not possible.

DR NO. 11

AGING OF GAS RECEIVABLES (NON LARGE VOLUME) ON 08/15/03

Location	Current		30-Day		60-Day		90-Day		Total	% Total Co.
Charlotte	$4,470,381.67	75.6%	$895,376.31	15.1%	$333,537.53	5.6%	$213,984.43	3.6%	$5,913,279.94	31.4%
Greensboro	$1,503,944.67	72.6%	$295,883.49	14.3%	$151,088.28	7.3%	$121,984.91	5.9%	$2,072,901.35	11.0%
Asheboro	$193,229.72	80.4%	$28,501.87	11.9%	$12,891.76	5.4%	$5,671.45	2.4%	$240,294.80	1.3%
Winston-Salem	$1,031,862.74	77.6%	$198,589.90	14.9%	$71,619.74	5.4%	$27,554.31	2.1%	$1,329,626.69	7.1%
High Point	$675,621.23	80.6%	$109,308.31	13.0%	$39,532.53	4.7%	$13,887.60	1.7%	$838,349.67	4.5%
Burlington	$510,346.94	68.9%	$97,703.26	13.2%	$61,878.48	8.4%	$70,414.41	9.5%	$740,343.09	3.9%
Salisbury	$379,486.67	82.3%	$49,091.42	10.7%	$18,403.55	4.0%	$13,934.87	3.0%	$460,916.51	2.4%
Hickory	$191,677.75	85.5%	$26,008.26	11.6%	$5,065.54	2.3%	$1,463.07	0.7%	$224,214.62	1.2%
Lenoir	$120,155.41	87.9%	$11,400.53	8.3%	$4,169.74	3.0%	$1,035.70	0.8%	$136,761.38	0.7%
Lincolnton	$152,051.96	84.9%	$19,068.85	10.7%	$6,680.78	3.7%	$1,242.16	0.7%	$179,043.75	1.0%
Morganton	$177,319.42	85.5%	$22,270.28	10.7%	$5,439.96	2.6%	$2,294.10	1.1%	$207,323.76	1.1%
Newton	$145,660.99	88.5%	$16,060.75	9.8%	$2,421.04	1.5%	$464.64	0.3%	$164,607.42	0.9%
Mayland	$16,521.90	93.3%	$766.18	4.3%	$260.79	1.5%	$162.61	0.9%	$17,711.48	0.1%
Reidsville	$191,610.74	53.2%	$45,199.74	12.5%	$29,269.73	8.1%	$94,348.26	26.2%	$360,428.47	1.9%
Total N.C.	$9,759,871.81	75.7%	$1,815,229.15	14.1%	$742,259.45	5.8%	$568,442.52	4.4%	$12,885,802.93	68.4%
Greenville	$1,437,148.05	80.9%	$201,870.70	11.4%	$87,127.68	4.9%	$51,292.25	2.9%	$1,777,438.68	9.4%
Anderson	$303,381.35	78.3%	$54,240.71	14.0%	$21,574.12	5.6%	$8,500.13	2.2%	$387,696.31	2.1%
Spartanburg	$604,678.09	80.3%	$103,152.50	13.7%	$30,887.63	4.1%	$14,642.71	1.9%	$753,360.93	4.0%
Gaffney	$99,462.55	77.4%	$17,737.31	13.8%	$7,252.22	5.6%	$4,089.85	3.2%	$128,541.93	0.7%
Total S.C.	$2,444,670.04	80.2%	$377,001.22	12.4%	$146,841.65	4.8%	$78,524.94	2.6%	$3,047,037.85	16.2%
Nashville	$2,424,717.20	83.8%	$307,060.39	10.6%	$97,664.28	3.4%	$64,198.09	2.2%	$2,893,639.96	15.4%
Total Tenn.	$2,424,717.20	83.8%	$307,060.39	10.6%	$97,664.28	3.4%	$64,198.09	2.2%	$2,893,639.96	15.4%
TOTAL COMPANY	$14,629,259.05	77.7%	$2,499,290.76	13.3%	$986,765.38	5.2%	$711,165.55	3.8%	$18,826,480.74	100.0%

DR No. 11

AGING OF GAS RECEIVABLES (LARGE VOLUME) ON 08/15/03

Location	Current		30-Day		60-Day		90-Day		Total	% Total Co.
Charlotte	$16,615,567.68	97.5%	$401,647.85	2.4%	$22,025.51	0.1%	**$11,079.71**	**0.1%**	$17,050,320.75	69.0%
Greensboro	$560,757.75	98.3%	$9,156.36	1.6%	$534.24	0.1%	**$0.00**	**0.0%**	$570,448.35	2.3%
Asheboro	$205,230.60	94.4%	$10,838.63	5.0%	$1,404.21	0.6%	**$0.00**	**0.0%**	$217,473.44	0.9%
Winston-Salem	$488,659.42	98.1%	$8,968.47	1.8%	$84.39	0.0%	**$164.36**	**0.0%**	$497,876.64	2.0%
High Point	$237,092.01	95.9%	$6,887.78	2.8%	$3,303.30	1.3%	**$0.00**	**0.0%**	$247,283.09	1.0%
Burlington	$373,488.24	96.4%	$8,478.18	2.2%	$3,465.04	0.9%	**$2,114.19**	**0.5%**	$387,545.65	1.6%
Salisbury	$243,289.87	87.9%	$25,259.90	9.1%	$8,382.73	3.0%	**$0.00**	**0.0%**	$276,932.50	1.1%
Hickory	$768,943.52	83.6%	$106,107.70	11.5%	$38,434.84	4.2%	**$6,204.04**	**0.7%**	$919,690.10	3.7%
Lenoir	$0.00	#DIV/0!	$0.00	#DIV/0!	$0.00	#DIV/0!	**$0.00**	**#DIV/0!**	$0.00	0.0%
Lincolnton	$0.00	#DIV/0!	$0.00	#DIV/0!	$0.00	#DIV/0!	**$0.00**	**#DIV/0!**	$0.00	0.0%
Morganton	$0.00	#DIV/0!	$0.00	#DIV/0!	$0.00	#DIV/0!	**$0.00**	**#DIV/0!**	$0.00	0.0%
Newton	$0.00	#DIV/0!	$0.00	#DIV/0!	$0.00	#DIV/0!	**$0.00**	**#DIV/0!**	$0.00	0.0%
Mayland	$72,639.08	100.0%	$0.00	0.0%	$0.00	0.0%	**$0.00**	**0.0%**	$72,639.08	0.3%
Reidsville	$229,733.52	90.4%	$10.65	0.0%	$0.00	0.0%	**$24,254.88**	**9.5%**	$253,999.05	1.0%
Total N.C.	$19,795,401.69	96.6%	$577,355.52	2.8%	$77,634.26	0.4%	$43,817.18	0.2%	$20,494,208.65	83.0%
Greenville	$715,693.84	56.6%	$115,483.09	9.1%	$94,562.56	7.5%	**$339,673.42**	**26.8%**	$1,265,412.91	5.1%
Anderson	$113,337.80	96.9%	$791.21	0.7%	$952.40	0.8%	**$1,911.70**	**1.6%**	$116,993.11	0.5%
Spartanburg	$698,471.41	82.8%	$73,172.21	8.7%	$69,340.69	8.2%	**$3,028.84**	**0.4%**	$844,013.15	3.4%
Gaffney	$137,170.60	96.9%	$4,434.93	3.1%	$0.09	0.0%	**$0.00**	**0.0%**	$141,605.62	0.6%
Total S.C.	$1,664,673.65	70.3%	$193,881.44	8.2%	$164,855.74	7.0%	$344,613.96	14.6%	$2,368,024.79	9.6%
Nashville	$1,725,682.47	94.0%	$54,832.22	3.0%	$27,875.41	1.5%	**$28,298.52**	**1.5%**	$1,836,688.62	7.4%
Total Tenn.	$1,725,682.47	94.0%	$54,832.22	3.0%	$27,875.41	1.5%	$28,298.52	1.5%	$1,836,688.62	7.4%
TOTAL COMPANY	$23,185,757.81	93.9%	$826,069.18	3.3%	$270,365.41	1.1%	$416,729.66	1.7%	$24,698,922.06	100.0%

DR NO

AGING OF EPP RECEIVABLES ON 08/15/03

Location	Current		30-DAY		60-Day		90-Day		Total	% Total Co.
Charlotte	$989,539.16	91.2%	$87,183.53	8.0%	$7,579.02	0.7%	**$207.93**	**0.0%**	$1,084,509.64	27.5%
Greensboro	$493,114.82	90.4%	$45,601.11	8.4%	$6,809.93	1.2%	**$72.72**	**0.0%**	$545,598.58	13.8%
Asheboro	$50,741.00	90.1%	$4,976.82	8.8%	$608.86	1.1%	**$0.00**	**0.0%**	$56,326.68	1.4%
Winston-Salem	$232,368.56	87.8%	$27,525.67	10.4%	$4,431.11	1.7%	**$250.20**	**0.1%**	$264,575.54	6.7%
High Point	$215,638.16	87.6%	$26,470.51	10.8%	$3,842.96	1.6%	**$170.81**	**0.1%**	$246,122.44	6.2%
Burlington	$205,103.76	89.3%	$21,035.65	9.2%	$3,529.77	1.5%	**$80.00**	**0.0%**	$229,749.18	5.8%
Salisbury	$86,199.18	89.1%	$8,172.60	8.5%	$1,717.79	1.8%	**$613.46**	**0.6%**	$96,703.03	2.4%
Hickory	$36,368.84	90.8%	$3,632.23	9.1%	$49.00	0.1%	**$0.00**	**0.0%**	$40,050.07	1.0%
Lenoir	$18,890.74	92.7%	$1,452.44	7.1%	$24.82	0.1%	**$0.00**	**0.0%**	$20,368.00	0.5%
Lincolnton	$36,853.71	96.7%	$1,164.30	3.1%	$88.55	0.2%	**$0.00**	**0.0%**	$38,106.56	1.0%
Morganton	$34,724.67	88.0%	$3,736.82	9.5%	$980.90	2.5%	**$0.00**	**0.0%**	$39,442.39	1.0%
Newton	$42,797.81	89.7%	$4,823.22	10.1%	$80.24	0.2%	**$0.00**	**0.0%**	$47,701.27	1.2%
Mayland	$227.00	99.7%	$0.72	0.3%	$0.00	0.0%	**$0.00**	**0.0%**	$227.72	0.0%
Reidsville	$86,175.02	93.1%	$5,320.11	5.7%	$838.15	0.9%	**$265.32**	**0.3%**	$92,598.60	2.3%
Total N.C.	$2,528,742.43	90.2%	$241,095.73	8.6%	$30,581.10	1.1%	$1,660.44	0.1%	$2,802,079.70	71.0%
Greenville	$381,915.09	90.9%	$31,659.09	7.5%	$6,594.42	1.6%	**$29.90**	**0.0%**	$420,198.50	10.6%
Anderson	$99,767.92	93.0%	$6,676.57	6.2%	$802.00	0.7%	**$60.69**	**0.1%**	$107,307.18	2.7%
Spartanburg	$122,360.52	92.4%	$8,889.75	6.7%	$1,009.95	0.8%	**$216.15**	**0.2%**	$132,476.37	3.4%
Gaffney	$9,682.47	87.8%	$1,010.00	9.2%	$303.00	2.7%	**$28.00**	**0.3%**	$11,023.47	0.3%
Total S.C.	$613,726.00	91.5%	$48,235.41	7.2%	$8,709.37	1.3%	$334.74	0.0%	$671,005.52	17.0%
Nashville	$447,152.54	94.0%	$25,627.51	5.4%	$2,722.92	0.6%	**$63.98**	**0.0%**	$475,566.95	12.0%
Total Tenn	$447,152.54	94.0%	$25,627.51	5.4%	$2,722.92	0.6%	$63.98	0.0%	$475,566.95	12.0%
TOTAL COMPANY	$3,589,620.97	90.9%	$314,958.65	8.0%	$42,013.39	1.1%	$2,059.16	0.1%	$3,948,652.17	100.0%

DISCOVERY REQUEST NO. 12: What is the current cost of short-term debt for your company?

RESPONSE:

See attached.

Piedmont Natural Gas Co.
Summary of Short Term Debt Outstanding
At Close of Business
8/5/03

Bank	Type	Amount	Maturity	Rate	Annualized Interest
AM South		$3,000,000	8/4/03	1.4600%	$43,800
BB&T		$10,000,000	8/8/03	1.6500%	$165,000
Suntrust		$30,000,000	8/15/03	1.5500%	$465,000
Total		$43,000,000		1.5670%	$673,800
Prime Rate on	8/5/03	(effective 11/7/02)		4.00%	

DISCOVERY REQUEST NO. 13: For accounts that are collected after the due date, provide the average number of days that the account is outstanding before it is collected for the test year from the last rate case and latest available year.

RESPONSE:

The information requested is not readily available.

DISCOVERY REQUEST NO. 14 For accounts that are collected after the due date provide the average balance outstanding, excluding late charges, for the test year from the last rate case and latest available year.

RESPONSE:

The information requested is not readily available.

DISCOVERY REQUEST NO. 15: Provide the revenue lag (in days) as of the test year in the company's last rate proceeding and the latest available revenue lag.

RESPONSE:

Last rate case – 35.47 days

Current rate case – 35.93 days

DISCOVERY REQUEST NO. 16: Provide the uncollectibles expense lag (in days) as of the test year in the company's last rate proceeding and the latest available uncollectibles expense lag.

RESPONSE:

Last rate case – 431.54 days

Current rate case – 431.54 days

DISCOVERY REQUEST NO. 17: Provide the purchase gas expense lag (in days) as of the test year in the company's last rate proceeding and the latest available purchase gas expense lag.

RESPONSE:

Last rate case – 40.63 days

Current rate case – 40.63 days

DISCOVERY REQUEST NO. 18: Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness:

(a) identify the field in which the witness is to be offered as an expert;

(b) provide complete background information, including the expert's current employer as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations presented in whole or in part by the witness;

(c) provide the grounds (including without limitation any factual basis) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;

(d) identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;

(e) identify for each such expert any person whom the expert consulted or otherwise communicated with in connection with his expected testimony;

(f) identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;

(g) identify all documents or things shown to, delivered to, received from, relied upon, or prepared by any expert witness, which are related to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things

provided to that expert for review in connection with testimony and opinions; and

(h) identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert.

RESPONSE:

a) Bill R. Morris is expected to appear as an expert witness on the recovery of gas costs through the Purchased Gas Adjustment (PGA) and uncollectible accounts expense allowed in base rates pertinent to Nashville Gas Company.

b) Mr. Morris received a BS degree in Accounting from Austin Peay State University in May 1974. He has met the requirements to practice as a Certified Public Accountant. Mr. Morris is currently Director of Corporate Planning and Development Services for Piedmont Natural Gas, the parent company of Nashville Gas. Prior to his current position with Piedmont, he was Director of Rates from December 1986 through February 2003. Prior to Nashville Gas' acquisition by Piedmont, he was Assistant Vice-President of Rates. He began his career with Nashville Gas in October 1981. From September 1974 until October 1981, he was employed by the Tennessee Public Service Commission as a Financial Analyst.

c) Mr. Morris' opinions will be presented in pre-filed testimony and supporting exhibits to be filed in accordance with the schedule adopted in this proceeding and will be based on facts available to him from Company records and his knowledge of utility accounting, and rate making.

d) During his career, Mr. Morris has testified before the Tennessee Public Service Commission (TPSC), the Tennessee Regulatory Authority (TRA), the North Carolina Utilities Commission (NCUC), the South Carolina Public Service Commission (SCPSC)and the Federal Energy Regulatory Commission (FERC).

Most recently, he has entered testimony on accounting issues and tariff proposals in the following dockets:

TRA Docket No. 03-00313, Nashville Gas rate case filing, April 29, 2003.

NCUC Docket No. G-9, Sub 461, Piedmont Natural Gas rate case filing, March 27, 2002.

SCPSC Docket No. 2002-63-G, Piedmont Natural Gas rate case filing, May 3, 2002.

Copies of the testimonies are attached.

e) Mr. Morris has not begun the process of preparing testimony in this docket, thus an answer to this item cannot be provided at this time.

f) Not applicable.

g) Mr. Morris has not begun the process of preparing testimony in this docket, thus an answer to this item cannot be provided at this time.

h) Mr. Morris has not begun the process of preparing testimony in this docket, thus an answer to this item cannot be provided at this time.

PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2002-63-G

Prepared Direct Testimony
of
Bill R. Morris

On Behalf of
Piedmont Natural Gas Company, Inc.

Filed: August 7, 2002

Q. Please state your name and business address.

A. My name is Bill R. Morris, and my business address is 1915 Rexford Road, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am employed by Piedmont Natural Gas Company ("Piedmont" or "Company") as Director of Rates.

Q. By whom were you employed prior to being employed by Piedmont?

A. I was employed by Nashville Gas Company ("Nashville Gas") as Assistant Vice President of Rates prior to my transfer to Piedmont in February 1986. Prior to my employment by Nashville Gas Company, I was employed by the Tennessee Public Service Commission ("TPSC") as a Financial Analyst from August 1974 through September 1981.

Q. Briefly describe your educational background.

A. I received a Bachelor of Science degree in accounting in 1974 from Austin Peay State University. In 1979 I became a Certified Public Accountant in the state of Tennessee.

Q. Have you previously offered testimony in any regulatory proceedings?

A. Yes. While with the TPSC, I entered testimony as a staff witness in numerous rate cases. Since being employed by Nashville Gas and Piedmont, I have testified before this Commission, the North Carolina Utilities Commission and the Tennessee Regulatory Authority. I have also entered testimony before the Federal Energy Regulatory Commission (FERC).

Q. Are you a member of any professional associations?

A. Yes, I am a member of the American Institute of Certified Public Accountants, the Tennessee Society of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. I also serve on the Southern Gas Association's Rate Committee.

Q. What is the purpose of your testimony in this case?

A. The purpose is to support the recovery of Demand-Side Management (DSM) costs requested in this filing and the proposed changes to the Company's Service Regulations.

Q. Please define DSM costs.

A. In 1991, the South Carolina Legislature enacted the South Carolina Energy Conservation and Efficiency Act (SCECEA). The SCECEA required the Commission to adopt procedures that mandated the filing of Integrated Resource Plans (IRP) by both electric and natural gas utilities and to adopt procedures that allowed the utilities to recover their costs that are prudently incurred in connection with a DSM program. A DSM program is defined in the SCECEA as "a program conducted or produced by a producer, supplier or distributor of energy for the reduction or more efficient use of energy requirements of the producer's, supplier's or distributor's customers, including, but not limited to, conservation and energy efficiency, load management, cogeneration, and renewable energy technologies." Costs of these programs are generally comprised of incentive payments and communication and administrative costs.

Q. Did the Commission adopt procedures to mandate the filing of IRPs and permit the recovery of DSM costs?

A. Yes. The Commission, in Docket No. 91-677-G, issued Order No. 93-145 in February 1993, and Order No. 93-412 in May 1993, setting forth an IRP process that must be complied with by gas utilities under its jurisdiction.

Q. Did Piedmont file an IRP to comply with the Commission's orders?

A. Yes. Piedmont filed an IRP in Docket No. 93-787-G on December 28, 1993.

Q. Did the Commission Staff investigate Piedmont's IRP?

A. Yes. The Commission Staff investigated Piedmont's IRP, and a number of meetings were held among the Staff, the Consumer Advocate and the Company.

Q. Following those meetings, did the Staff and the Company enter into a Stipulation regarding Piedmont's IRP ?

A. Yes, and the Stipulation was subsequently filed with the Commission.

Q. Did the Commission issue an Order ruling on Piedmont's IRP?

A. Yes. On January 27, 1995, the Commission issued its Order No. 95-154 ruling on Piedmont's IRP. In that order, the Commission approved the Stipulation and found that Piedmont's IRP "is consistent with Commission procedures."

Q. Did the Commission's Order No. 95-154 approve any specific DSM programs?

A. Yes, the Commission approved the following DSM programs:

1. Energy Efficient Gas Advantage Homeowner Program (Homeowner Program),
2. Energy Efficient Gas Advantage Home Builder Program (Homebuilder Program), and
3. Customized Commercial/Industrial Programs.

Q. Did the Commission define DSM costs?

A. Yes. DSM Costs were defined in the Commission-approved Stipulation to include:

"(i) Those costs incurred by the Company to administer, implement, monitor and evaluate its DSM programs.

(ii) Incentive payments and rebates provided to or on behalf of the Company's customers pursuant to a DSM program.

(iii) Properly identified reduced revenues to the Company that result from implementation of a DSM program often referred to as 'lost revenues'."

Q. Did the Commission-approved Stipulation address the recovery of DSM costs?

A. Yes. The Commission-approved Stipulation recognizes that Piedmont "will incur DSM costs of the type referred to in [(i) above] in the future" and provides that Piedmont "should be permitted to recover its prudently incurred DSM Costs plus carrying costs at the Company's allowed return on investment by amortizing them over an appropriate period of time in future rate cases."

The Commission-approved Stipulation further recognizes that Piedmont "will incur DSM Costs of the type referred to in [(ii) above] in the future" and provides that Piedmont "should be permitted to recover its prudently incurred DSM Costs plus carrying costs at the Company's allowed return on investment through a "tracking mechanism by which the costs and associated carrying costs are recorded in a deferred account and recovered in future rate cases."

The Commission-approved Stipulation also provides for a recovery mechanism for the recovery of "lost revenues" of the kind referred to in (iii) above; however, Piedmont is not seeking to recover any lost revenues in this docket.

Q. Did Piedmont implement the three programs approved by the Commission?

A. Yes. The three programs were implemented in May 1995.

Q. Has Piedmont made any changes to the three programs approved by the Commission?

A. Yes. On October 2, 1998, Piedmont requested Commission approval to discontinue its Energy Efficient Gas Advantage Homebuilder Program.

Q. Why did Piedmont request approval to discontinue that program?

A. During the first year of the program, Piedmont experienced no participation by homebuilders. During the second year of the program, Piedmont experienced only minimal participation. Although participation increased in the third year of the program, we determined that the costs were greater than the benefits.

Q. Did the Commission approve the discontinuance of the Homebuilder program?

A. Yes. The Commission approved the discontinuance of the Homebuilder program by Order No. 98-864, dated November 4, 1998.

Q. Has Piedmont made any other changes to its DSM programs?

A. Yes, effective December 1, 1997, we made a minor modification to the Homeowner program to eliminate the medium efficiency natural gas heating system component and to decrease the incentive payment from $3.00 per 1,000 BTU on high efficiency natural gas heating systems to $2.00 per 1,000 BTU. These modifications were made because medium efficiency natural gas heating systems had ceased being the industry standard and, thus, homeowners were increasingly opting for high efficiency systems when replacing their old heating systems.

Q. Was the Commission advised of this change?

A. Yes. The change was set forth as a recommendation in a letter filing with the Commission on November 11, 1997.

Q. Has Piedmont filed any reports with the Commission to show the effectiveness of its DSM programs?

A. Yes. Piedmont filed DSM Progress Reports in 1996, 1997, 1998, 1999, 2000, and 2001. Each of these reports sets forth a cost-benefit analysis for each of the three approved DSM programs.

Q. Are those reports a matter of public record?

A. Yes.

Q. Did anyone file an objection to the continuation of the DSM programs or to any costs incurred in connection with the DSM programs?

A. No.

Q. Has Piedmont filed any reports with the Commission showing the DSM costs incurred by the Company?

A. Yes. We file a quarterly report with the Commission showing the DSM costs incurred by the Company in connection with the Commission-approved DSM programs.

Q. Are those reports a matter of public record?

A. Yes.

Q. To your knowledge, has anyone complained about any of the DSM costs?

A. Not to my knowledge.

Q. How much costs has Piedmont incurred under the DSM programs?

A. As of the end of the test period, January 31, 2002, we had incurred $3,449,010 of DSM costs and $2,129,060 of carrying costs, for a total of $5,578,070. In the future, we projected incurring an additional $114,210 of DSM costs and $473,167 of carrying costs by October

31, 2002. I will provide an update on the amount of these costs at the date of hearing of this case.

Q. Please provide a breakdown of the DSM program costs.

A. As of January 31, 2002, the Company had incurred $602,936 of costs to administer, implement, monitor and evaluate its DSM programs and $2,846,074 of incentives payments and rebates provided to or on behalf of customers pursuant to a DSM program.

Q. Mr. Morris, Paragraph C 1 of the Commission-approved Stipulation provides that all cost recovery for DSM costs should be consistent with the Commission's Order No. 93-145 and with the SCECEA and with the provisions of the Stipulation. Do the costs that Piedmont seeks to recover in this proceeding meet those requirements?

A. Yes. It should be noted that Order No. 93-145 was rescinded by Order No. 97-404, dated May 15, 1997; however, during the time that Order No. 93-145 was in effect, Piedmont complied with the provisions of that order. For the most part, Order No. 93-145 addressed the filing of IRPs by Piedmont and other local distribution companies. Our compliance with these requirements was recognized by the Commission when it approved our IRP by its Order No. 95-154. Order No. 93-145 was amended on May 7, 1993, in Order No. 93-412 to add certain filing requirements for new and amended IRPs. Piedmont has also complied with these requirements.

It should also be noted that the SCECEA was amended in 1997 to remove the requirement that LDCs and other utilities prepare and file IRPs. Nevertheless, Piedmont complied with the applicable provisions of the SCECEA during the period that it was effective.

Q. Paragraph C 1(i) of the Commission-approved Stipulation provides that prior to implementation or modification of a DSM program, the Company must provide

justification that the program has a reasonable potential for being cost-effective using an appropriate method of analysis. Has Piedmont complied with this provision?

A. Yes. In each of our annual reports to the Commission, we provided a detailed description of our DSM programs, and we included a cost-benefit analysis. Benefits and costs were calculated using the Ratepayer Impact Test, or RIM Test procedures. Under these procedures, benefits exceed costs if the benefit to cost ratio exceeded 1.0. Each of the DSM programs had a projected benefit to cost ratio exceeding 1.0, except the Homebuilders Program that was dropped when the projected benefit to cost ratio dropped below 1.0.

Q. Paragraph C 1(ii) of the Commission-approved Stipulation requires the Company to take steps to ensure that the programs are being implemented in a just and reasonable manner and that they continue to have the potential for being cost effective. It also provides for the Company either to justify any DSM costs that exceed the projected levels or to modify and/or terminate those options which are not cost-effective and do not have the potential to be cost effective. Did the Company comply with that requirement?

A. Yes. Each of our DSM programs had specific criteria that had to be met before an individual could qualify to participate in the program. These qualifications were set out in our annual reports, and no one who qualified was denied the right to participate. As previously indicated, we also evaluated the potential for each of the DSM programs to provide benefits that exceed costs in each of our annual reports. In the one instance in which a program did not provide that potential, we discontinued the program.

Q. Paragraph C 1(iii) of the Commission-approved Stipulation provides that the Company, at the time it seeks to recover its DSM costs, must demonstrate that the level of benefits is consistent with the projected benefits and that the program has achieved an appropriate level of benefits at a reasonable cost. That provision further requires

the Company to contrast the projected costs/benefits with the actual cost/benefits achieved and justifies any failure to achieve the projected level of benefits for any specific DSM program. Please comment.

A. In Piedmont's 1995 IRP, a forecast of DSM program participants and anticipated benefits was presented for the original five-year pilot program. A summary comparing the projections contained in the original IRP with the actual experience through the current reporting period is presented on Table 1. As this table shows, the Homeowner Program has produced positive results that are slightly lower than the 1995 IRP forecast, but within a range of reasonableness. The Homebuilder Program did not achieve the participation or the anticipated benefits during the three years the program was available, and as previously discussed, this program was eliminated effective December 1998.

The Customized Commercial and Industrial Program has achieved significantly higher participation than originally forecasted. Through the current reporting period, we have had 76 participants in this program compared with the 50 participants originally projected. The 1995 IRP did not project benefits and costs for this program, since, as the name implies, these DSM options could not be predicted.

Table 1

Demand-Side Management Programs: 1995 Forecast versus 2002 Actual

Program	Number of Participants	Benefits	Costs	Benefit/Cost Ratio
		Ratepayer Impact Measure (RIM) Test Results		
Homeowner (Existing Homes)				
• Forecast	12,898	$16,515,923	$11,908,862	1.4
• Actual	10,847	$15,008,118	$14,146,284	1.06
Homebuilder (New Construction)*				
• Forecast	7,500	$12,608,171	$10,485,520	1.2
• Actual	1,395	$ 853,017	$ 1,230,426	0.69
Commercial & Industrial				
• Forecast	50	N/A	N/A	N/A
• Actual	76	$1,870,297	$1,527,495	1.22

* Program discontinued December 1998.

Q. Mr. Morris, in your opinion, have the costs of Piedmont's DSM programs, for which recovery is requested in this case, been prudently incurred?

A. Yes, in my opinion the Company has made every effort to insure that these costs are reasonable and that positive benefits have accrued to the ratepayers. Granted, some of the DSM options did not produce the anticipated benefits; however, modifications were implemented on a timely basis to mitigate the impact of the inefficiencies. I would add that this Commission recognized in 1995 that all DSM programs would not necessarily achieve the desired benefits; however, it also felt that implementing the programs should not

penalize the Company. In its Order on Remand in Docket No. 95-715-G regarding the recovery of DSM costs in future rates, the Commission stated, "...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.'"

Q. Please explain the proposed change to the Company's service line extension policy.

A. Under Piedmont's current service line extension policy, which was approved by the Commission in Docket No. 90-100-G, the Company will construct a service line up to 100 feet at no cost to a residential customer provided the customer agrees to use natural gas for (1) at least one gas appliance excluding gas grills, gas logs, log lighters and unvented gas space heaters or (2) at least two of the above-mentioned gas appliances. We are proposing to change this policy to require, at a minimum, the installation of a natural gas heating system for service line extensions of up to 100 feet in length. Other residential service line extensions will be considered on a case-by-case basis and will be constructed at no cost to the customer if the service provides a reasonable return to the Company. Under the proposal, the customer has the option of paying the excess cost of service line for extensions over 100 feet in length and/or making a contribution which will permit the Company to earn a reasonable return on the service.

Q. Why is this change being proposed?

A. The goal of our line extension policy is to reduce subsidization among customers. For example, if we were to run a 100-foot service line to a residential customer who used natural gas solely for a gas grill, we would never recover from that customer the cost of running the line. Other customers would have to subsidize the cost of that line. When we adopted our existing policy, our goal was to reduce the amount of the subsidization from other customers by requiring the customer to have either a vented gas space heater and one gas appliance or

two gas appliances. Although the existing policy did reduce the amount of the existing subsidies by other customers, it did not prevent such subsidization. For example, under the existing policy, the Company must extend a service line to a customer if the customer installs a gas grill and gas logs. Since the use of these appliances is completely discretionary, it is possible and, indeed, very likely that little or no margin would be realized from this service line extension and that such a customer would be subsidized by other customers in the ratemaking process. By requiring a gas heating system before we provide a free service line extension, we will substantially limit any such subsidization by other customers.

Q. Under the proposed policy, will it always be necessary for a customer to install central gas heating in order for the service line to be constructed at no charge to the customer?

A. No. As I explained earlier, the new policy will handle extension requests on a case-by-case basis when central heating is not installed. Under some cases, a service line of less than 100 feet may be required, and a gas water heater and another non-discretionary appliance such as a gas dryer may provide the margin required to meet the rate of return criteria. This is just one example. Obviously, other examples could exist; however, the point is that we will conduct an evaluation of the expected use of the service line to determine if there is a reasonable possibility that the extension will be supported by the expected margin that will be generated by the extension.

Q. Please explain the other changes being proposed to the Service Regulations in this case.

A. The Company is proposing two amendments to the "Billing Procedures" set forth in Item 28 of our Service Regulations. The first change is in paragraph (c) where we have added the option of billing a customer via the Internet, at the election of the customer. The second

change is in paragraph (d) where billing estimating procedures are described. Due to events such as those on September 11, 2001, we recognize that there may be circumstances, beyond the Company's control, that could materially alter the normal course of business. Therefore, we are proposing the use of billing estimates for up to two successive monthly periods, or greater, in situations resulting from acts of force majeure.

Q. Is Piedmont proposing to increase its returned check charges in this docket?

A. Yes. We are proposing to increase our returned check charge from the current rate of $15 to $25. This will put Piedmont more in line with other businesses who have similar charges and will act as more of a deterrent than the current charge. I might add that the South Carolina legislature recently amended the law to increase the maximum return check charge from $25 to $30; thus, our charges may still be lower than many other businesses.

Q. Is Piedmont proposing to change its reconnect fees in this docket?

A. Yes. We are proposing reconnect fees of $40 during non-peak periods (February through August) and $60 for on-peak periods (September through January). The current reconnect fees are $10 for reconnects resulting from discontinued service for non-payment and $25 for reconnects resulting from service discontinued at the customer's request.

Q. Why is Piedmont proposing to change its reconnect fees?

A. The current charges are insufficient to offset the actual costs of reconnecting the customer. The term reconnect fee is somewhat misleading in that the amount of the charge covers not only the trip to the premise to re-establish service but also the initial visit to turn the meter off. The actual cost incurred by the Company in a typical twelve-month period for a typical turn-off and reconnect is approximately $71 per turn-off/reconnect. Since the current charges are significantly below this average, the customers who do not have their service

discontinued will have to subsidize those customers whose service is discontinued, either voluntarily or involuntarily, and reconnected at a later date.

Q. Why is a different charge being proposed for reconnects fees during non-peak periods and on-peak periods?

A. There are two reasons for this: (1) the lower charge acts as an incentive to encourage customers to reconnect early to avoid the busy "fall light-up season" and (2) the higher charge is needed to recover the resulting overtime required to reconnect those customers who wait until the first cold autumn day to have their service reinstated. In either case, the charges proposed in this rate case are lower than the actual average charge for reconnection.

Q. Does this conclude your testimony?

A. Yes.

NORTH CAROLINA UTILITIES COMMISSION

Docket No. G-9, Sub 461

Prepared Direct Testimony and Exhibits
of
Bill R. Morris

On Behalf of
Piedmont Natural Gas Company, Inc.



Q. Please state your name and business address.

A. My name is Bill R. Morris, and my business address is 1915 Rexford Road, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am employed by Piedmont Natural Gas Company ("Piedmont" or "Company") as Director of Rates.

Q. By whom were you employed prior to being employed by Piedmont?

A. I was employed by Nashville Gas Company ("Nashville Gas") as Assistant Vice President of Rates prior to my transfer to Piedmont in February 1986. Prior to my employment by Nashville Gas Company, I was employed by the Tennessee Public Service Commission ("TPSC") as a Financial Analyst from August 1974 through September 1981.

Q. Briefly describe your educational background.

A. I received a Bachelor of Science degree in accounting in 1974 from Austin Peay State University. In 1979 I became a Certified Public Accountant in the state of Tennessee.

Q. Have you previously offered testimony in any regulatory proceedings?

A. Yes. While with the TPSC, I entered testimony as a staff witness in numerous rate cases. Since being employed by Nashville Gas and Piedmont, I have testified before this Commission, the South Carolina Public Service Commission and the Tennessee Regulatory Authority. I have also entered testimony before the Federal Energy Regulatory Commission (FERC).

Q. Are you a member of any professional associations?

A. Yes, I am a member of the American Institute of Certified Public Accountants, the Tennessee Society of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. I also serve on the Southern Gas Association's Rate Committee.

Q. What is the purpose of your testimony in this case?

A. The purpose of my testimony is to describe and support the proposed changes to the Company's tariffs and service regulations, including a new rate design methodology for residential and commercial customers. I will also address the proposed increases in returned check charges and reconnect fees.

Q. Are you supporting the proposed rates that are a part of the proposed tariffs filed in this case?

A. In part. Mr. Chuck Fleenor is the Company witness responsible for the proposed rate design and calculations of rates filed in this case. However, my testimony will address the proposed changes in the tariff provisions and the application of those provisions to the various rate classifications.

Q. Do you have any exhibits supporting your testimony?

A. Yes. Exhibit____(BRM-1) is comprised of the proposed rate schedules being filed in this docket. Exhibit____(BRM-2) contains the Company's proposed Service Regulations.

Q. Please explain the proposed changes to the Residential rate schedules.

A. Under the Company's existing rate structure, residential customers are classified as Rate 101Year-Round or Rate 121Heat Only. The qualifications under these rate categories are determined on the basis of the nature of the appliances owned by the customer. For example, a customer with a gas water heater is considered a Year-Round customer in that

the appliance is presumably utilized all year. On the other hand, a customer with a gas furnace and an electric water heater is classified as a Heat Only customer because the gas-fired equipment is used primarily during the winter months. Under the existing rate categories, Heat Only customers pay a higher monthly facilities charge and a higher commodity rate than Year-Round customers to reflect the higher costs incurred by Piedmont to serve these winter season customers. The proposed rate design for residential service is based on the actual usage characteristics of the customer and classifies the customer on the basis of actual base load consumption rather than potential or projected base load consumption derived from the type of appliances installed by the customer. This proposed change in classification method is important because, as Piedmont has experienced under its existing Year-Round/Heat Only classifications, not all natural gas equipment and appliances designed for year around use consume equal amounts of natural gas monthly and, as a result, different economic impacts are experienced with different appliances. Under the existing rate structure, however, all year around appliances carry an equal weight when determining customer classification regardless of the level of base load usage or load factor.

Q. How does the proposed residential rate structure categorize customers?

A. Under the proposed rate schedules, customers are segmented into two rate categories: a Standard Rate, or low base load usage category, and a Value Rate, or high base load usage category. These categories are based on the customer's actual natural gas usage during a defined "Base Load Period," specifically, the cycle billing months of July and August in any given year. The rate structure for customers falling into the Standard Rate category is characterized by a constant rate per therm for the entire year. This means that Standard Rate customers will pay the same rate per therm for natural gas used in the winter as they would for natural gas used in the summer. For customers in the Value Rate category, the rate structure is characterized by a winter – summer differential. Value Rate customers will pay less per therm during the summer period than they will pay in the winter period. Also, rates under the Value Rate category are lower overall than the rates under the Standard Rate

category. New residential customers will be assigned to either the Value Rate or Standard Rate customer classifications according to their reasonably anticipated base load usage associated with the type and number of appliances installed at their premises prior to the natural gas meter being set and turned on. The facilities charges will be the same under either rate schedule; however, as will be explained by Mr. Fleenor, we are proposing a different facilities charge for the winter months for all residential customers than we are proposing for the summer months.

Q. Please explain who qualifies under each of the two proposed residential rate schedules.

A. A customer who uses a minimum of 15 therms in the cycle billing months of either July or August will qualify for service under the Value Rate category. The Standard Rate category would apply to those customers whose actual consumption is less than 15 therms per month in both the cycle billing months of July and August.

Q. Why was a usage threshold of 15 therms considered the most appropriate criteria?

A. We performed an analysis to determine the economic impact of Heat Only customers increasing their base load usage. This analysis revealed incremental base load additions of less than 15 therms per month exhibited little or no economic benefit to the system. In other words, the increase in revenues associated with incremental volumes of less than 15 therms per month did not offset appreciably the loss of revenue associated with the lower monthly facilities charges and the loss of revenue associated with the lower commodity billing rates for the Year-Round rate class versus the Heat Only rate class.

Q. Why were the July and August billing periods chosen to establish the minimum usage parameter in the proposed residential rate classifications?

A. The cycle billing months of July and August were chosen because they represent the two periods least likely to be impacted or influenced by degree day accumulation. Usage during

these months is the most representative of a customer's non-heating, year around base load. Two months were chosen for review to account for the possibility that a customer might be away from home, such as on vacation, for some period of time during the summer season.

Q. Under the proposed tariffs, what are the procedures for Standard Rate customers transferring to Value Rate, and vice versa?

A. A Standard Rate customer whose consumption in either July or August of any given year equals or exceeds the 15-therm threshold will be transferred to the Value Rate category on November 1 of that same year. A Value Rate customer whose monthly consumption in both July and August for any two consecutive years is less than 15 therms will be transferred to the Standard Rate on November 1 of the second year.

Q. Mr. Morris, in summary, why will the proposed changes to the residential rate schedules provide more benefits to Piedmont's distribution system than the existing residential rate schedules?

A. The proposed changes to the residential rate schedules will benefit Piedmont's distribution system in two important ways. First, customers who use natural gas on a year around basis in quantities and patterns that result in higher load factors help to reduce the Company's per unit costs and, ultimately, to lower the per unit charges for all customers. Second, using a customer's actual consumption for rate classification purposes is more appropriate and more equitable for all system customers and more accurately aligns costs and benefits with specific customer segments. The proposed rate design and tariff changes will help reduce the subsidization of low load factor customers by high load factor customers.

Q. Please describe the proposed commercial rate schedules and service structure.

A. Under the proposed commercial service and rate structure commercial customers are classified as either Small General Service or Medium General Service types. These two

major categories will each be further segmented into either the Standard Rate or Value Rate classifications. The new commercial rate schedules will have the separate designations of Rate Schedule 102, Small General Service-Standard Rate; Rate Schedule 132, Small General Service-Value Rate; Rate Schedule 152, Medium General Service- Standard Rate; and Rate Schedule 162, Medium General Service-Value Rate. All of these rates will be characterized by a winter – summer rate differential and will utilize a load factor calculation called the "Summer Load Percentage" or SLP. The SLP represents the percentage of annual load used during the months of April through October. The SLP will be the criteria used to segment customers into either the Standard Rate or the Value Rate categories. Those customers with SLPs less than or equal to 30% will qualify for the Standard Rate, and those customers with SLPs greater than 30% will qualify for the Value Rate. Standard Rate customers will be charged a flat winter rate and a lower flat summer rate as an incentive to add summer load and improve their SLP. Value Rate customers will have lower rates than Standard Rate customers in both the winter and summer rate periods. Additionally, Value Rate customers will have block rate incentives not available to Standard Rate customers. We feel that this rate design will promote year around gas usage within the commercial customer class and will thus improve the system load factor, which ultimately lowers per unit costs and benefits all customers. The new rate structure also reduces the subsidization of low load factor customers by high load factor customers.

Q. Please explain the criteria used to designate a commercial customer as either a Small General Service customer or a Medium General Service customer.

A. A non-residential customer whose average daily usage is less than 20 dekatherms (Dts) per day will qualify for service under the Small General Service rate schedules. A non-residential customer whose average daily usage is equal to or greater than 20 Dts but less than 50 Dts per day will qualify for service under the Medium General Service rate schedules.

Q. How does splitting Rate Schedule 102 into four separate services benefit Piedmont's distribution system?

A. The current Rate Schedule 102 - Small General Service covers too broad a range of usage. Specifically, the blocks are "5,000 therms and under" and "over 5,000 therms." Only about three percent of our commercial customers qualify for the "over 5,000 therms" rate block. An analysis of customers currently billed under the existing rate schedule indicates that most of the larger volume customers use gas for industrial processing purposes whereas the smaller volume customers exhibit a more traditional commercial usage. By splitting the existing Small General Service rate schedule into Small General Service and Medium General Service rate categories, we will serve the large volume customers, those who use natural gas for industrial processing, separately from the more traditional commercial customers, those whose gas usage is mostly for space heating, water heating and cooking. Both new services reward higher load factor customers and have quantity discounts for levels more in line with appropriate usage profiles.

Q. Why was a 20-dekatherm usage threshold considered to be the most appropriate level for classifying customers as either Small General or Medium General Service customers?

A. We analyzed customer usage data for the test year for all Rate 102 customers. Our analysis looked at the usage characteristics of commercial customers in five Dts per day increments. The customers in the group with an average daily usage above 20 Dts per day were generally industrial application customers. The customers with average daily usage below 20 Dts were more traditional commercial customers whose gas usage was primarily for space heating, water heating and cooking purposes. This second category also contained the vast majority of the customers in the existing commercial rate classification.

Q. Why was a 30% SLP deemed the most appropriate criteria for Standard versus Value

rate service?

A. We analyzed the existing commercial class and found that the actual average SLP for the group was 31%. Therefore, we considered commercial customers having an SLP equal to or less than the 30% threshold as low load factor customers and those having an SLP over the 30% threshold as high load factor customers. The proposed rate design looks at the characteristics of each customer's year around usage and utilizes the 30% SLP to identify the usage pattern as one that is a high load factor type (over 30%) or a low load factor type (equal to or less than 30%). We believe our customers will easily understand this method.

Q. In summary, why will the new commercial rate schedules provide more benefits to the Piedmont distribution system than the existing rate schedule?

A. The proposed changes will a better align customer costs and benefits, volumes and usage characteristics and provide an incentive for commercial customers to add year around and summer gas load for a more efficient use of the Company's distribution system, and ultimately, lower per unit costs for all customers. The new service structure will also help reduce the subsidization of low load factor customers by high load factor customers.

Q. Please explain the changes proposed to Rate Schedule 105, Outdoor Gaslight Service.

A. We are proposing to eliminate the availability of non-metered outdoor gaslight service under Rate Schedule 105 effective November 1, 2002. Under the proposed rate schedule, only those non-metered gaslights installed prior to November 1, 2002 will qualify for such service. We are also proposing to increase the current $10 monthly charge, which has been in effect since 1994, to $15 per fixture.

Q. Please explain the proposed changes to Rate Schedule 108, Negotiated Service.

A. In Piedmont's last general rate case, in Docket No. G-9, Sub 428, the Commission approved certain changes to the Company's industrial rate schedules requiring industrial customers to

elect on an annual basis to either purchase natural gas from the Company or to transport, on our system, natural gas purchased from a third party. This change has worked well since it became effective in November 2000; however, we have noticed that a few of our industrial customers who elected interruptible transportation service have been consuming alternative fuels when natural gas has been economically available. In an attempt to maximize gas deliveries on our system, we are proposing a change to Rate Schedule 108, Negotiated Service, that would allow the Company to provide negotiated transportation and sales service to Rate Schedule 114 interruptible transportation customers in order to compete with alternate fuels or energy sources.

Q. Is Piedmont proposing to increase its returned check charges in this docket?

A. Yes. We are proposing to increase our returned check charge from the current rate of $15 to $25. This will put Piedmont more in line with other businesses who have similar charges and will act as more of a deterrent than the current charge.

Q. Is Piedmont proposing to change its reconnection fees in this docket?

A. Yes. We are proposing to increase our residential and commercial reconnection fee during non-peak periods from $50 to $55. We are proposing to increase our residential on-peak reconnection fee from $65 to $85 and our commercial on-peak reconnection fee from $90 to $110. Non-peak is defined as the period February 1 through August 31 and on-peak is defined as the period September 1 through January 31.

Q. How did you determine the amount of the new reconnection fees?

A. The term reconnect fee is somewhat misleading in that the amount of the charge covers not only the trip to the premise to re-establish service but also the initial visit to turn the meter off. The actual cost the Company incurs in a typical twelve-month period for residential turn-offs and reconnects is approximately $71 per turn-off/reconnect. During the test period,

we processed a total of 15,909 residential reconnects. Pricing these 15,909 reconnects at the $71 per turn-off/reconnect average produced a total annual cost of $1,130,000. As I previously explained, we are proposing a $55 reconnect fee for non-peak periods and an $85 reconnect fee for on-peak periods. The lower charge during non-peak periods acts as an incentive to encourage customers to have their gas service reinstated prior to the autumn "Light-Up Season." This incentive helps hold down costs by reducing the number of reconnect orders and the resulting overtime required during the busy autumn light up season. To arrive at the $85 on-peak reconnect fee, a simple calculation was performed to determine, first, the amount of costs that would be recovered from the 7,675 non-peak reconnects. This produced an amount of $422,000 which was then subtracted from the total $1,130,000 estimated annual turn-off/reconnect costs to arrive at the remaining $708,000 to be recovered from the 8,234 on-peak reconnects, or $85 per reconnect. A similar increase is also proposed for the commercial reconnect fees.

Q. Please summarize the changes proposed to the Company's Service Regulations.

A. The Company is proposing two amendments to the "Billing Procedures" set forth in Item 28. The first change is in paragraph (c) where we have added the option of billing a customer via the Internet, at the election of the customer. The second change is in paragraph (d) where billing estimating procedures are described. Due to events such as those on September 11, 2001, we recognize that there may be circumstances, beyond the Company's control, that could materially alter the normal course of business. Therefore, we are proposing the use of billing estimates for two successive monthly periods, or greater, in situations resulting from acts of force majeure.

Q. Does this conclude your testimony?

A. Yes, it does.

Piedmont Natural Gas Company, Inc.

RATES AND CHARGES

Residential

Residential Service – Value Rate 101

Monthly Facilities Charge		Rate Per Therm -	
November - March	$ 14.00	November – March	.66710*
April - October	$ 12.00	April – October	.51748*

Residential Service – Standard Rate 121

Monthly Facilities Charge		Rate Per Therm -	
November - March	$ 14.00	November – March	.76710*
April - October	$ 12.00	April - October	.76710*

Governmental Housing Authorities – Rate 141

Monthly Facilities Charge		Rate Per Therm -	
November - March	$ 14.00	November – March	.66710*
April - October	$ 12.00	April - October	.51748*

Outdoor Gaslight Service – Rate 105

Monthly Facilities Charge $15.00

* Piped natural gas deliveries are subject to State Excise Tax.

Piedmont Natural Gas Company, Inc.

RATES AND CHARGES

Commercial

Small General Service – Standard Rate 102

Monthly Facilities Charge $ 22.00 Rate Per Therm

November - March		.63981*
April - October		.59481*

Small General Service – Value Rate 132

Monthly Facilities Charge $ 22.00 Rate Per Therm

November - March	First 2,000	.63081*
	Over 2,000	.61381*
April - October	First 2,000	.54181*
	Over 2,000	.51381*

Medium General Service – Standard Rate 152

Monthly Facilities Charge $ 75.00 Rate Per Therm

November - March		.63881*
April - October		.56981*

Medium General Service – Value Rate 162

Monthly Facilities Charge $ 75.00 Rate Per Therm

November - March	First 5,000	.61381*
	Over 5,000	.59381*
April - October	First 5,000	.51581*
	Over 5,000	.44381*

Small General Service - Motor Fuel Rate 142

Monthly Facilities Charge $ 22.00 Rate Per Therm

November - March		.49000*
April - October		.49000*

* Piped natural gas deliveries are subject to State Excise Tax.

RATES AND CHARGES

Industrial

Large General Sales Service - Rate 103

Monthly Facilities Charge $250.00
Demand Charge(monthly per peak day therm usage) 1.475000
Rate Per Therm

November - March		April - October	
First 15,000	.42989*	First 15,000	.38049*
Next 30,000	.38649*	Next 30,000	.35549*
Next 90,000	.35649*	Next 90,000	.33849*
Next 465,000	.32849*	Next 165,000	.31799*
Over 600,000	.29549*	Next 300,000	.30024*
		Over 600,000	.28249*

Interruptible Sales Service – Rate 104

Monthly Facilities Charge $250.00
Rate Per Therm

November - March		April - October	
First 15,000	.47987*	First 15,000	.39178*
Next 30,000	.43647*	Next 30,000	.36678*
Next 90,000	.40647*	Next 90,000	.34978*
Next 465,000	.37847*	Next 165,000	.32928*
Over 600,000	.34547*	Next 300,000	.31153*
		Over 600,000	.29378*

Large General Transportation Service – Rate 113

Monthly Facilities Charge $250.00
Demand Charge(monthly per peak day therm usage) .275
Standby Sales Service Charge(monthly per peak day therm usage) 1.20000
Rate Per Therm

November - March		April - October	
First 15,000	.15488*	First 15,000	.10548*
Next 30,000	.11148*	Next 30,000	.08048*
Next 90,000	.08148*	Next 90,000	.06348*
Next 465,000	.05348*	Next 165,000	.04298*
Over 600,000	.02048*	Next 300,000	.02523*
		Over 600,000	.00748*

Interruptible Transportation Service – Rate 114

Monthly Facilities Charge $250.00
Rate Per Therm

November - March		April - October	
First 15,000	.15488*	First 15,000	.10548*
Next 30,000	.11148*	Next 30,000	.08048*
Next 90,000	.08148*	Next 90,000	.06348*
Next 465,000	.05348*	Next 165,000	.04298*
Over 600,000	.02048*	Next 300,000	.02523*
		Over 600,000	.00748*

* Piped natural gas deliveries are subject to State Excise Tax.

RATES AND CHARGES

Miscellaneous Fees and Charges

Schedule For Limiting and Curtailing Service – Rate 106

Emergency Service Rate Per Therm	$1.00	In addition to commodity prices as defined in Rate Schedule 106, Rate for Emergency Service.
Unauthorized Over Run Penalty Per Therm	$2.50	In addition to commodity prices as defined in Rate Schedule 106, Unauthorized Over Run Penalty.

Reconnection Fees

Residential	
February through August	$55.00
September through January	$85.00
All Others	
February through August	$55.00
September through January	$110.00

Returned Check Charge

Returned Check Charge	$25.00

RATE SCHEDULE 101
RESIDENTIAL SERVICE – VALUE RATE

Applicability

Gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to a residential unit which is individually metered and to family care homes as defined in G.S.168-21. Rate Schedule 101 applies to all residential customers whose base load usage in either of the cycle billing months of July and August is equal to or greater than 15 therms. Base load usage will be based upon Customer's usage in the Company's most recent residential base load period adjusted for cycle length. Availability of this Rate Schedule for new Customers will be based on reasonably anticipated base load usage. Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site

Weather Normalization Adjustment

Bills rendered under this Rate Schedule shall be subject to a weather normalization adjustment as set forth in Appendix B of the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 25 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained with Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this rate schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's

RATE SCHEDULE 101
RESIDENTIAL SERVICE – VALUE RATE

Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 121
RESIDENTIAL SERVICE – STANDARD RATE

Applicability

Gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to a residential unit which is individually metered and to family care homes as defined in G.S.168-21. Rate Schedule 121 applies to all residential customers whose base load usage in both of the cycle billing months of July and August is less than 15 therms. Base load usage will be based upon Customer's usage in the Company's most recent residential base load period adjusted for cycle length. Applicability of this Rate Schedule for new Customers will be based on reasonably anticipated base load usage. Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site

Weather Normalization Adjustment

Bills rendered under this Rate Schedule shall be subject to a weather normalization adjustment as set forth in Appendix __ of the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 25 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained with Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this rate schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the

RATE SCHEDULE 121
RESIDENTIAL SERVICE – STANDARD RATE

Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 141
GOVERNMENTAL HOUSING AUTHORITIES

Applicability

Gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to governmental housing projects.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site

Weather Normalization Adjustment

Bills rendered under this Rate Schedule shall be subject to a weather normalization adjustment as set forth in Appendix B of the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 25 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this rate schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 102
SMALL GENERAL SERVICE – STANDARD RATE

Applicability and Character of Service

Gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to any full requirements non-residential Customer whose average daily usage is less than 20 dekatherms per day and whose Summer Load Percentage (SLP) is equal to or less than 30%. Average daily gas usage will be based on the Customer's usage during the most recent past calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

At its option, a family care home, as defined in G.S. 168-21, may elect service under Rate Schedule 101 – Residential Value Rate or Rate Schedule 121 – Residential Standard Rate as applicable.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site.

Weather Normalization Adjustment

Bills rendered under this Rate Schedule are subject to a weather normalization adjustment as set forth in Appendix B of the Company's Service Regulations.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

RATE SCHEDULE 102
SMALL GENERAL SERVICE – STANDARD RATE

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 132
SMALL GENERAL SERVICE – VALUE RATE

Applicability and Character of Service

Gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to any full requirements non-residential Customer whose average daily usage is less than 20 dekatherms per day and whose Summer Load Percentage (SLP) is greater than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

At its option, a family care home, as defined in G.S. 168-21, may elect service under Rate Schedule 101 – Residential Value Rate or Rate Schedule 121 – Residential Standard Rate as applicable.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site

Weather Normalization Adjustment

Bills rendered under this Rate Schedule are subject to a weather normalization adjustment as set forth in Appendix B of the Company's Service Regulations.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

RATE SCHEDULE 132
SMALL GENERAL SERVICE – VALUE RATE

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 152
MEDIUM GENERAL SERVICE – STANDARD RATE

Applicability and Character of Service

Gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to any full requirements non-residential Customer whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day and whose Summer Load Percentage (SLP) is equal to or less than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

At its option, a family care home, as defined in G.S. 168-21, may elect service under Rate Schedule 101 – Residential Value Rate or Rate Schedule 121 – Residential Standard Rate as applicable.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site

Weather Normalization Adjustment

Bills rendered under this Rate Schedule are subject to a weather normalization adjustment as set forth in Appendix B of the Company's Service Regulations.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

RATE SCHEDULE 152
MEDIUM GENERAL SERVICE – STANDARD RATE

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 162
MEDIUM GENERAL SERVICE – VALUE RATE

Applicability and Character of Service

Gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to any full requirements non-residential Customer whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day and whose Summer Load Percentage (SLP) is greater than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

At its option, a family care home, as defined in G.S. 168-21, may elect service under Rate Schedule 101 – Residential Value Rate or Rate Schedule 121 – Residential Standard Rate as applicable.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site

Weather Normalization Adjustment

Bills rendered under this Rate Schedule are subject to a weather normalization adjustment as set forth in Appendix B of the Company's Service Regulations.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

RATE SCHEDULE 162
MEDIUM GENERAL SERVICE – VALUE RATE

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 142
SMALL GENERAL SERVICE - MOTOR FUEL

Applicability and Character of Service
Gas service under this Rate Schedule shall be separately metered and is available in the area served by the Company in the State of North Carolina to Customers for the consumption and/or resale of compressed natural gas as a motor fuel.

Rates and Charges
The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site.

Highway Use Tax
The rates do not include applicable Federal, State and/or local highway motor fuel use taxes. If applicable, bills rendered under this Rate Schedule will include such taxes.

Payment of Bills
Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge
A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment
Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers
Service under this rate schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 142
SMALL GENERAL SERVICE - MOTOR FUEL

Rider

Service to customers under this Rate Schedule using Company-owned and maintained compressor facilities shall be Billed at a maximum rate of $.40000 per therm in addition to the base rate listed above.

RATE SCHEDULE 105
OUTDOOR GASLIGHT SERVICE

Applicability

This Rate Schedule is available in the area served with natural gas by the Company in the State of North Carolina to Customers with non-metered gas in mantle-equipped outdoor gas lights installed and in use prior to November 1, 2002.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site

Payment of Bills

Bills are net and due upon receipt. Bills become past due 25 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service."

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 106
SCHEDULE FOR LIMITING AND CURTAILING SERVICE

Applicability and Character of Service

This Service Schedule defines the types of curtailment that the Company may invoke from time to time due to the occurrence of extreme weather conditions, operating conditions or force majeure events, and describes the process and procedures to be followed in the implementation of gas service restrictions.

Distribution Pressure Curtailments

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Company's Service Regulations, or the demands of the Company's firm Customers as the same may affect the Company's ability to provide interruptible service, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will curtail service to interruptible Customers served under Rate Schedule 104, Rate Schedule 108, or Rate Schedule 114, by priority of their margin contribution to the Company (curtailing Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules and Regulations of the North Carolina Utilities Commission.

Supply or Capacity Related Curtailments

In situations when supply and capacity services contracted by the Company are not sufficient to meet the full requirements of Customers desiring sales services from the Company, the Company will first curtail service to interruptible sales Customers receiving service under Rate Schedule 104 or 108 by priority of their margin contribution to the Company. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 114 at market prices in order to serve Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules and Regulations of the North Carolina Utilities Commission.

Emergency Service

The Company will make every reasonable effort to deliver plant protection volumes to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production. All emergency gas service is interruptible and is of a discretionary nature on the part of the Company and implies no present or future obligation of the Company to any Customer to provide such service on either a temporary or continuing basis. Deliveries of emergency service hereunder shall be made pursuant only to advance operating arrangements between the Company's authorized personnel and the Customer and shall be subject to curtailment and interruption at any time should the Company deem it necessary.

RATE SCHEDULE 106
SCHEDULE FOR LIMITING AND CURTAILING SERVICE

Rate for Emergency Service

If the Company has authorized the Customer to consume limited quantities of emergency gas as provided in the above paragraph, then all gas so consumed by the Customer will be at a rate set forth on the Company's "Rates and Charges" tariff sheet plus the higher of two commodity indices - a "Monthly Contract Price" or a "Daily Price" - for each dekatherm of consumption. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as first published in Inside F.E.R.C.'s - Gas Market Report in the table titled "Prices of Spot Gas Delivered to Pipelines" under the heading "Transcontinental Gas Pipe Line Corp. - Zone 3 (pooling points)" in the column titled "Index", plus Transco's zone 3 to zone 5 IT transportation rate inclusive of all surcharges and fuel. "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Transco Z6 (non-NY)", "Midpoint" price. For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily. The Customer's consumption will continue to be billed hereunder until the Company notifies the Customer that either (1) further gas sales may be made under the Customer's regular Rate Schedule or (2) complete curtailment is unavoidable and that further gas sales will be considered unauthorized.

Unauthorized Over Run Penalty

If at any time a Customer fails to discontinue the consumption of gas after being directed to do so by the Company or takes gas at levels in excess of the quantities specified by the Company, such quantities shall constitute an unauthorized over run volume. For each dekatherm of such unauthorized over run volume taken by such Customer, such Customer shall pay to the Company a rate set forth on the Company's "Rates and Charges" tariff sheet plus the higher of two gas commodity indices - a "Monthly Contract Price" or a "Daily Price" as both are defined above.

The Customer's consumption will continue to be unauthorized until the Company notifies the Customer that either (1) further gas sales may be made under the Customer's regular rate schedule or (2) the Company agrees to provide Emergency Service under this Rate Schedule, or (3) the Company terminates flow at the valve.

The Customer shall be liable for the above charges together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the upstream interstate pipeline during the time of the unauthorized usage by such Customer. The payment of a penalty for unauthorized over run volumes shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

RATE SCHEDULE 106
SCHEDULE FOR LIMITING AND CURTAILING SERVICE

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 108
NEGOTIATED SERVICE

Applicability and Character of Service

On occasions, the Company may have gas that it cannot sell or transportation service that it cannot provide pursuant to its rate schedules because its maximum rates are not competitive with alternate fuels or energy sources. On such occasions, a service opportunity is lost to the Company and to its Customers. This Rate Schedule is designed to permit the Company to provide services at negotiated rates.

Gas service under this Rate Schedule is available on a limited term basis to all non-residential Customers in the area served by the Company in the State of North Carolina who receive services under the Company's Rate Schedules 102, 102-B, 103, 113, 104 or 114. The Company may provide negotiated transportation and sales service to Customers who receive service under Rate Schedule 114 in order to compete with alternate fuels or energy sources. Unless otherwise agreed to by the Company, service under this Rate Schedule is interruptible and the Company has the right to discontinue such service on one hour's notice.

Rate

The rate to be charged for gas service pursuant to this Rate Schedule is subject to negotiation between the Customer and the Company.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 103
LARGE GENERAL SALES SERVICE

Availability

For new customers, gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 50 dekatherms per day.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 113 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

All gas delivered pursuant to this Rate Schedule shall be metered separately from any gas delivered under any of the Company's other Rate Schedules.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site. ~~The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site.~~

Billing Demand

A Customer's billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company.

RATE SCHEDULE 103
LARGE GENERAL SALES SERVICE

Changes to the Customer's billing demand determinant will become effective June 1 of each year.

For Customers commencing initial gas service under this Rate Schedule, the billing demand shall be the highest actual daily consumption to date during that initial partial year, but shall be a minimum of 500 therms. If a Customer has received gas service from the Company prior to receiving service under this Rate Schedule but does not have daily telemetered records to determine peak day usage as described above, the Company shall use 6% of that Customer's highest previous winter month's consumption for the billing demand determinant.

Volumetric Charges
The rate per therm shall be billed on the quantity of gas delivered by Company to Customer. Any adjustments to the quantity of gas delivered due to meter failure or inaccuracy of measurement shall be determined as provided in Rule R6-15 of the Rules and Regulations of the North Carolina Utilities Commission.

Payment of Bills
Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge
A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment
Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers
Service under this rate schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the

RATE SCHEDULE 103
LARGE GENERAL SALES SERVICE

district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 104
INTERRUPTIBLE SALES SERVICE

Availability

For new customers, gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina **on an interruptible basis** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 50 dekatherms per day.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 114 by giving written notice to the Company prior to April 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

All gas delivered pursuant to this Rate Schedule shall be metered separately from any gas delivered under any of the Company's other Rate Schedules.

Standby Alternate Fuel Capability

Customers purchasing gas pursuant to this Rate Schedule shall maintain, in useable condition, alternate fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the

RATE SCHEDULE 104
INTERRUPTIBLE SALES SERVICE

North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site. ~~The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site.~~

Volumetric Charges

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer. Any adjustments to the quantity of gas delivered due to meter failure or inaccuracy of measurement shall be determined as provided in Rule R6-15 of the Rules and Regulations of the North Carolina Utilities Commission.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 113
LARGE GENERAL TRANSPORTATION SERVICE

Availability

For new customers, gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 50 dekatherms per day.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Subject to the requirements set forth above, a Customer may, subject to the consent of the Company, elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 103 by giving written notice to the Company prior to March 1 of any year. The Company will not withhold such consent provided a) the Company continues to offer firm sales service under Rate Schedule 103 and b) the Company is able to acquire firm gas supplies and capacity under commercially reasonable terms and conditions. Proper notice having been provided and written consent received from the Company within 30 days thereafter, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

All gas delivered pursuant to this Rate Schedule shall be metered separately from any gas delivered under any of the Company's other rate schedules.

Applicability and Character of Service

The Company will redeliver gas received by the Company from upstream connecting pipeline(s) for the Customer's account under this Rate Schedule on a day to day basis in accordance with the Customer's scheduled and confirmed nominations and subject to such maximum allowable daily deliveries and other operational conditions as may be specified in a service agreement between the Company and the Customer. The Company reserves the right to suspend transportation service on any day, when in the Company's sole opinion, its operating conditions are such that suspension of service is necessary Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalances. Any imbalances shall be corrected by the Customer, insofar as practicable, during the month in which they occur. Customer may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance, subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems and to comply with balancing requirements of the upstream pipeline(s). The Customer will be responsible for any imbalance charges assessed by upstream pipeline(s) in connection with any gas transported by the Customer under this Rate Schedule. The Company reserves the right to take reasonable action to mitigate system operational problems. The Company will use its best efforts to notify the Customer or the Customer's Agent before proceeding with a unilateral nomination reduction and will notify Customer of any reduction to Customer's nomination that

RATE SCHEDULE 113
LARGE GENERAL TRANSPORTATION SERVICE

has been instituted by the Company. The Company reserves the right to initiate Standby Sales Service if elected by the Customer, as described below, when, in the judgement of the Company, such action is necessary to reduce or eliminate operational problems resulting from the gas imbalances of the Customer. The Company will use reasonable efforts to notify the Customer or the Customers' Agent before initiating Standby Sales Service hereunder.

By 11:30 am Eastern Time on the fifth business day prior to the beginning of each month, the Customer must inform the Company of the nominating Agent for gas to be transported. If no notification to the contrary is provided, the Agent providing service during the prior month shall be deemed to be the nominating Agent by default. By 11:30 am Eastern Time on the fourth business day prior to the beginning of each month, the Customer shall submit a timely and valid nomination for transportation. Changes to nominations for gas transportation within the month are due by 11:30 am Eastern Time on the day prior to gas flow.

Balancing On Upstream Pipeline(s)

It shall be the Customer's responsibility to remain in balance on a daily and monthly basis with upstream pipeline(s) to avoid any assessment of penalties by such pipeline(s) against the Company. If the Company is assessed a penalty by an upstream pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer is responsible for causing the Company to be assessed such penalties.

Monthly Imbalance Resolution

Any differences between the quantities delivered to the Company's city gate facilities for the account of the Customer monthly, and the monthly quantities consumed by the Customer as metered, shall be the monthly imbalance. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than has been delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If the Customer's imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated imbalance for the Agent is less than or equal to 2% of the total volume consumed by all of the Agent's Customers in that transportation pool, then the price paid by the Company if the imbalance is long or the price paid by the Customer (or Agent) if the imbalance is short will be the sum of (a) the average of all published indices for the month as published in Natural Gas Week as stated in the "Gas Price Report" table under "Louisiana, Gulf Coast, Onshore, Spot Delivered to Pipeline" plus (b) the rate under Transcontinental Gas Pipe Line's Rate Schedule IT, including applicable fuel and surcharges, for service from zone 3 to zone 5, for the months of November through March, or the commodity rate under Transcontinental Gas Pipe Line's Rate Schedule FT, including applicable fuel and surcharges, for service from zone 3 to zone 5 plus $0.05, for the months of April through October.

RATE SCHEDULE 113
LARGE GENERAL TRANSPORTATION SERVICE

If the Customer (or Agent) is "short" by more than 2% of the monthly volume, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the sum of (a) the highest index price for gas that month as posted in Natural Gas Week as stated in the "Gas Price Report" table under "Louisiana, Gulf Coast, Onshore, Spot Delivered to Pipeline" plus (b) the rate under Transcontinental Gas Pipe Line's Rate Schedule IT, including applicable fuel and surcharges, for service from zone 3 to zone 5, for the months of November through March, or the commodity rate under Transcontinental Gas Pipe Line's Rate Schedule FT, including applicable fuel and surcharges, for service from zone 3 to zone 5 plus $0.05, for the months of April through October times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the sum of (a) the lowest index price for gas that month as posted in Natural Gas Week as stated in the "Gas Price Report" table under "Louisiana, Gulf Coast, Onshore, Spot Delivered to Pipeline" plus (b) the rate under Transcontinental Gas Pipe Line's Rate Schedule IT, including applicable fuel and surcharges, for service from zone 3 to zone 5, for the months of November through March, or the commodity rate under Transcontinental Gas Pipe Line's Rate Schedule FT, including applicable fuel and surcharges, for service from zone 3 to zone 5 plus $0.05, for the months of April through October times the discount percentage corresponding to the percentage of the surplus listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & equal to or less than 5%	100%	100%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

Agency Authorization Form

A Customer may authorize an Agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this Rate Schedule by executing an Agency Authorization Form in the form attached to this Rate Schedule. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering service to such Agent. Once a Customer has designated an Agent, the Agent is then authorized to act on behalf of that Customer and as such, the Agent will be considered as the Customer in all corresponding references contained within this Rate Schedule. The Customer may not change Agents within the calendar month without the permission of the Company. All Agents must utilize the electronic means made available by the Company in order

RATE SCHEDULE 113
LARGE GENERAL TRANSPORTATION SERVICE

to submit nominations. The Company may recover from the Agent all costs incurred in providing the Agent access to the electronic bulletin board.

Standby Sales Service

The Customer may elect by written notice to the Company prior to March 1 of any year to purchase Standby Sales Service from the Company under this Rate Schedule for an annual period commencing the first June 1 following the notice. Customers that have purchased transportation service under this Rate Schedule without Standby Sales Service may elect such service in future annual periods only with the written consent of the Company received within 30 days of Customer's notice. Having made this election, the Customer may nominate gas supplies from third party providers or nominate gas supplies from the Company for delivery to the Customer at the Company's city gate. The Customer may activate the Standby Sales Service during any month by giving notice to the Company during the normal nomination process described above, or by default, if the Customer (or the Customer's Agent) fails to submit a timely and valid nomination for transportation service. In addition to paying the Standby Sales Service Charge each month and the Monthly Standby Index Price set forth below for quantities actually purchased hereunder, the Customer will utilize the transportation services and incur the charges otherwise applicable under this Rate Schedule to cause such gas supplies to be transported and delivered to the Customer's meter. The gas supply commodity price which the Customer shall pay for the gas supplied under this paragraph will be the Monthly Standby Index Price defined as follows:

"The index price each month as first published in that month in Inside FERC's - Gas Market Report in the table titled "Prices of Spot Gas Delivered to Pipelines" under the heading "Transcontinental Gas Pipe Line Corp. - Zone 3 (pooling points)" in the column titled "Index". Applicable firm transportation part 284 tariff commodity charges, fuel and any other surcharges as defined in Transco's FERC approved tariffs from Transco's zone 3 to zone 5 will be added to the above index price.

If the Customer has made the annual election to receive Standby Sales Service, and the Customer (or Agent) properly submits a timely and valid nomination for transportation service, and, for whatever reason, the Customer (or Agent) fails to deliver to the Company adequate quantities of gas for the Customer's account, then the Company shall have the right, at its sole discretion, to initiate Standby Sales Service to the Customer. The price for such service shall be the same as set forth above except when the Company is required by such imbalance shortfall to purchase incremental volumes of gas supplies. In this case the Customer receiving Standby Sales Service will pay the higher of (on a daily basis) the Monthly Standby Index Price or the Daily Standby Index Price defined as the absolute high index price as published in Gas Daily for the day of consumption as stated in the "Daily Price Survey", "Louisiana - Onshore South", for "Transco, St. 65" in the column titled "Absolute". Applicable firm transportation part 284 tariff commodity charges, fuel and any other surcharges as defined in Transco's FERC approved tariffs from Transco's zone 3 to zone 5 will be added to the above index price. For days of consumption when

RATE SCHEDULE 113
LARGE GENERAL TRANSPORTATION SERVICE

the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily.

The Customer shall also pay all applicable taxes, fees and assessments levied by governmental authorities having jurisdiction.

During the month that the Customer receives Standby Sales Service under this provision, the Company shall perform the necessary balancing activities related to such sales and therefore the monthly imbalance resolution provisions will not be applicable.

Gas cost variances related to the Standby Sales Service will be recorded in compliance with the Company's N.C.U.C. Service Regulations Appendix A (Procedure for Rate Adjustments Under G.S. 62-133.4), except that the "benchmark" cost of gas will be the adjusted Monthly or Daily Standby index price as billed. Increments or decrements which may result from the procedures under G.S. 62-133.4 shall not apply to Standby Sales Service. Any increments or decrements applicable to Rate Schedule 113 shall be applicable to all quantities delivered under Rate Schedule 113, whether purchased from third parties or the Company as Standby Sales Service.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site.

Billing Demand

A Customer's billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinant will become effective June 1 of each year.

For Customers commencing initial gas service under this Rate Schedule, the billing demand shall be the highest actual daily consumption to date during the partial year, but shall be a minimum of 500 therms. If a Customer has received gas service from the Company prior to receiving service under this Rate Schedule but does not have daily telemetered records to determine peak day usage as described above, the Company shall use 6% of that Customer's highest previous winter month's consumption for the billing demand determinate.

Volumetric Charges

RATE SCHEDULE 113
LARGE GENERAL TRANSPORTATION SERVICE

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer. Any adjustment to the quantity of gas delivered due to meter failure or inaccuracy of measurement shall be determined as approved in Rule R6-15 of the North Carolina Service Regulations of the North Carolina Utilities Commission.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 113
LARGE GENERAL TRANSPORTATION SERVICE

AGENCY AUTHORIZATION FORM
RATE SCHEDULE 113

EFFECTIVE DATE _____

CUSTOMER _____

NAME OF FACILITY _____

ACCOUNT NUMBER (S) _____

AGENT _____

AGENT CONTACT _____ PHONE # _____

This is to advise Piedmont Natural Gas Company that _____**(Customer)** has authorized _____**(Agent)** to act on its behalf for the following transactions:

_____nominations, _____imbalance resolution _____ billing,

of gas for the above listed account(s). Piedmont Natural Gas Company is hereby authorized to deal with the Shipper directly, and the Customer and the Agent understand that they are responsible, jointly and severally, for any amounts due Piedmont Natural Gas Company under this Rate Schedule which are not paid on these accounts. Customer will provide Piedmont Natural Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least five (5) business days prior to the beginning of the month for the accounts designated.

AUTHORIZED SIGNATURE _____
FOR THE CUSTOMER

AUTHORIZED SIGNATURE _____
FOR THE AGENT

Please Print
AGENT'S NAME _____ TITLE _____

PHONE # _____ FAX # _____

MAILING ADDRESS
Please submit to: End User Transportation
Piedmont Natural Gas Company
P. O. Box 33068
Charlotte, N.C. 28233

OR

End User Transportation
Fax Number: (704) 365-8740

RATE SCHEDULE 114
INTERRUPTIBLE TRANSPORTATION SERVICE

Availability

For new customers, gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina **on an interruptible basis** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 50 dekatherms per day.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the North Carolina Utilities Commission.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 104 by giving written notice to the Company prior to April 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

All gas received pursuant to this Rate Schedule shall be metered separately from any gas received under any of the Company's other rate schedules.

Standby Alternate Fuel Capability

Customers purchasing gas pursuant to this Rate Schedule shall maintain, in useable condition, alternate fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

Applicability and Character of Service

The Company will redeliver gas received by the Company from upstream pipeline(s) for the Customer's account under this Rate Schedule in accordance with the Customer's scheduled and confirmed nominations and subject to the Company's operational conditions. The Company reserves the right to suspend service on any day, when in the Company's sole opinion, its operating conditions are such that suspension of service is necessary.

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalances. Any imbalances shall be corrected by the Customer, insofar as practicable, during the month in which they occur. Customer may adjust its daily nominations

during a month in order to correct any accumulated imbalance and maintain a monthly balance, subject to the operating limitations of the Company. The Company reserves the right to limit the

RATE SCHEDULE 114
INTERRUPTIBLE TRANSPORTATION SERVICE

amount of such imbalances to avoid operating problems and to comply with balancing requirements of the upstream pipeline(s). The Customer will be responsible for any imbalance charges assessed by upstream pipeline(s) in connection with any gas transported by the Customer under this Rate Schedule. The Company reserves the right to take reasonable action to mitigate system operational problems. The Company will use its best efforts to notify the Customer or the Customer's Agent before proceeding with a unilateral nomination reduction and will notify the Customer of any reduction to Customer's nomination that has been instituted by the Company.

By 11:30 am Eastern Time on the fifth business day prior to the beginning of each month, the Customer must inform the Company of the nominating Agent for gas to be transported. If no notification to the contrary is provided, the Agent providing service during the prior month shall be deemed to be the nominating Agent by default. By 11:30 am Eastern Time on the fourth business day prior to the beginning of each month, the Customer shall submit a timely and valid nomination for transportation. Changes to nominations for gas transportation within the month are due by 11:30 am Eastern Time on the day prior to gas flow.

Balancing On Upstream Pipeline(s)

It shall be the Customer's responsibility to remain in balance on a daily and monthly basis with upstream pipeline(s) to avoid any assessment of penalties by such pipeline(s) against the Company. If the Company is assessed a penalty by an upstream pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer is responsible for causing the Company to be assessed such penalties.

Monthly Imbalance Resolution

Any differences between the quantities delivered to the Company's city gate facilities for the account of the Customer monthly, and the monthly quantities consumed by the Customer as metered, shall be the monthly imbalance. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If the Customer's imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated imbalance for the Agent is less than or equal to 2% of the total volume consumed by all of the Agent's Customers in that transportation pool, then the price paid by the Company if the imbalance is long or the price paid by the Customer (or Agent) if the imbalance is short will be the sum of (a) the average of all published indices for the month as published in Natural Gas Week as stated in the "Gas Price Report" table under "Louisiana, Gulf Coast, Onshore, Spot Delivered to Pipeline" plus (b) the rate under Transcontinental Gas Pipe Line's Rate Schedule IT, including applicable fuel and surcharges, for service from zone 3 to zone 5, for the months of November through March, or the commodity rate under Transcontinental Gas Pipe

RATE SCHEDULE 114
INTERRUPTIBLE TRANSPORTATION SERVICE

Line's Rate Schedule FT, including applicable fuel and surcharges, for service from zone 3 to zone 5 plus $0.05, for the months of April through October.

If the Customer (or Agent) is "short" by more than 2% of the monthly volume, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the sum of (a) the highest index price for gas that month as posted in Natural Gas Week as stated in the "Gas Price Report" table under "Louisiana, Gulf Coast, Onshore, Spot Delivered to Pipeline" plus (b) the rate under Transcontinental Gas Pipe Line's Rate Schedule IT, including applicable fuel and surcharges, for service from zone 3 to zone 5, for the months of November through March, or the commodity rate under Transcontinental Gas Pipe Line's Rate Schedule FT, including applicable fuel and surcharges, for service from zone 3 to zone 5 plus $0.05, for the months of April through October times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the sum of (a) the lowest index price for gas that month as posted in Natural Gas Week as stated in the "Gas Price Report" table under "Louisiana, Gulf Coast, Onshore, Spot Delivered to Pipeline" plus (b) the rate under Transcontinental Gas Pipe Line's Rate Schedule IT, including applicable fuel and surcharges, for service from zone 3 to zone 5, for the months of November through March, or the commodity rate under Transcontinental Gas Pipe Line's Rate Schedule FT, including applicable fuel and surcharges, for service from zone 3 to zone 5 plus $0.05, for the months of April through October times the discount percentage corresponding to the percentage of the surplus listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & equal to or less than 5%	100%	100%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	30%	70%
Over 15% & equal to or less than 20%	40%	60%
Over 20%	150%	50%

Agency Authorization Form

A Customer may authorize an Agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this Rate Schedule by executing an Agency Authorization Form in the form attached to this Rate Schedule. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering service to such Agent. Once a Customer has designated an Agent, the Agent is then authorized to act on behalf of that Customer and as such, the Agent will be considered as the Customer in all corresponding references contained within this Rate Schedule.

RATE SCHEDULE 114
INTERRUPTIBLE TRANSPORTATION SERVICE

The Customer may not change Agents within the calendar month without the permission of the Company. All Agents must utilize the electronic means made available by the Company in order to submit Nominations. The Company may recover from the Agent all costs incurred in providing the Agent access to the electronic bulletin board.

Rates and Charges

The rates to be charged for gas service pursuant to this Rate Schedule are set forth on the Company's "Rates and Charges" tariff sheet and may be viewed at the Company's Web Site. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site at www.piedmontng.com. A copy of the "Rates and Charges" tariff sheet is also on file with the North Carolina Utilities Commission and at each of the district offices of the Company. Rates are subject to adjustment from time to time with the approval of the North Carolina Utilities Commission. The rates on file with the Commission shall prevail in the event of conflict with those rates viewed on the Company's Web Site.

Volumetric Charges

The rate per therm shall be billed on the quantity of gas delivered by Company to Customer. Any adjustment to the quantity of gas delivered due to meter failure or inaccuracy of measurement shall be determined as approved in Rule R6-15 of the North Carolina Service Regulations.

Payment of Bills

Bills are net and due upon receipt. Bills become past due 15 days after bill date.

Late Payment Charge

A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment

Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers

Service under this Rate Schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions,

RATE SCHEDULE 114
INTERRUPTIBLE TRANSPORTATION SERVICE

including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

RATE SCHEDULE 114
INTERRUPTIBLE TRANSPORTATION SERVICE

AGENCY AUTHORIZATION FORM

EFFECTIVE DATE_____

CUSTOMER_____

NAME OF FACILITY_____

ACCOUNT NUMBER(S)_____

AGENT_____

AGENT CONTACT_____PHONE #_____

This is to advise Piedmont Natural Gas Company that _____**(Customer)** has authorized _____**(Agent)** to act on its behalf for the following transactions:

_____nominations, _____imbalance resolution _____ billing,

of gas for the above listed account(s). Piedmont Natural Gas Company is hereby authorized to deal with the Shipper directly, and the Customer and the Agent understand that they are responsible, jointly and severally, for any amounts due Piedmont Natural Gas Company under this Rate Schedule which are not paid on these accounts. Customer will provide Piedmont Natural Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least five (5) business days prior to the beginning of the month for the accounts designated

AUTHORIZED SIGNATURE_____
FOR THE CUSTOMER

AUTHORIZED SIGNATURE_____
FOR THE AGENT

Please Print
AGENT'S NAME_____TITLE_____

PHONE #_____FAX#_____

MAILING ADDRESS

Please submit to: End User Transportation
Piedmont Natural Gas Company
P. O. Box 33068
Charlotte, N.C. 28233

OR

End User Transportation
Fax Number: (704) 365-8740

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.

ECONOMIC DEVELOPMENT RIDER

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.

Late Payment Charge
A late payment charge of 1% per month will be applied to all balances not paid prior to the next month's billing date.

Service Interruption and Curtailment
Gas service under this Rate Schedule is subject to the provisions contained within Rate Schedule 106, "Schedule for Limiting and Curtailing Service".

Applicable Documents Defining Obligations of the Company and Its Customers
Service under this rate schedule is subject to the Rules and Regulations of the North Carolina Utilities Commission (the "Commission Rules") and to the Company's Service Regulations. Among other things, the Commission Rules and the Company's Service Regulations permit the interruption or curtailment of service under certain conditions, including events of *force majeure* and operating conditions. A copy of the Commission's Rules may be obtained from the Commission's Chief Clerk at the North Carolina Utilities Commission, 430 North Salisbury Street, Raleigh, North Carolina, 27603, upon payment of the applicable fee. The Company's Service Regulations may be obtained at each of the district offices of the Company. Unofficial copies of the Company's Service Regulations are available at the Company's Web Site at www.piedmontng.com.

Exhibit___(BRM-1)

ECONOMIC DEVELOPMENT RIDER SUBSCRIPTION AGREEMENT

This Economic Development Rider Subscription Agreement ("Agreement") is entered into this ____ day of _____, ____, 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:_____

1. Foreword. Piedmont Natural Gas Company, Inc. (the "Company") is a natural gas distribution company and is engaged in the business of selling and transporting natural gas for various Customers. The purpose of these Service Regulations is to set forth the respective obligations of the Company and its North Carolina Customers.

2. Definitions. As used in these Service Regulations, the following terms shall have the meanings assigned below:

(a) The "Commission" shall mean the North Carolina Utilities Commission which regulates gas utilities operating within the State of North Carolina.

(b) The "Company" shall mean Piedmont Natural Gas Company, Inc.

(c) "Customer" shall mean any person, firm, association, or corporation, or any agency of the Federal, State or local government receiving gas service from the Company.

(d) "Dekatherm" is the basic energy unit purchased by the Company and shall mean the unit of energy equivalent to 1,000,000 BTU.

(e) "Force Majeure" 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, hurricanes, tornadoes, 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 off 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.

(f) "Gas" shall mean undiluted natural gas, or a substitute for or mixture thereof, as delivered by the Company.

(g) "Gas Service Line" shall mean the pipe that runs between a main or a pipeline and a Customer's meter.

(h) Main" shall mean a gas pipe, owned, operated or maintained by the Company, which is used for the purpose of transmission or distribution of gas, but does not include "Gas Service Line".

(i) "Margin" for curtailment purposes shall mean the filed tariff rate per unit of gas or negotiated rate per unit of gas for a Customer, less the per unit cost of gas, where applicable, 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.

(j) "Meter", without other qualification, shall mean any device, or instrument which is used by the Company in measuring a quantity of gas.

(k) "Meter assembly" shall mean Company's meters, regulator, piping, valves, vents, relief valves, gauges and/or other apparatus required to meter and control flow or pressure of gas.

(l) "Operating Conditions" shall mean any modification, test or scheduled or unscheduled repair to the Company's distribution system which in the Company's discretion is necessary to maintain the integrity of the Company's distribution system or to provide for the safety of the Company or the public.

(m) "Premise(s)" shall mean a piece of land or real estate, including buildings and other appurtenances thereon.

(n) "Therm" is the basic billing unit of the Company and shall mean the unit of energy equivalent to 100,000 BTU.

(o) "Transportation" shall mean the receipt of natural gas supplies that have been arranged by the Customer for delivery to the Company's city gate and the redelivery of such natural gas supplies to the Customer's premise.

3. Applicable Documents Defining Obligations of the Company and its Customers. The obligations of the Company to provide service and the obligations of the Customer upon receipt of service are set forth in (a) the applicable statutes as set forth in Chapter 62 of the North Carolina General Statutes, (b) the applicable Rules and Regulations of the Commission, (c) the applicable rate schedule(s), (d) these Service Regulations and (e) any written application, service agreement, contract or other document approved in form by the Commission and executed by the Company and the Customer pertaining to such service. Copies of these documents other than documents described in (e) above are available for inspection at each of the district offices of the Company. The Company shall provide all new non-residential Customers with a copy of the applicable rate schedule(s) and written application for service and/or other documents executed by the Company and the Customer pertaining to such service. After a Customer has executed a

written application and/or contract, no promise, statement or representation by an employee or agent of the Company or by any other person inconsistent with the written application and/or contract shall bind the Company to provide service or to change the terms and conditions upon which service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In the event there is a conflict between these Service Regulations and the provisions of the applicable currently effective rate schedule, the provisions of the rate schedule shall govern. The Rules and Regulations of the North Carolina Utilities Commission shall govern in the event of a conflict with these Service Regulations. The Company may not make any representation that conflicts with its rate schedules or these Service Regulations.

4. Delivery Pressure. The Company will provide to residential Customers a delivery pressure of either 7 inches water column (approximately 1/4 psig) or 2 psig. Commercial and Industrial Customers can be provided a delivery pressure of up to 5 psig. Delivery pressures of higher than 5 psig will be considered only if l) requested in writing 2) justified by requirements of the fuel burning equipment. Documentation of such requirements must also be provided. Approval will be conditioned on the Company's distribution system pressure availability. Exceptions are subject to the approval of the Company.

5. Applicable Documents Subject to Change. All of the documents defining the obligations of the Company to provide service and the obligations of the Customer upon the receipt of service are subject to change from time to time upon approval of the Commission and by other duly constituted governmental authorities. The Company does not undertake to advise any Customer of any such change except as may be required by the Commission or other duly constituted governmental authority.

6. Non-Waiver. The failure of the Company to enforce any provision of any applicable documents defining the obligations of the Company and its Customers shall not be deemed to be a continuing waiver of such provisions for any Customer or a waiver of any other provision of any of the applicable documents.

7. Application for Initial Service. The Company shall require written applications from all new Customers and the Company shall not be required to supply service to any Customer unless and until the Customer has executed an application for service which, among other things, contains the date of the application, the name of the applicant, the location of the premise(s) for which service is requested, the type of service applied for and estimated gas consumption. The Company may, at its sole option, waive the requirement for a written application with respect to residential Customers, in which event the obligations of the Company to provide service and the obligations of the Customer upon receipt of service shall be controlled by the other documents defining the obligations of the Company and its Customers.

8. Application to Increase Gas Load. Residential Customers receiving gas service from the Company will be permitted to increase their residential gas loads at the same

premises without application to the Company. All other Customers shall make application to the Company before increasing their gas load and before changing the purpose for which they use gas. The application will contain, among other things, the date of the application, the name of the applicant, the location of the premises for which change in service is requested, the type service applied for and estimated monthly gas consumption. If, in the Company's opinion, the Company has the capability to provide the additional or changed gas service without interfering with the Company's ability to provide service to its other Customers, the Company will permit the Customer to increase its load or to change the purpose for which it uses gas.

9. Non-Assignability of Right to Service. Any rights which accrue to the Customer under any of the applicable documents defining the obligations of the Company and its Customers are personal and may not be transferred or assigned without the written consent of the Company.

10. Vacated Premises. The Customer will notify the Company before quitting or vacating the premises served and will pay upon presentation all bills due the Company.

11. Right-of-Way. The Customer shall at all times furnish the Company a satisfactory and lawful right-of-way, at no cost to the Company, onto the Customer's premises for the installation of Mains, service, and apparatus necessary or incidental to the furnishing of service to the customer. The obligation of the Company to supply service is dependent upon the Company securing and retaining all necessary rights-of-way, privileges, franchises or permits, for the delivery of such service, and the Company shall not be liable to the Customer for any failure to deliver service because of the Company's inability to secure or retain such rights-of-way, privileges, franchises or permits.

12. Access to Customer's Premises. The Company shall at all reasonable times have the right of ingress to and egress from the premises of the Customer for any and all purposes connected with the delivery of service. The Company shall have the right, at its option and at its own expense, to place demand meters, pressure gauges, or other instruments on the premises of the Customer for billing, testing, or other purposes with respect to the Customer's service.

13. Installation and Maintenance of Facilities. The Company will install and maintain the necessary Mains, Gas Service Lines, valves, regulators, Meters, over-pressure devices, indexes, gauges, and/or other equipment or facilities required to provide service. All facilities from the point of connection at the outlet of the meter assembly shall be installed and maintained by and at the expense of the Customer and is owned by the Customer and is the responsibility of the Customer. The Company may specify the content and pressure of the gas to be furnished, the location of the meter and the point where the service connection shall be made.

14. Service Line Policy. The facilities to be installed by the Company in accordance with the foregoing paragraph will be at no cost to the Residential Customer if (1) at a minimum the Customer will be installing central gas heating, (2) the gas service line extends along the route selected by the Company and (3) the gas service line is no more than 100 feet. In the event that the above conditions are not met, the service rendered to the Customer must provide a reasonable return to the Company. If the Customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas service line is more than 100 feet and/or the service to be rendered to the Customer will not produce a reasonable return to the Company, the Company may require the Customer to pay the excess cost of constructing the facilities along the alternate route or in excess of 100 feet and/or to make a contribution which will permit the Company to earn a reasonable return.

15. Relocation of Facilities. After a service connection has been made, it may be relocated on the Customer's premises by the Company upon request of the Customer. The Customer must bear the expense of the relocation, and the relocation will not be made where it will interfere with or jeopardize the Company's service either to the Customer desiring the change or to any other Customer(s) . All privileges of the Company incidental to the original location shall apply to the new location.

16. Title to the Facilities. The title to all facilities including mains, gas service lines, meters and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the Customer for extending service.

17. Responsibility Beyond Delivery Point.

(a) All piping and equipment installed by or on behalf of the Customer must be installed and maintained in accordance with the requirements of the local, county, state, and federal authorities, and the Customer shall keep in good and safe repair and condition all such piping and equipment from the point of connection of the Meter Assembly of the Company.

(b) If the Customer's equipment might create either a vacuum or a backpressure, a device must be installed and maintained by the Customer to protect the Company's facilities.

(c) Equipment which will operate in one locality may be useless in another due to difference in gas pressure or content; therefore, before piping a premises or purchasing equipment, the Customer shall give the Company notice, and shall ascertain the character of service available at such premise(s).

(d) The Company's responsibility is to deliver gas to the Customer at the outlet side of the meter assembly in accordance with the applicable

documents defining the obligations of the Company and its Customers. The Company is not responsible for the installation or maintenance of any pipes, facilities, gas using equipment or any other property beyond the point of delivery to the Customer. As between the Company and the Customer, the installation, maintenance and use of any pipes, facilities, gas using equipment or any other property beyond the point of delivery is the sole responsibility of the Customer.

18. Interference with Company Property. The Customer shall not interfere with or alter the Company's meters or other property or permit the same to be done by any person other than the Company's authorized agents or employees. Damages caused or permitted by the Customer to said property shall be paid for by the Customer. North Carolina law makes it unlawful to alter, tamper with or by-pass a gas meter. This law provides for fines and/or imprisonment at the discretion of the court for this offense. In addition, this statute provides for recovery in a civil action by the Company for losses and damages sustained.

19. Excavation in Proximity of Company's Facilities. The Customer shall inform the Company of planned excavation activities in the proximity of the Company's facilities by calling the toll free number 1-800-632-4949 at least 48 hours in advance of the planned excavation activities. The Customer will notify the Company prior to any additions or changes in his facilities which will extend over, under, or in close proximity to the Company's facilities.

20. Prohibition Against Resale of Gas. Gas is sold and/or delivered upon the express condition that the Customer shall not directly or indirectly sell or resell, assign, or otherwise dispose of gas, or any part thereof, to any person, firm, or corporation, except where service is supplied under a rate schedule specifically providing for resale.

21. Curtailment or Interruption of Service. In the event of a curtailment or interruption of service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such curtailment or interruption due to accidents, force majeure, extreme weather conditions, operating conditions or causes beyond its control

22. Action to Maintain System Integrity. When the Company in its discretion determines that it is necessary to curtail or interrupt service to maintain the integrity of its distribution system or to provide for its or the public's safety, the Company shall have the right to curtail or interrupt delivery of gas or service to any Customer.

23. Discontinuance of Service. The Company, subject to the rules of the Commission, shall have the right to suspend or discontinue its service for (a) repairs or other necessary work on its mains or systems, (b) for nonpayment of bill in accordance with the Rules 12-8 and 12-10 of the Rules and Regulations of the Commission, as the same may be amended from time to time, and (c) for any of the following reasons:

(a) For any material misrepresentation as to the identity of the Customer making the application for service.

(b) For violation by the Customer of any terms or conditions of the documents that are approved by the Commission defining the obligations of the Company to provide service and the obligations of the Customer upon the receipt of service.

(c) For the reason that the Customer's use of the Company's service is detrimental to the service of other Customers. This may cover a Customer's failure, directly or indirectly, to deliver gas to the Company.

(d) For the reason that the Customer's use of the Company's service conflicts with or violates orders, ordinances or laws of the State of North Carolina, or any subdivision thereof, or of the Commission or of any other governmental agency having jurisdiction over the Company or the Customer.

(e) For the reason that piping, equipment, appliance or device is installed or in use on the Customer's premises, which permits the gas to be used without passing through the Company's meter, or which prevents, or interferes with the accurate measuring of the gas by the Company's meter.

(f) For failure of the Customer to make, restore, or increase his deposit as authorized.

(g) In the event of a condition determined by the Company to be hazardous.

(h) In the event of tampering with the equipment furnished and owned by the Company.

Where the service has been discontinued for any reason except for the failure to pay for repairs or other necessary work by the Company, the Company shall have the right to refuse service at the same premises to any other applicant who is a member of the family of the former Customer, or who resided on said premises. The Company may require reasonable proof of identity of the applicant of service.

24. Removal of Equipment. In the event of such discontinuation of service, the Company may enter the premises of the Customer at any reasonable time and remove the Company's meters, apparatus, appliances, fixtures or other property. This does not apply to repossession of appliances or other property on the Customer's side of the meter assembly.

25. Non-Waiver of Default. Any delay or omission on the part of the Company to exercise its right to discontinue or suspend service, or the acceptance of a part of any amount due, shall not be deemed a waiver by the Company of such right so long as any default in whole or in part or breach of contract on the part of the Customer shall continue, and whenever and as often as any default or breach of contract shall occur.

26. Establishment of Credit by Customer. The Company may require an applicant for service, or any existing Customer, to satisfactorily establish credit in accordance with the provisions of Rule R12-2 of the Rules and Regulations of the Commission or to reestablish credit in accordance with the provisions of Rule R12-3 of the Rules and Regulations of the Commission as the same may be amended from time to time.

27. Deposits. The Company may require a cash deposit prior to establishing, reestablishing, or continuing existing service in accordance with the provisions of Chapter 12 of the Rules and Regulations of the Commission as the same may be amended from time to time.

28. Billing Procedure.

(a) Meters will be read and bills rendered monthly on a cycle basis of approximately thirty (30) days. All bills are due and payable at the office of the Company during regular business hours when rendered and become past due after twenty-five (25) days in the case of residential Customers and fifteen (15) days in the case of Customers other than residential, from the date the bill is rendered.

(b) A late payment charge of one percent (1%) per month will be applied to all Customer's balances not paid within twenty-five (25) days from the billing date.

(c) The Company will endeavor to deliver to the Customer a monthly bill of the amount due to the Company by mailing said bill by first-class mail to the mailing address furnished by the Customer or, at the Customer's election, by sending the bill electronically by way of computer internet connection. Failure to receive a bill will not entitle the Customer to any extension of time for payment beyond the past due date.

(d) Where a meter for any reason is not read at the regular reading date, the Company may estimate the amount of service used by referring to the Customer's consumption for a similar prior period. To the extent practicable, the Company will avoid sending a Customer two successive estimated bills; however, in cases of force majeure, as defined under Section 2(e) Definitions, bill estimates may be permitted for two successive billing periods, or greater. The Company will bill the Customer on the basis of the estimated use and will make any necessary adjustments when the meter is next read.

(e) No claim or demand which the Customer may have against the Company shall be offset or counter claimed against the payment of any sum of money due the Company by the Customer for services rendered, and all such sums shall be paid in accordance with the agreement regardless of such claim or demand.

(f) Facilities charges will not be prorated for provision of gas service during a partial billing period.

29. Adjustment of Bills Due to Failure or Inaccuracy of Meter. Bills which are incorrect due to meter or billing errors will be adjusted as approved in Rule R6-15 of the Rules and Regulations of the Commission as the same may be amended from time to time.

30. Returned Check Charge. Where the Customer makes payment for service by check which is not honored or paid by the bank, full payment will immediately be due and payment, and a Commission-approved handling charge will be made.

31. Curtailment of Service. It is contemplated that the Company will from time to time find it necessary to curtail or interrupt gas service to those Customers who purchase gas from the Company under interruptible rate schedules or for those Customers that elect to arrange transportation for delivery of their own gas supplies. In addition, unavailability of gas supplies, requirements of public safety or other factors beyond the control of the Company may make curtailment or interruption of any Customer necessary. In all such events, to the extent practicable, the Company will curtail those Customers paying the least margin per dekatherm first. If it is necessary to curtail or interrupt some but not all of the Customers paying the same margin per dekatherm, then, to the extent practicable, service shall be curtailed to the Customers paying the same margin per dekatherm on a pro rata basis.

32. Reconnection Fees. When service has been discontinued at the request of the Customer or a member of a Customer's family residing at the same residence, or for nonpayment of bills, and if reconnection is requested by the same Customer or a member of such Customer's family residing at the same residence, on the same premises within one year after date of discontinuance, the Commission-approved Reconnection Fees will be charged.

33. Applicable Rate Schedules. The Company will at all times have current rate schedules on file with the Commission. The rates contained in these rate schedules are subject to change from time to time as permitted by the North Carolina Purchased Gas Adjustment Clause attached hereto as Appendix A, the Weather Normalization Adjustment attached hereto as Appendix B and/or any lawful order of the Commission.

34. Residential Rate Service Classification. Residential rate service classification under the Company's Rate Schedules 101 and 121 shall be based on the following criteria:

A. Definitions: As used in residential rate service classification, the following terms shall have the meanings assigned below:

(1) "Residential Base Load Period" shall mean the cycle billing months of July and August.

(2) "Base Load Usage" shall mean the amount of natural gas used by a customer as reflected by the Company's invoices for that Customer during the cycle billing months of July and August.

B. Procedure:

Step 1. During the month of September of each year, the Company will determine for each customer served under Rate Schedules 101 and 121 the customer's Base Load Usage during each month of the Company's Residential Base Load Period.

Step 2. A Rate Schedule 101 Customer whose base load usage during each month of the Residential Base Load Periods of the most recent two years is less than 15 therms will be transferred to Rate Schedule 121. A Rate Schedule 121 Customer whose base load usage is equal to or greater than 15 therms in either month of the Residential Base Load Period of the most recent past year will be transferred to Rate Schedule 101.

All changes in rate classification under this section shall be effective on the first day of November following the most recent Residential Base Load Period.

C. Exceptions:

(1) New Customers will be assigned a Residential Rate Classification according to their reasonably anticipated base load usage associated with the type and number of appliances installed at the customer's premise prior to the gas meter being set and turned on.

(2) Existing Customers currently being billed under Rate Schedule 121 who add a piece of natural gas equipment that will clearly increase the Customer's base load usage to a level that will qualify that Customer for Rate Schedule 101 may, upon notification to the Company and subject to verification by the Company, be transferred to the new Rate Schedule prior to November 1.

35. Commercial Rate Service Classification. Commercial Rate Service Classification under the Company's Rate Schedules 102, 132, 152 and 162 shall be based on the

following criteria:

A. Definitions: As used in Commercial Rate Service Classification, the following terms shall have the meanings assigned below:

(1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.

(2) "Actual Annual Usage" shall mean the actual natural gas volumes consumed by the Customer during the Annual Review Period as reflected on the Company's invoices for the Customer.

(3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive service under a rate schedule. The classification usage for Rate Schedule 102 and Rate Schedule 132 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 152 and Rate Schedule 162 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.

(4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Annual Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.

(5) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days.

(6) "Average Daily Usage" shall be the Customer's Actual Annual Usage divided by the number of Service Days within the Annual Review Period.

(7) "Summer Load Percentage" (SLP) shall mean the percentage of the Customer's Actual Annual Usage that occurs during the seven (7) month summer period of April through October in a given calendar year.

B. Procedures:

(1) At the conclusion of the Annual Review Period of each year and prior to June 1st of the ensuing year, the Company will determine for each customer served under Rate Schedule 102, Rate Schedule 132, Rate Schedule 152, and Rate Schedule 162 that Customer's

Average Daily Usage and their SLP.

(2) Those customers currently receiving service under Rate Schedule 102 or Rate Schedule 132 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 152 or Rate Schedule 162 as applicable, effective on the first day of June following the most recent Annual Review Period.

(3) Those customers currently receiving service under Rate Schedule 102 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP is greater than 30% will be transferred to Rate Schedule 132 effective the first day of June following the most recent Annual Review Period.

(4) Those customers currently receiving service under Rate Schedule 132 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 102 effective the first day of June following the most recent Annual Review Period.

(5) Those customers currently receiving service under Rate Schedule 152 or Rate Schedule 162 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 102 or Rate Schedule 132 as applicable, effective on the first day of June following the second, and most recent, Annual Review Period.

(6) Those customers currently receiving service under Rate Schedule 152 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP exceeds 30% will be transferred to Rate Schedule 162 effective the first day of June following the most recent Annual Review Period.

(7) Those customers currently receiving service under Rate Schedule 162 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 152 effective the first day of June following the most recent Annual Review Period.

(8) Those customers currently receiving service under Rate Schedule 102, 132, 152, or 162 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater

than 110% of 50 dekatherms per day will be transferred to Rate Schedule 103, 104, 113, or 114 as applicable.

C. Exceptions: If a customer currently being billed under Rate Schedule 102 or Rate Schedule 132 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 152 or Rate Schedule 162, the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.

36 Industrial Rate Service Classification. Rate service classification under the Company's Rate Schedules, 103, 104, 113 and 114 shall be based on the following criteria:

A. Definitions: As used in rate service classification, the following terms shall have the meanings assigned below:

(1) "Actual Annual Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company as reflected on the Company's bills for that Customer.

(2) "Average Dekatherm per Day" shall mean the Actual Annual Usage of a Customer divided by the number of Service Days within the Review Period.

(3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive service under any rate schedule. For existing Customers, the classification usage for Rate Schedule shall not exceed an average usage of 55 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 103, 104, 113 and 114 shall exceed an average usage of 45 dekatherms per day.

(4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.

(5) "Review Period" shall mean the twelve (12) months ended on December 31, or the regularly scheduled meter reading nearest December 31.(6) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.

B. Procedure:

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 103, 104, 113 and 114 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 102, 132, 152 or 162 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 103, 104, 113 or 114, as applicable. A Rate Schedule 103, 104, 113 or 114 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Medium General Service Rate Schedule. Customers receiving service under Rate Schedules 103 or 104 shall be eligible to elect transportation service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to his old and new rate schedules at least 21 days prior to the effective date of the change.

C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting fromtheretirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for service under Rate 103 or 104, the Customer shall provide an election form one week prior to reclassification if a transportation election is desired. Otherwise, service will be provided under Rate Schedule 103 or 104, dependent upon rate qualification.

D. Requirements: Upon reclassification from Rate 102, 132, 152 or 162 to either Rate 103, 104, 113, or 114, Customer will be responsible for installing and

maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

37 Complaints. Customers who have a disagreement with the Company may call the Public Staff Consumer Services Division at telephone number (919) 733-9277 for assistance, or write to the address below:

Public Staff - NC Utilities Commission
Consumer Services Division
4326 Mail Service Center
Raleigh, NC 27699-4326

APPENDIX A

PROCEDURE FOR RATE ADJUSTMENTS UNDER G.S. 62-133.4

(1) **Purpose.**

The purpose of this Appendix A is to set forth the procedures by which Piedmont Natural Gas Company, Inc. can file to adjust its rates pursuant to G.S. 62-133.4. The intent of these procedures is to permit Piedmont to recover 100% of its prudently incurred gas costs applicable to its North Carolina operations.

(2) **Definitions.** As used in this Appendix, the following definitions shall apply:

(a) "**LDC**" shall mean Piedmont Natural Gas Company, Inc.

(b) "**Gas Costs**" shall mean 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, emergency gas purchases, over-run charges, capacity charges, standby charges, reservation fees, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges, take-and-pay charges, storage charges, 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.

(c) "**Suppliers**" shall mean any person or entity, including affiliates of the LDC who locates, produces, purchases, sells, stores and/or transports natural gas or its equivalent to, for or on behalf of the LDC. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of Liquefied Natural Gas, Liquefied Petroleum Gas, Synthetic Natural Gas and other hydrocarbons used as feed stock, other local gas distribution companies and end-users.

(d) "**Benchmark Commodity Gas Costs**" shall mean the LDC's estimate of the City Gate Delivered Gas Costs for gas supplies, excluding Demand Charges and Storage Charges as approved in the LDC's last general rate case or gas cost adjustment proceeding. The Benchmark Commodity Gas Costs may be amended from time to time as provided in Section (3)(a).

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(e) **"City Gate Delivered Gas Costs"** shall mean the total delivered Gas Costs to the LDC at its city gate.

(f) **"Commodity and Other Charges"** shall mean all Gas Costs other than Demand Charges and Storage Charges and any other Gas Costs determined by the Commission to be properly recoverable from sales Customers.

(g) **"Demand Charges and Storage Charges"** shall mean all Gas Costs which are not based on the volume of gas actually purchased or transported by the LDC and any other gas costs determined by the Commission to be properly recoverable from applicable sales and transportation Customers, including Company use and unaccounted for costs.

(h) **"Apportionment Percentage or Amount"** shall mean the percent or amount of Demand Charges and Storage Charges allocated to each rate schedule.

(3) **Rate Adjustments Under These Procedures.**

(a) **Sales Rates.** In the event the LDC anticipates a change in its City Gate Delivered Gas Costs, the LDC may apply and file at least 14 days prior to the proposed effective date, revised tariffs in order to increase or decrease its rates to its Customers as hereinafter provided. The Commission may issue an order allowing the rate change to become effective simultaneously with the effective date of the change or at any other time ordered by the Commission. If the Commission has not issued an order within 120 days after the application, the LDC may place the requested rate adjustment into effect. Any rate adjustment under this Section (3)(a) is subject to review under Section (6).

(i) **Demand Charges and Storage Charges.** Whenever the LDC anticipates a change in the Demand Charges and Storage Charges, the LDC may (as hereinabove provided) change its rates to Customers under each applicable rate schedule by an amount computed as follows:

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[(Total Anticipated Demand Charges and
Storage Charges - Prior Demand Charges and
Storage Charges) X
NC Portion*] X Apportionment %-age or Amount
_____ = Increase (Decrease) Per Unit
(by rate schedule)
Sales and Transportation Volumes as applicable*
(by rate schedule)
* Established by the Commission in the last general rate case

(ii) **Commodity and Other Charges.** Whenever the LDC's estimate of its Benchmark Commodity Gas Costs changes, the LDC may (as hereinabove provided) change the rates to its Customers purchasing gas under its sales rate schedules, incorporating the Benchmark Commodity Gas Costs, 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*
_____ = Increase (Decrease) Per Unit

Volumes of gas purchased for
System Supply* (excluding Company Use and
Unaccounted For)* X NC Portion*

* Established by the Commission in the last general rate case

(b) **Transportation Rate.** Transportation rates will be computed by adding the applicable Demand Charges and Storage Charges (at the Apportionment Percentage or Amount approved and allocated to each rate schedule by the Commission) to the per unit distribution margin established by the Commission in the last general rate case. Increments or decrements for Demand Charges and Storage Charges may apply to transportation rates based on the Apportionment Percentage or Amount.

(c) **Other Changes in Purchased Gas Costs.** The intent of these procedures is to permit the LDC to recover its actual prudently incurred Gas Costs. If any other Gas Costs are incurred, they will be handled as in Section (3)(a)(i) if they are similar to Demand Charges and Storage Charges, or as in Section (3)(a)(ii) if they are similar to Commodity and Other Charges.

(4) **True-up of Gas Costs.**

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(a) **Demand Charges and Storage Charges.** On a monthly basis, the LDC shall determine the difference between (a) Demand Charges and Storage Charges billed to its Customers in accordance with the Commission-approved allocation of such costs to the LDC's various rate schedules and (b) the LDC's actual Demand Charges and Storage Charges. This difference shall be recorded in the LDC's deferred account for demand and storage charges. Increments and decrements for Demand Charges and Storage Charges flow to applicable sales and transportation rate schedules as allocated and approved by the Commission. Where applicable, the percentage allocation to North Carolina shall be the percentage established in the last general rate case. For purposes of this true-up, Company use and unaccounted for costs will be excluded since they are subject to a true-up under Section (4)(c).

(b) **Commodity and Other Charges.** On a monthly basis, the LDC shall determine with respect to gas sold (including Company use and unaccounted for) during the month the per unit difference between (a) the applicable commodity gas cost most recently approved or the appropriate adjusted index price as billed and (b) the actual Commodity and Other Charges incurred. The product of the actual volumes multiplied by the per unit difference(s) shall be recorded in the LDC's deferred account for Commodity and Other Charges. Increments and decrements for Commodity and Other Charges flow to all sales rate schedules incorporating the Benchmark Commodity Gas Costs.

(c) **Company Use and Unaccounted For.** The LDC will true-up Gas Costs associated with Company use and unaccounted for volumes annually. This shall be done by comparing the actual North Carolina Company use and unaccounted for volumes during the true-up period with the rate case approved North Carolina Company use and unaccounted volumes used to establish rates during the twelve month true-up period. Where there is more than one approved Company use and unaccounted for volumes during the true-up period, the average monthly level will be used. The resulting volumes will be multiplied by the average of the Benchmark Commodity Gas Costs at the end of each month of the true-up period, and the resulting amount will be recorded in the deferred account. The Company may file periodically to adjust its per unit amount of Company Use and Unaccounted For in conjunction with a PGA filing, or to adjust its rates to refund or collect balances through increments or decrements in rates. Any such change associated with Company Use and Unaccounted For gas shall be implemented on a flat per dekatherm basis to all Customers.

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(d) **Supplier Refunds and Direct Bills.** In the event the LDC receives supplier refunds or direct bills with respect to gas previously purchased, the amount of such supplier refunds or direct bills will be recorded in the appropriate deferred account, unless directed otherwise by the Commission.

(5) **Other.**

(a) Gas Costs changes not tracked concurrently shall be recorded in the LDC's appropriate deferred account.

(b) The Commodity and Other Charges portion of gas inventories shall be recorded at actual cost and the difference in that cost and the cost last approved under Section (3)(a)(ii) shall be recorded in the deferred account when the gas is withdrawn from inventory.

(c) The LDC shall file with the Commission (with a copy to the Public Staff) a complete monthly accounting of the computations under these procedures, including all supporting workpapers, journal entries, etc., within 45 days after the end of each monthly reporting period. All such computations shall be deemed to be in compliance with these procedures unless within 60 days of such filing the Commission or the Public Staff notifies the LDC that the computations may not be in compliance; provided, however, that if the Commission or the Public Staff requests additional information reasonably required to evaluate such filing, the running of the 60 day period will be suspended for the number of days taken by the LDC to provide the additional information.

(d) Periodically, the LDC may file to adjust its rates to refund or collect balances in these deferred accounts through decrements or increments to current rates. In filing for an increment or decrement, the LDC shall state the amount in the deferred account, the time period during which the increment or decrement is expected to be in effect, the rate classes to which the increment or decrement is to apply, and the level of volumes estimated to be delivered to those classes. Any such increments or decrements shall be made on the applicable Apportionment Percentage or Amount basis for all affected rate classes, unless otherwise ordered by the Commission.

(e) Notwithstanding the provisions of this Rule, the LDC may offset negotiated losses in any manner authorized by the Commission. As of the effective date of this Appendix A, the LDC is permitted to negotiate rates to certain industrial Customers when necessary or appropriate to meet the prices of competitive fuels or energy sources or otherwise to avoid the loss of sales or

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transportation service to these Customers. To permit the LDC to provide service to these Customers without suffering a loss of margin, the LDC shall record the negotiated losses in the "All Customers" deferred account. If the LDC should negotiate rates for any purpose other than meeting competition from alternate fuel or energy sources, the LDC will file a report with the Commission stating the reason for any such negotiation. Such reports will be filed within 45 days after the month in which the negotiation took place.

(6) **Annual Review.**

(a) Annual Test Periods and Filing Dates. The LDC will submit to the Commission the information and data required in Section (6)(c) for an historical 12-month test period. This information will be filed on or before August 1 of each year based on a test period ended May 31.

(b) Public Hearings. The Commission will schedule an annual public hearing pursuant to G.S. 62-133.4(c) in order to compare the LDC's prudently incurred Gas Costs with Gas Costs recovered from all its Customers that it served during the test period. The public hearing will be on the first Tuesday of October. The Commission, on its own motion or the motion of any interested party, may change the date for the public hearing and/or consolidate the hearing required by this section with any other docket(s) pending before the Commission with respect to the affected LDC.

(c) Information Required in Annual Filings. The LDC will file information and data showing the LDC's actual gas costs, volumes of purchased gas, sales volumes, negotiated sales volumes and transportation volumes and such other information as may be directed by the Commission. All such information and data will be accompanied by workpapers and direct testimony and exhibits of witnesses supporting the information.

(d) Notice of Hearings. The LDC will publish a notice for two (2) successive weeks in a newspaper or newspapers having general circulation in its service area, normally beginning at least 30 days prior to the hearing, notifying the public of the hearing before the Commission pursuant to G.S. 62-133.4 and setting forth the time and place of the hearing.

(e) Petitions to Intervene. Persons having an interest in any hearing held under the provisions of this Appendix A may file a petition to intervene setting forth such interest at least 15 days prior to the date of the hearing. Petitions

to intervene filed less than 15 days prior to the date of the hearing may be allowed at the discretion of the Commission for good cause shown.

(f) Filing of Testimony and Exhibits by the Public Staff and Intervenors. The Public Staff and other intervenors may file direct testimony and exhibits of witnesses at least 15 days prior to the hearing date. If a petition to intervene is filed less than 15 days prior to the hearing date, it shall be accompanied by any direct testimony and exhibits of witnesses the intervenor intends to offer at the hearing.

(g) Filing of Rebuttal Testimony. The LDC may file rebuttal testimony and exhibits within 10 days of the actual receipt of the testimony of the party to whom the Rebuttal Testimony is addressed.

APPENDIX B

Weather Normalization Adjustment

I. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in all of the rate schedules of Piedmont Natural Gas Company (Company) shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." Such adjustment shall apply to bills rendered during the months November through March.

II. Definitions

For the purposes of this Rider:

"Commission" means the North Carolina Utilities Commission

"Relevant Rate Order" means the final order of the Commission in the most recent litigated rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

III. Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment shall be computed to the nearest one-thousandth cent per therm by the following formula:

$$WNA_i = R_i \times \frac{(HSF_i (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where:

i = any particular rate schedule or billing classification within any particular rate schedule that contains more than one billing classification.

WNA_i = Weather Normalization Factor for the i^{th} rate schedule or classification expressed in cents per therm.

R_I = base rate (approved rate less cost of gas) for the i^{th} schedule or classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

HSF_i = heat sensitive factor for the i^{th} schedule of classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

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NDD = normal billing cycle heating degree days utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

ADD = actual billing cycle heating degree days.

BL_i = base load sales for the i^{th} schedule or classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

IV. Filing with Commission

The Company will file as directed by the Commission (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and (c) a schedule showing the factors of values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

1. Foreword. Piedmont Natural Gas Company, Inc. (the "Company") is a natural gas distribution company and is engaged in the business of selling and transporting natural gas for various Customers. The purpose of these Service Regulations is to set forth the respective obligations of the Company and its North Carolina Customers.

2. Definitions. As used in these Service Regulations, the following terms shall have the meanings assigned below:

(a) The "Commission" shall mean the North Carolina Utilities Commission which regulates gas utilities operating within the State of North Carolina.

(b) The "Company" shall mean Piedmont Natural Gas Company, Inc.

(c) "Customer" shall mean any person, firm, association, or corporation, or any agency of the Federal, State or local government receiving gas service from the Company.

(d) "Dekatherm" is the basic energy unit purchased by the Company and shall mean the unit of energy equivalent to 1,000,000 BTU.

(e) "Force Majeure" 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, hurricanes, tornadoes, 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 off 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.

(f) "Gas" shall mean undiluted natural gas, or a substitute for or mixture thereof, as delivered by the Company.

(g) "Gas Service Line" shall mean the pipe that runs between a main or a pipeline and a Customer's meter.

(h) Main" shall mean a gas pipe, owned, operated or maintained by the Company, which is used for the purpose of transmission or distribution of gas, but does not include "Gas Service Line".

(i) "Margin" for curtailment purposes shall mean the filed tariff rate per unit of gas or negotiated rate per unit of gas for a Customer, less the per unit cost of gas, where applicable, 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.

(j) "Meter", without other qualification, shall mean any device, or instrument which is used by the Company in measuring a quantity of gas.

(k) "Meter assembly" shall mean Company's meters, regulator, piping, valves, vents, relief valves, gauges and/or other apparatus required to meter and control flow or pressure of gas.

(l) "Operating Conditions" shall mean any modification, test or scheduled or unscheduled repair to the Company's distribution system which in the Company's discretion is necessary to maintain the integrity of the Company's distribution system or to provide for the safety of the Company or the public.

(m) "Premise(s)" shall mean a piece of land or real estate, including buildings and other appurtenances thereon.

(n) "Therm" is the basic billing unit of the Company and shall mean the unit of energy equivalent to 100,000 BTU.

(o) "Transportation" shall mean the receipt of natural gas supplies that have been arranged by the Customer for delivery to the Company's city gate and the redelivery of such natural gas supplies to the Customer's premise.

3. Applicable Documents Defining Obligations of the Company and its Customers. The obligations of the Company to provide service and the obligations of the Customer upon receipt of service are set forth in (a) the applicable statutes as set forth in Chapter 62 of the North Carolina General Statutes, (b) the applicable Rules and Regulations of the Commission, (c) the applicable rate schedule(s), (d) these Service Regulations and (e) any written application, service agreement, contract or other document approved in form by the Commission and executed by the Company and the Customer pertaining to such service. Copies of these documents other than documents described in (e) above are available for inspection at each of the district offices of the Company. The Company shall provide all new non-residential Customers with a copy of the applicable rate schedule(s) and written application for service and/or other documents executed by the Company and the Customer pertaining to such service. After a Customer has executed a

written application and/or contract, no promise, statement or representation by an employee or agent of the Company or by any other person inconsistent with the written application and/or contract shall bind the Company to provide service or to change the terms and conditions upon which service will be rendered unless the same is in writing and is executed by an authorized representative of the Company. In the event there is a conflict between these Service Regulations and the provisions of the applicable currently effective rate schedule, the provisions of the rate schedule shall govern. The Rules and Regulations of the North Carolina Utilities Commission shall govern in the event of a conflict with these Service Regulations. The Company may not make any representation that conflicts with its rate schedules or these Service Regulations.

4. Delivery Pressure. The Company will provide to residential Customers a delivery pressure of either 7 inches water column (approximately 1/4 psig) or 2 psig. Commercial and Industrial Customers can be provided a delivery pressure of up to 5 psig. Delivery pressures of higher than 5 psig will be considered only if 1) requested in writing 2) justified by requirements of the fuel burning equipment. Documentation of such requirements must also be provided. Approval will be conditioned on the Company's distribution system pressure availability. Exceptions are subject to the approval of the Company.

5. Applicable Documents Subject to Change. All of the documents defining the obligations of the Company to provide service and the obligations of the Customer upon the receipt of service are subject to change from time to time upon approval of the Commission and by other duly constituted governmental authorities. The Company does not undertake to advise any Customer of any such change except as may be required by the Commission or other duly constituted governmental authority.

6. Non-Waiver. The failure of the Company to enforce any provision of any applicable documents defining the obligations of the Company and its Customers shall not be deemed to be a continuing waiver of such provisions for any Customer or a waiver of any other provision of any of the applicable documents.

7. Application for Initial Service. The Company shall require written applications from all new Customers and the Company shall not be required to supply service to any Customer unless and until the Customer has executed an application for service which, among other things, contains the date of the application, the name of the applicant, the location of the premise(s) for which service is requested, the type of service applied for and estimated gas consumption. The Company may, at its sole option, waive the requirement for a written application with respect to residential Customers, in which event the obligations of the Company to provide service and the obligations of the Customer upon receipt of service shall be controlled by the other documents defining the obligations of the Company and its Customers.

8. Application to Increase Gas Load. Residential Customers receiving gas service from the Company will be permitted to increase their residential gas loads at the same premises without application to the Company. All other Customers shall make application to the Company before increasing their gas load and before changing the purpose for which they use gas. The application will contain, among other things, the date of the application, the name of the applicant, the location of the premises for which change in service is requested, the type service applied for and estimated monthly gas consumption. If, in the Company's opinion, the Company has the capability to provide the additional or changed gas service without interfering with the Company's ability to provide service to its other Customers, the Company will permit the Customer to increase its load or to change the purpose for which it uses gas.

9. Non-Assignability of Right to Service. Any rights which accrue to the Customer under any of the applicable documents defining the obligations of the Company and its Customers are personal and may not be transferred or assigned without the written consent of the Company.

10. Vacated Premises. The Customer will notify the Company before quitting or vacating the premises served and will pay upon presentation all bills due the Company.

11. Right-of-Way. The Customer shall at all times furnish the Company a satisfactory and lawful right-of-way, at no cost to the Company, onto the Customer's premises for the installation of Mains, service, and apparatus necessary or incidental to the furnishing of service to the customer. The obligation of the Company to supply service is dependent upon the Company securing and retaining all necessary rights-of-way, privileges, franchises or permits, for the delivery of such service, and the Company shall not be liable to the Customer for any failure to deliver service because of the Company's inability to secure or retain such rights-of-way, privileges, franchises or permits.

12. Access to Customer's Premises. The Company shall at all reasonable times have the right of ingress to and egress from the premises of the Customer for any and all purposes connected with the delivery of service. The Company shall have the right, at its option and at its own expense, to place demand meters, pressure gauges, or other instruments on the premises of the Customer for billing, testing, or other purposes with respect to the Customer's service.

13. Installation and Maintenance of Facilities. The Company will install and maintain the necessary Mains, Gas Service Lines, valves, regulators, Meters, over-pressure devices, indexes, gauges, and/or other equipment or facilities required to provide service. All facilities from the point of connection at the outlet of the meter assembly shall be installed and maintained by and at the expense of the Customer and is owned by the Customer and is the responsibility of the Customer. The Company may specify the

content and pressure of the gas to be furnished, the location of the meter and the point where the service connection shall be made.

14. Service Line Policy. The facilities to be installed by the Company in accordance with the foregoing paragraph will be at no cost to the Residential Customer if (1) at a minimum the Customer will be installing central gas heating, (2) the gas service line extends along the route selected by the Company and (3) the gas service line is no more than 100 feet. In the event that the above conditions are not met, the service rendered to the Customer must provide a reasonable return to the Company. If the Customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas service line is more than 100 feet and/or the service to be rendered to the Customer will not produce a reasonable return to the Company, the Company may require the Customer to pay the excess cost of constructing the facilities along the alternate route or in excess of 100 feet and/or to make a contribution which will permit the Company to earn a reasonable return.

15. Relocation of Facilities. After a service connection has been made, it may be relocated on the Customer's premises by the Company upon request of the Customer. The Customer must bear the expense of the relocation, and the relocation will not be made where it will interfere with or jeopardize the Company's service either to the Customer desiring the change or to any other Customer(s). All privileges of the Company incidental to the original location shall apply to the new location.

16. Title to the Facilities. The title to all facilities including mains, gas service lines, meters and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the Customer for extending service.

17. Responsibility Beyond Delivery Point.

(a) All piping and equipment installed by or on behalf of the Customer must be installed and maintained in accordance with the requirements of the local, county, state, and federal authorities, and the Customer shall keep in good and safe repair and condition all such piping and equipment from the point of connection of the Meter Assembly of the Company.

(b) If the Customer's equipment might create either a vacuum or a backpressure, a device must be installed and maintained by the Customer to protect the Company's facilities.

(c) Equipment which will operate in one locality may be useless in another due to difference in gas pressure or content; therefore, before piping a premises or purchasing equipment, the Customer shall give the Company notice, and shall ascertain the character of service available at such premise(s).

(d) The Company's responsibility is to deliver gas to the Customer at the outlet side of the meter assembly in accordance with the applicable documents defining the obligations of the Company and its Customers. The Company is not responsible for the installation or maintenance of any pipes, facilities, gas using equipment or any other property beyond the point of delivery to the Customer. As between the Company and the Customer, the installation, maintenance and use of any pipes, facilities, gas using equipment or any other property beyond the point of delivery is the sole responsibility of the Customer.

18. Interference with Company Property. The Customer shall not interfere with or alter the Company's meters or other property or permit the same to be done by any person other than the Company's authorized agents or employees. Damages caused or permitted by the Customer to said property shall be paid for by the Customer. North Carolina law makes it unlawful to alter, tamper with or by-pass a gas meter. This law provides for fines and/or imprisonment at the discretion of the court for this offense. In addition, this statute provides for recovery in a civil action by the Company for losses and damages sustained.

19. Excavation in Proximity of Company's Facilities. The Customer shall inform the Company of planned excavation activities in the proximity of the Company's facilities by calling the toll free number 1-800-632-4949 at least 48 hours in advance of the planned excavation activities. The Customer will notify the Company prior to any additions or changes in his facilities which will extend over, under, or in close proximity to the Company's facilities.

20. Prohibition Against Resale of Gas. Gas is sold and/or delivered upon the express condition that the Customer shall not directly or indirectly sell or resell, assign, or otherwise dispose of gas, or any part thereof, to any person, firm, or corporation, except where service is supplied under a rate schedule specifically providing for resale.

21. Curtailment or Interruption of Service. In the event of a curtailment or interruption of service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such curtailment or interruption due to accidents, force majeure, extreme weather conditions, operating conditions or causes beyond its control

22. Action to Maintain System Integrity. When the Company in its discretion determines that it is necessary to curtail or interrupt service to maintain the integrity of its distribution system or to provide for its or the public's safety, the Company shall have the right to curtail or interrupt delivery of gas or service to any Customer.

23. Discontinuance of Service. The Company, subject to the rules of the Commission, shall have the right to suspend or discontinue its service for (a) repairs or other necessary work on its mains or systems, (b) for nonpayment of bill in accordance with the Rules 12-

8 and 12-10 of the Rules and Regulations of the Commission, as the same may be amended from time to time, and (c) for any of the following reasons:

(a) For any material misrepresentation as to the identity of the Customer making the application for service.

(b) For violation by the Customer of any terms or conditions of the documents that are approved by the Commission defining the obligations of the Company to provide service and the obligations of the Customer upon the receipt of service.

(c) For the reason that the Customer's use of the Company's service is detrimental to the service of other Customers. This may cover a Customer's failure, directly or indirectly, to deliver gas to the Company.

(d) For the reason that the Customer's use of the Company's service conflicts with or violates orders, ordinances or laws of the State of North Carolina, or any subdivision thereof, or of the Commission or of any other governmental agency having jurisdiction over the Company or the Customer.

(e) For the reason that piping, equipment, appliance or device is installed or in use on the Customer's premises, which permits the gas to be used without passing through the Company's meter, or which prevents, or interferes with the accurate measuring of the gas by the Company's meter.

(f) For failure of the Customer to make, restore, or increase his deposit as authorized.

(g) In the event of a condition determined by the Company to be hazardous.

(h) In the event of tampering with the equipment furnished and owned by the Company.

Where the service has been discontinued for any reason except for the failure to pay for repairs or other necessary work by the Company, the Company shall have the right to refuse service at the same premises to any other applicant who is a member of the family of the former Customer, or who resided on said premises. The Company may require reasonable proof of identity of the applicant of service.

24. Removal of Equipment. In the event of such discontinuation of service, the Company may enter the premises of the Customer at any reasonable time and remove the Company's meters, apparatus, appliances, fixtures or other property. This does not apply

to repossession of appliances or other property on the Customer's side of the meter assembly.

25. Non-Waiver of Default. Any delay or omission on the part of the Company to exercise its right to discontinue or suspend service, or the acceptance of a part of any amount due, shall not be deemed a waiver by the Company of such right so long as any default in whole or in part or breach of contract on the part of the Customer shall continue, and whenever and as often as any default or breach of contract shall occur.

26. Establishment of Credit by Customer. The Company may require an applicant for service, or any existing Customer, to satisfactorily establish credit in accordance with the provisions of Rule R12-2 of the Rules and Regulations of the Commission or to reestablish credit in accordance with the provisions of Rule R12-3 of the Rules and Regulations of the Commission as the same may be amended from time to time.

27. Deposits. The Company may require a cash deposit prior to establishing, reestablishing, or continuing existing service in accordance with the provisions of Chapter 12 of the Rules and Regulations of the Commission as the same may be amended from time to time.

28. Billing Procedure.

(a) Meters will be read and bills rendered monthly on a cycle basis of approximately thirty (30) days. All bills are due and payable at the office of the Company during regular business hours when rendered and become past due after twenty-five (25) days in the case of residential Customers and fifteen (15) days in the case of Customers other than residential, from the date the bill is rendered.

(b) A late payment charge of one percent (1%) per month will be applied to all Customer's balances not paid within twenty-five (25) days from the billing date.

(c) The Company will endeavor to deliver to the Customer a monthly bill of the amount due to the Company by mailing said bill by first-class mail to the mailing address furnished by the Customer or, at the Customer's election, by sending the bill electronically by way of computer internet connection. Failure to receive a bill will not entitle the Customer to any extension of time for payment beyond the past due date.

(d) Where a meter for any reason is not read at the regular reading date, the Company may estimate the amount of service used by referring to the Customer's consumption for a similar prior period. To the extent practicable, the Company will avoid sending a Customer two successive estimated bills; however, in cases of force majeure, as defined under Section 2(e) Definitions, bill estimates may be permitted for two successive billing periods, or greater. The Company will bill

the Customer on the basis of the estimated use and will make any necessary adjustments when the meter is next read.

(e) No claim or demand which the Customer may have against the Company shall be offset or counter claimed against the payment of any sum of money due the Company by the Customer for services rendered, and all such sums shall be paid in accordance with the agreement regardless of such claim or demand.

(f) Facilities charges will not be prorated for provision of gas service during a partial billing period.

29. Adjustment of Bills Due to Failure or Inaccuracy of Meter. Bills which are incorrect due to meter or billing errors will be adjusted as approved in Rule R6-15 of the Rules and Regulations of the Commission as the same may be amended from time to time.

30. Returned Check Charge. Where the Customer makes payment for service by check which is not honored or paid by the bank, full payment will immediately be due and payment, and a Commission-approved handling charge will be made.

31. Curtailment of Service. It is contemplated that the Company will from time to time find it necessary to curtail or interrupt gas service to those Customers who purchase gas from the Company under interruptible rate schedules or for those Customers that elect to arrange transportation for delivery of their own gas supplies. In addition, unavailability of gas supplies, requirements of public safety or other factors beyond the control of the Company may make curtailment or interruption of any Customer necessary. In all such events, to the extent practicable, the Company will curtail those Customers paying the least margin per dekatherm first. If it is necessary to curtail or interrupt some but not all of the Customers paying the same margin per dekatherm, then, to the extent practicable, service shall be curtailed to the Customers paying the same margin per dekatherm on a pro rata basis.

32. Reconnection Fees. When service has been discontinued at the request of the Customer or a member of a Customer's family residing at the same residence, or for nonpayment of bills, and if reconnection is requested by the same Customer or a member of such Customer's family residing at the same residence, on the same premises within one year after date of discontinuance, the Commission-approved Reconnection Fees will be charged.

33. Applicable Rate Schedules. The Company will at all times have current rate schedules on file with the Commission. The rates contained in these rate schedules are subject to change from time to time as permitted by the North Carolina Purchased Gas Adjustment Clause attached hereto as Appendix A, the Weather Normalization Adjustment attached hereto as Appendix B and/or any lawful order of the Commission.

34. Residential Rate Service Classification. Residential rate service classification under the Company's Rate Schedules 101 and 121 shall be based on the following criteria:

A. Definitions: As used in residential rate service classification, the following terms shall have the meanings assigned below:

(1) "Residential Base Load Period" shall mean the cycle billing months of July and August.

(2) "Base Load Usage" shall mean the amount of natural gas used by a customer as reflected by the Company's invoices for that Customer during the cycle billing months of July and August.

B. Procedure:

Step 1. During the month of September of each year, the Company will determine for each customer served under Rate Schedules 101 and 121 the customer's Base Load Usage during each month of the Company's Residential Base Load Period.

Step 2. A Rate Schedule 101 Customer whose base load usage during each month of the Residential Base Load Periods of the most recent two years is less than 15 therms will be transferred to Rate Schedule 121. A Rate Schedule 121 Customer whose base load usage is equal to or greater than 15 therms in either month of the Residential Base Load Period of the most recent past year will be transferred to Rate Schedule 101.

All changes in rate classification under this section shall be effective on the first day of November following the most recent Residential Base Load Period.

C. Exceptions:

(1) New Customers will be assigned a Residential Rate Classification according to their reasonably anticipated base load usage associated with the type and number of appliances installed at the customer's premise prior to the gas meter being set and turned on.

(2) Existing Customers currently being billed under Rate Schedule 121 who add a piece of natural gas equipment that will clearly increase the Customer's base load usage to a level that will qualify that

Customer for Rate Schedule 101 may, upon notification to the Company and subject to verification by the Company, be transferred to the new Rate Schedule prior to November 1.

35. Commercial Rate Service Classification. Commercial Rate Service Classification under the Company's Rate Schedules 102, 132, 152 and 162 shall be based on the following criteria:

A. Definitions: As used in Commercial Rate Service Classification, the following terms shall have the meanings assigned below:

(1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.

(2) "Actual Annual Usage" shall mean the actual natural gas volumes consumed by the Customer during the Annual Review Period as reflected on the Company's invoices for the Customer.

(3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive service under a rate schedule. The classification usage for Rate Schedule 102 and Rate Schedule 132 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 152 and Rate Schedule 162 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.

(4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Annual Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.

(5) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days.

(6) "Average Daily Usage" shall be the Customer's Actual Annual Usage divided by the number of Service Days within the Annual Review Period.

(7) "Summer Load Percentage" (SLP) shall mean the percentage of the Customer's Actual Annual Usage that occurs during the seven (7) month summer period of April through October in a given

calendar year.

B. Procedures:

(1) At the conclusion of the Annual Review Period of each year and prior to June 1st of the ensuing year, the Company will determine for each customer served under Rate Schedule 102, Rate Schedule 132, Rate Schedule 152, and Rate Schedule 162 that Customer's Average Daily Usage and associated SLP.

(2) Those customers currently receiving service under Rate Schedule 102 or Rate Schedule 132 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 152 or Rate Schedule 162 as applicable, effective on the first day of June following the most recent Annual Review Period.

(3) Those customers currently receiving service under Rate Schedule 102 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP is greater than 30% will be transferred to Rate Schedule 132 effective the first day of June following the most recent Annual Review Period.

(4) Those customers currently receiving service under Rate Schedule 132 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 102 effective the first day of June following the most recent Annual Review Period.

(5) Those customers currently receiving service under Rate Schedule 152 or Rate Schedule 162 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 102 or Rate Schedule 132 as applicable, effective on the first day of June following the second, and most recent, Annual Review Period.

(6) Those customers currently receiving service under Rate Schedule 152 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP exceeds 30% will be transferred to Rate Schedule 162 effective the first day of June following the most recent Annual Review Period.

(7) Those customers currently receiving service under Rate Schedule 162 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 152 effective the first day of June following the most recent Annual Review Period.

(8) Those customers currently receiving service under Rate Schedule 102, 132, 152, or 162 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 103, 104, 113, or 114 as applicable.

C. Exceptions: If a customer currently being billed under Rate Schedule 102 or Rate Schedule 132 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 152 or Rate Schedule 162, the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.

36 Industrial Rate Service Classification. Rate service classification under the Company's Rate Schedules, 103, 104, 113 and 114 shall be based on the following criteria:

A. Definitions: As used in rate service classification, the following terms shall have the meanings assigned below:

(1) "Actual Annual Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company as reflected on the Company's bills for that Customer.

(2) "Average Dekatherm per Day" shall mean the Actual Annual Usage of a Customer divided by the number of Service Days within the Review Period.

(3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive service under any rate schedule. For existing Customers, the classification usage for Rate Schedule shall not exceed an average usage of 55 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 103, 104, 113 and 114 shall exceed an average usage of 45 dekatherms per day.

(4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.

(5) "Review Period" shall mean the twelve (12) months ended on December 31, or the regularly scheduled meter reading nearest December 31.(6) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.

B. Procedure:

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 103, 104, 113 and 114 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 102, 132, 152 or 162 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 103, 104, 113 or 114, as applicable. A Rate Schedule 103, 104, 113 or 114 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Medium General Service Rate Schedule. Customers receiving service under Rate Schedules 103 or 104 shall be eligible to elect transportation service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to his old and new rate schedules at least 21 days prior to the effective date of the change.

C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the

retirement is completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting fromtheretirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for service under Rate 103 or 104, the Customer shall provide an election form one week prior to reclassification if a transportation election is desired. Otherwise, service will be provided under Rate Schedule 103 or 104, dependent upon rate qualification.

D. Requirements: Upon reclassification from Rate 102, 132, 152 or 162 to either Rate 103, 104, 113, or 114, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

37 Complaints. Customers who have a disagreement with the Company may call the Public Staff Consumer Services Division at telephone number (919) 733-9277 for assistance, or write to the address below:

Public Staff - NC Utilities Commission
Consumer Services Division
4326 Mail Service Center
Raleigh, NC 27699-4326

APPENDIX A

PROCEDURE FOR RATE ADJUSTMENTS UNDER G.S. 62-133.4

(1) **Purpose.**

The purpose of this Appendix A is to set forth the procedures by which Piedmont Natural Gas Company, Inc. can file to adjust its rates pursuant to G.S. 62-133.4. The intent of these procedures is to permit Piedmont to recover 100% of its prudently incurred gas costs applicable to its North Carolina operations.

(2) **Definitions.** As used in this Appendix, the following definitions shall apply:

(a) **"LDC"** shall mean Piedmont Natural Gas Company, Inc.

(b) **"Gas Costs"** shall mean 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, emergency gas purchases, over-run charges, capacity charges, standby charges, reservation fees, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges, take-and-pay charges, storage charges, 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.

(c) **"Suppliers"** shall mean any person or entity, including affiliates of the LDC who locates, produces, purchases, sells, stores and/or transports natural gas or its equivalent to, for or on behalf of the LDC. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of Liquefied Natural Gas, Liquefied Petroleum Gas, Synthetic Natural Gas and other hydrocarbons used as feed stock, other local gas distribution companies and end-users.

(d) **"Benchmark Commodity Gas Costs"** shall mean the LDC's estimate of the City Gate Delivered Gas Costs for gas supplies, excluding Demand Charges and Storage Charges as approved in the LDC's last general rate case or gas cost adjustment proceeding. The Benchmark Commodity Gas Costs may be amended from time to time as provided in Section (3)(a).

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(e) **"City Gate Delivered Gas Costs"** shall mean the total delivered Gas Costs to the LDC at its city gate.

(f) **"Commodity and Other Charges"** shall mean all Gas Costs other than Demand Charges and Storage Charges and any other Gas Costs determined by the Commission to be properly recoverable from sales Customers.

(g) **"Demand Charges and Storage Charges"** shall mean all Gas Costs which are not based on the volume of gas actually purchased or transported by the LDC and any other gas costs determined by the Commission to be properly recoverable from applicable sales and transportation Customers, including Company use and unaccounted for costs.

(h) **"Apportionment Percentage or Amount"** shall mean the percent or amount of Demand Charges and Storage Charges allocated to each rate schedule.

(3) **Rate Adjustments Under These Procedures.**

(a) **Sales Rates.** In the event the LDC anticipates a change in its City Gate Delivered Gas Costs, the LDC may apply and file at least 14 days prior to the proposed effective date, revised tariffs in order to increase or decrease its rates to its Customers as hereinafter provided. The Commission may issue an order allowing the rate change to become effective simultaneously with the effective date of the change or at any other time ordered by the Commission. If the Commission has not issued an order within 120 days after the application, the LDC may place the requested rate adjustment into effect. Any rate adjustment under this Section (3)(a) is subject to review under Section (6).

(i) **Demand Charges and Storage Charges.** Whenever the LDC anticipates a change in the Demand Charges and Storage Charges, the LDC may (as hereinabove provided) change its rates to Customers under each applicable rate schedule by an amount computed as follows:

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[(Total Anticipated Demand Charges and
Storage Charges - Prior Demand Charges and
Storage Charges) X
NC Portion*] X Apportionment %-age or Amount
_____ = Increase (Decrease) Per Unit
(by rate schedule)
Sales and Transportation Volumes as applicable*
(by rate schedule)
* Established by the Commission in the last general rate case

(ii) **Commodity and Other Charges.** Whenever the LDC's estimate of its Benchmark Commodity Gas Costs changes, the LDC may (as hereinabove provided) change the rates to its Customers purchasing gas under its sales rate schedules, incorporating the Benchmark Commodity Gas Costs, 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*
_____ = Increase (Decrease) Per Unit

Volumes of gas purchased for
System Supply* (excluding Company Use and
Unaccounted For)* X NC Portion*

* Established by the Commission in the last general rate case

(b) **Transportation Rate.** Transportation rates will be computed by adding the applicable Demand Charges and Storage Charges (at the Apportionment Percentage or Amount approved and allocated to each rate schedule by the Commission) to the per unit distribution margin established by the Commission in the last general rate case. Increments or decrements for Demand Charges and Storage Charges may apply to transportation rates based on the Apportionment Percentage or Amount.

(c) **Other Changes in Purchased Gas Costs.** The intent of these procedures is to permit the LDC to recover its actual prudently incurred Gas Costs. If any other Gas Costs are incurred, they will be handled as in Section (3)(a)(i) if they are similar to Demand Charges and Storage Charges, or as in Section (3)(a)(ii) if they are similar to Commodity and Other Charges.

(4) **True-up of Gas Costs.**

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(a) **Demand Charges and Storage Charges.** On a monthly basis, the LDC shall determine the difference between (a) Demand Charges and Storage Charges billed to its Customers in accordance with the Commission-approved allocation of such costs to the LDC's various rate schedules and (b) the LDC's actual Demand Charges and Storage Charges. This difference shall be recorded in the LDC's deferred account for demand and storage charges. Increments and decrements for Demand Charges and Storage Charges flow to applicable sales and transportation rate schedules as allocated and approved by the Commission. Where applicable, the percentage allocation to North Carolina shall be the percentage established in the last general rate case. For purposes of this true-up, Company use and unaccounted for costs will be excluded since they are subject to a true-up under Section (4)(c).

(b) **Commodity and Other Charges.** On a monthly basis, the LDC shall determine with respect to gas sold (including Company use and unaccounted for) during the month the per unit difference between (a) the applicable commodity gas cost most recently approved or the appropriate adjusted index price as billed and (b) the actual Commodity and Other Charges incurred. The product of the actual volumes multiplied by the per unit difference(s) shall be recorded in the LDC's deferred account for Commodity and Other Charges. Increments and decrements for Commodity and Other Charges flow to all sales rate schedules incorporating the Benchmark Commodity Gas Costs.

(c) **Company Use and Unaccounted For.** The LDC will true-up Gas Costs associated with Company use and unaccounted for volumes annually. This shall be done by comparing the actual North Carolina Company use and unaccounted for volumes during the true-up period with the rate case approved North Carolina Company use and unaccounted volumes used to establish rates during the twelve month true-up period. Where there is more than one approved Company use and unaccounted for volumes during the true-up period, the average monthly level will be used. The resulting volumes will be multiplied by the average of the Benchmark Commodity Gas Costs at the end of each month of the true-up period, and the resulting amount will be recorded in the deferred account. The Company may file periodically to adjust its per unit amount of Company Use and Unaccounted For in conjunction with a PGA filing, or to adjust its rates to refund or collect balances through increments or decrements in rates. Any such change associated with Company Use and Unaccounted For gas shall be implemented on a flat per dekatherm basis to all Customers.

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(d) **Supplier Refunds and Direct Bills.** In the event the LDC receives supplier refunds or direct bills with respect to gas previously purchased, the amount of such supplier refunds or direct bills will be recorded in the appropriate deferred account, unless directed otherwise by the Commission.

(5) **Other.**

(a) Gas Costs changes not tracked concurrently shall be recorded in the LDC's appropriate deferred account.

(b) The Commodity and Other Charges portion of gas inventories shall be recorded at actual cost and the difference in that cost and the cost last approved under Section (3)(a)(ii) shall be recorded in the deferred account when the gas is withdrawn from inventory.

(c) The LDC shall file with the Commission (with a copy to the Public Staff) a complete monthly accounting of the computations under these procedures, including all supporting workpapers, journal entries, etc., within 45 days after the end of each monthly reporting period. All such computations shall be deemed to be in compliance with these procedures unless within 60 days of such filing the Commission or the Public Staff notifies the LDC that the computations may not be in compliance; provided, however, that if the Commission or the Public Staff requests additional information reasonably required to evaluate such filing, the running of the 60 day period will be suspended for the number of days taken by the LDC to provide the additional information.

(d) Periodically, the LDC may file to adjust its rates to refund or collect balances in these deferred accounts through decrements or increments to current rates. In filing for an increment or decrement, the LDC shall state the amount in the deferred account, the time period during which the increment or decrement is expected to be in effect, the rate classes to which the increment or decrement is to apply, and the level of volumes estimated to be delivered to those classes. Any such increments or decrements shall be made on the applicable Apportionment Percentage or Amount basis for all affected rate classes, unless otherwise ordered by the Commission.

(e) Notwithstanding the provisions of this Rule, the LDC may offset negotiated losses in any manner authorized by the Commission. As of the effective date of this Appendix A, the LDC is permitted to negotiate rates to certain

industrial Customers when necessary or appropriate to meet the prices of competitive fuels or energy sources or otherwise to avoid the loss of sales or

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transportation service to these Customers. To permit the LDC to provide service to these Customers without suffering a loss of margin, the LDC shall record the negotiated losses in the "All Customers" deferred account. If the LDC should negotiate rates for any purpose other than meeting competition from alternate fuel or energy sources, the LDC will file a report with the Commission stating the reason for any such negotiation. Such reports will be filed within 45 days after the month in which the negotiation took place.

(6) **Annual Review.**

(a) Annual Test Periods and Filing Dates. The LDC will submit to the Commission the information and data required in Section (6)(c) for an historical 12-month test period. This information will be filed on or before August 1 of each year based on a test period ended May 31.

(b) Public Hearings. The Commission will schedule an annual public hearing pursuant to G.S. 62-133.4(c) in order to compare the LDC's prudently incurred Gas Costs with Gas Costs recovered from all its Customers that it served during the test period. The public hearing will be on the first Tuesday of October. The Commission, on its own motion or the motion of any interested party, may change the date for the public hearing and/or consolidate the hearing required by this section with any other docket(s) pending before the Commission with respect to the affected LDC.

(c) Information Required in Annual Filings. The LDC will file information and data showing the LDC's actual gas costs, volumes of purchased gas, sales volumes, negotiated sales volumes and transportation volumes and such other information as may be directed by the Commission. All such information and data will be accompanied by workpapers and direct testimony and exhibits of witnesses supporting the information.

(d) Notice of Hearings. The LDC will publish a notice for two (2) successive weeks in a newspaper or newspapers having general circulation in its service area, normally beginning at least 30 days prior to the hearing, notifying the public of the hearing before the Commission pursuant to G.S. 62-133.4 and setting forth the time and place of the hearing.

APPENDIX B

Weather Normalization Adjustment

I. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in all of the rate schedules of Piedmont Natural Gas Company (Company) shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." Such adjustment shall apply to bills rendered during the months November through March.

II. Definitions

For the purposes of this Rider:

"Commission" means the North Carolina Utilities Commission

"Relevant Rate Order" means the final order of the Commission in the most recent litigated rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

III. Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment shall be computed to the nearest one-thousandth cent per therm by the following formula:

$$WNA_i = R_i \times \frac{(HSF_i\ (NDD - ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where:

i = any particular rate schedule or billing classification within any particular rate schedule that contains more than one billing classification.

WNA_i = Weather Normalization Factor for the i^{th} rate schedule or classification expressed in cents per therm.

R_I = base rate (approved rate less cost of gas) for the i^{th} schedule or classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

HSF_i = heat sensitive factor for the i^{th} schedule of classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

APPENDIX B

NDD = normal billing cycle heating degree days utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

ADD = actual billing cycle heating degree days.

BL_i = base load sales for the i^{th} schedule or classification utilized by the Commission in the Relevant Rate Order for the purpose of determining normalized test year revenues.

IV. Filing with Commission

The Company will file as directed by the Commission (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and (c) a schedule showing the factors of values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

Tennessee Regulatory Authority
Docket No. 03-00313

In the Matter of)
)
Application of Nashville Gas Company,)
A Division of Piedmont Natural Gas)
Company, Inc., for an Adjustment of its)
Rates and Charges, the Approval of)
Revised Tariffs and the Approval of)
Revised Service Regulations)

Testimony of Bill R. Morris
on Behalf of
Nashville Gas Company,
a Division of
Piedmont Natural Gas Company, Inc.

Piedmont Natural Gas

NashvilleGas
a Piedmont Natural Gas company

Q. Please state your name and business address.

A. My name is Bill R. Morris, and my business address is 1915 Rexford Road, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am employed by Piedmont Natural Gas Company ("Piedmont") as Director of Corporate Planning and Development Services.

Q. Please describe your educational and professional background.

A. I received a Bachelor of Science degree in accounting in 1974 from Austin Peay State University. I was employed by the Tennessee Public Service Commission (TPSC), the predecessor to this Authority, as a Financial Analyst from August 1974 through September 1981. During my employment with the TPSC I met the requirements to practice as a Certified Public Accountant in the state of Tennessee. In October 1981, I accepted employment with Nashville Gas Company ("Nashville Gas") where I advanced to the position of Assistant Vice President of Rates. After Nashville Gas was acquired by Piedmont I transferred to the corporate office in Charlotte and held the position of Director of Rates until February of this year when I was named to my current position.

Q. Have you previously offered testimony in any regulatory proceedings?

A. Yes. While with the TPSC, I entered testimony as a staff witness in numerous rate cases. Since being employed by Nashville Gas and Piedmont, I have testified before the North Carolina Utilities Commission, the South Carolina Public Service Commission and this Authority. I have also entered testimony before the Federal Energy Regulatory Commission (FERC).

Q. Are you a member of any professional associations?

A. Yes, I am a member of the American Institute of Certified Public Accountants, the Tennessee Society of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. I also serve on the Southern Gas Association's Rate Committee.

Q. What is the purpose of your testimony in this case?

A. The purpose of my testimony is to present information to the Authority relative to certain adjustments made to the test period operating results and rate base. Specifically, on Exhibit ___(BRM-1), I am responsible for the adjustments in columns 2 and 4 relating to all items with the exception of the sale and transportation of gas revenues and cost of gas, which are discussed in the testimony of Mr. David Carpenter.

I am also responsible for the proposed changes to the Company's Rate Schedules and Service Regulations that are filed as part of this rate case.

Q. Would you summarize the information contained on Exhibit ___(BRM-1)?

A. Column 1 reflects the income statement and rate base for the test period--the 12 months ended December 31, 2002. The revenues, expenses and taxes represent those amounts appearing on our income statement while the rate base amounts, except for the allowance for working capital, were calculated using the 13-month average of the balances appearing on our balance sheet.

The amounts appearing in Column 2 are the accumulation of all adjustments necessary to reflect changes in revenues, expenses, taxes, and investment anticipated to occur from the end of the test period through the attrition period-- the 12 months ending October 31, 2004. The attrition period has traditionally been defined by this Authority as the first year in which new rates will be in effect. Based on the combined analyses of Mr.

Carpenter, and myself, the changes, which are anticipated to occur through the attrition period, will erode the current earnings of Nashville Gas. As column 3 reflects, the expected rate of return for the attrition period is only 6.00%. This return on rate base equates to a return of only 4.70% on common equity.

Q. Does Column 3 reflect your best judgment as to the attrition period return on the investment of Nashville Gas in property which is used and useful in providing natural gas service to jurisdictional customers in Tennessee under existing rates?

A. Yes.

Q. Please continue with your explanation of the remaining columns of Exhibit__.

A. Column 5 of Exhibit ___(BRM-1) is the amount of additional revenues required to achieve the overall rate of return of 10.23% requested in this filing. This rate of return on rate base equates to an equity return of 12.6%. Dr. Donald A. Murry will support this equity return in his testimony.

The $18,451,651 revenue increase, shown in Column 4, does not recognize the reduction in Nashville Gas' fixed pipeline demand costs that will occur during the attrition period. Unlike the commodity portion of our gas cost which fluctuates from month-to-month, pipeline demand costs are generally fixed and not subject to monthly fluctuations. This reduction in fixed pipeline demand cost is discussed in the testimony of Mr. Carpenter and is recognized in Column 6.

Column 7 represents the attrition period income statement, rate base, and overall rate of return after adjustments for proposed revenues and reduction in demand gas cost.

Q. Mr. Morris, would you briefly describe the procedures you used in developing the income statement amounts under your responsibility for the attrition period?

A. The attrition period amounts in this case were projected using the methodologies adopted by the Authority in Docket No. 96-00977. This was Nashville Gas' last litigated rate case. Although Nashville Gas filed a rate case in Docket No. 99-00994, that rate case was settled. Thus, no additional precedent was set by this Authority in that case. Generally speaking, the items that could be calculated from a zero base were calculated in that manner. This type of calculation involved input from various company personnel. As explained earlier in my testimony, we have attempted to employ the methodologies adopted by the Authority in the 1996 rate case. In that case, the Authority accepted the Company's zero-based calculations as "preferable to price-out these expenses rather than apply a broad growth rate when possible."

For those items that could not reasonably be calculated using the above procedure, I projected the amounts by applying growth factors to the test period amounts. On certain accounts, projections were made by applying growth factors reflecting the combined effects of inflation and customer growth. On other accounts, I used only the inflation growth factor.

Q. Please give some examples of how you used the described procedures to project attrition period income statement amounts?

A. An example of a zero-based calculation is the projection of salaries and wages expense. Generally, this calculation involves pricing employees individually at the hourly/monthly pay rate projected for the attrition period. To this amount, anticipated overtime is added and appropriate amounts were capitalized and assigned to non-utility functions.

An example of the growth factor procedure is the projection of various maintenance accounts. Due to the number of these accounts and the volume of activity,

it would be practically impossible to employ the zero-based procedure. Therefore, accounts were grouped, and a growth factor was applied to the test period amounts to arrive at the attrition period projections.

Q. Please explain the procedures you used in developing Rate Base amounts.

A. The starting point was the December 31, 2002 balances in Plant in Service, Construction Work In Progress, Accumulated Depreciation, and Accumulated Deferred Income Taxes. To these balances, the monthly projected additions from the current 2003 fiscal year construction budget and the projected 2004 fiscal year construction budget were added to project the balances for these items through October 31, 2004. A 13-month average was then calculated for the attrition period. Non-plant related rate base items such as Customer Advances and Contributions in Aid of Construction were calculated using historical trend analyses. The Allowance for Working Capital is a combination of the projected average balances of current asset and liability accounts and the results of the lead/lag study adopted by the Authority in the 1996 rate case. In that rate case, the only issue addressed by the Authority in the lead-lag study involved the lag days for income tax expense. The lead-lag study in this case utilizes the 38 lag days for federal income tax adopted by the Authority in Docket No. 96-00977.

Q. Please explain the adjustments to the test period capital structure.

A. The Attrition Period average capital structure is the same as the average capital structure for the test period ending December 31, 2002. In Docket No. 96-00977, the Authority adopted the use of an historical capital structure, thus, as I have previously explained, we have recognized the Authority's policy in this filing.

Q. Does Piedmont have any acquisitions pending at this time?

A. Yes. Piedmont has entered into an agreement with Progress Energy, Inc. to purchase the stock of its subsidiary, North Carolina Natural Gas Corporation, an LDC with operations in North Carolina.

Q. What is the status of that acquisition?

A. A petition for approval of the acquisition has been filed with the North Carolina Utilities Commission (NCUC) and the matter has been set for hearing.

Q. Are the results of the acquisition reflected in the filing in this case?

A. No. As of the date of my testimony in this case, the acquisition had not been approved. Even if it is approved, we have the right to withdraw from the acquisition if the NCUC order approving the acquisition contains terms or conditions that have a material adverse effect on Piedmont. At this point, it is impossible to determine whether the acquisition will be approved by the NCUC or, if so, whether an order approving the acquisition will be acceptable to Piedmont. Under these circumstances, it is not appropriate to reflect the impact of this pending acquisition in our rate filing.

Q. Mr. Morris, you said at the beginning of your testimony that you are also responsible for the changes proposed to the Company's rate schedules filed in this case. Are you supporting the proposed rates that are a part of the proposed tariffs filed in this case?

A. In part. Mr. Chuck Fleenor is the Company witness responsible for the proposed rate design and calculations of rates filed in this case. However, my testimony will address the proposed changes in the tariff provisions and the application of those provisions to the various rate classifications.

Q. Do you have any exhibits supporting your testimony?

A. Yes. The proposed rate schedules being filed in this docket are included as Exhibit____(BRM-2).

Q. In general, what are some of the more important changes being proposed to the Company's rate schedules?

A. There are two types of changes being proposed to our rate schedules in this case: 1) a change in the numbering scheme of the rate schedules and 2) a change in the qualifications for the residential and commercial rate classes to recognize base load usage characteristics. We are proposing to renumber the rate schedules to bring Nashville Gas in line with the numbering scheme of the rate schedules approved for Piedmont's service territories in North Carolina and South Carolina. For example, the rate schedule numbers for North Carolina begin with the number one and for South Carolina; the rate schedule numbers begin with the number two. We are proposing to begin the Nashville Gas rate schedules with the number three. Thus, for the Residential-Value rate schedules, Nashville will be 301 compared to 101 for North Carolina and 201 for South Carolina.

Q. Please explain the proposed changes in qualifications to the Residential rate schedules.

A. Under the Company's existing rate schedules, all residential customers qualify for the same rate regardless of the amount of gas consumed or the seasonal characteristics of the usage. Under the proposed rate schedules, customers are segmented into two rate categories: a Standard Rate, or low base load usage category, and a Value Rate, or high base load usage category. These categories are based on the customer's actual natural gas usage during a defined "Base Load Period," specifically, the cycle billing months of July and August in any given year. While the per unit margin is the same for both the

Standard Rate and the Value Rate categories, the assignment of fixed pipeline demand costs varies between the proposed rate schedules. As a result, rates under the Value Rate category are lower than the rates under the Standard Rate category. Mr. Fleenor addresses the assignment of fixed pipeline demand costs in his testimony. New residential customers will be assigned to either the Value Rate or Standard Rate customer classifications according to their reasonably anticipated base load usage associated with the type and number of appliances installed at their premises prior to the natural gas meter being set and turned on. The facilities charges will be the same under either rate schedule; however, as will be explained by Mr. Fleenor, we are proposing a different facilities charge for the winter months for all residential customers than we are proposing for the summer months.

Q. Please explain who qualifies under each of the two proposed residential rate schedules.

A. A customer who uses a minimum of 15 therms in the cycle billing months of either July or August will qualify for service under the Value Rate category. The Standard Rate category would apply to those customers whose actual consumption is less than 15 therms per month in both the cycle billing months of July and August.

Q. Why was a usage threshold of 15 therms considered the most appropriate criteria?

A. A 15-therm threshold recognizes that a residential customer, at a minimum, has a natural gas water heater. Based on a study performed by our marketing department, a typical household uses approximately 15 therms for heating water during the summer months. Of course, the intent of the proposed rate schedules is to assign residential customers to rate classifications on the basis of base load usage rather than the type of appliance

installed in the residence. This means that the consumption of any combination of appliances utilized during the July or August billing periods, such as grills, outdoor gas lights, clothes dryers and ranges, would be considered in determining the rate schedule qualification of the customer.

Q. Why were the July and August billing periods chosen to establish the minimum usage parameter in the proposed residential rate classifications?

A. The cycle billing months of July and August were chosen because they represent the two periods least likely to be impacted or influenced by heating degree days. Usage during these months is the most representative of a customer's non-heating, year-round base load. Two months were chosen for review to account for the possibility that a customer might be away from home, such as on vacation, for some period of time during the summer season.

Q. Under the proposed tariffs, what are the procedures for Standard Rate customers transferring to Value Rate, and vice versa?

A. A Standard Rate customer whose consumption in either July or August of any given year equals or exceeds the 15-therm threshold will be transferred to the Value Rate category on November 1 of that same year. A Value Rate customer whose monthly consumption in both July and August for any two consecutive years is less than 15 therms will be transferred to the Standard Rate on November 1 of the second year.

Q. Mr. Morris, in summary, why will the proposed changes to the residential rate schedules provide more benefits to Nashville Gas' distribution system than the existing residential rate schedules?

A. The proposed changes to the residential rate schedules will benefit the distribution system in two important ways. First, customers who use natural gas on a year-round basis in quantities and patterns that result in higher load factors help to reduce per unit costs and, ultimately, to lower the per unit charges for all customers. Second, using a customer's actual consumption for rate classification purposes is more appropriate and more equitable for all system customers and more accurately aligns costs and benefits with specific customer segments. The proposed rate design and tariff changes will help reduce the subsidization of low load factor customers by high load factor customers.

Q. Please describe the proposed commercial rate schedules and service structure.

A. Under the proposed commercial service and rate structure, commercial customers are classified as either Small General Service or Medium General Service types. These two major categories will each be further segmented into either the Standard Rate or Value Rate classifications. The new commercial rate schedules will have the separate designations of Rate Schedule 302, Small General Service-Standard Rate; Rate Schedule 332, Small General Service-Value Rate; Rate Schedule 352, Medium General Service-Standard Rate; and Rate Schedule 362, Medium General Service-Value Rate. All of these rates will be characterized by a winter – summer rate differential and will utilize a load factor calculation called the "Summer Load Percentage" or SLP. The SLP represents the percentage of annual load used during the months of April through October. The SLP will be the criteria used to segment customers into either the Standard Rate or the Value Rate categories. Those customers with SLPs less than or equal to 30% will qualify for the Standard Rate, and those customers with SLPs greater than 30% will qualify for the Value Rate. Standard Rate customers will be charged a flat winter rate

and a lower flat summer rate as an incentive to add summer load and improve their SLP. Value Rate customers will have lower rates than Standard Rate customers in both the winter and summer rate periods. Additionally, Value Rate customers will have block rate incentives not available to Standard Rate customers. We feel that this rate design will promote year around gas usage within the commercial customer class and will thus improve the system load factor, which ultimately lowers per unit costs and benefits all customers. The new rate structure also reduces the subsidization of low load factor customers by high load factor customers.

Q. Please explain the criteria used to designate a commercial customer as either a Small General Service customer or a Medium General Service customer.

A. A non-residential customer whose average daily usage is less than 20 dekatherms (Dts) per day will qualify for service under the Small General Service rate schedules. A non-residential customer whose average daily usage is equal to or greater than 20 Dts but less than 50 Dts per day will qualify for service under the Medium General Service rate schedules.

Q. How does splitting the existing commercial rate schedule into four separate services benefit Nashville Gas' distribution system?

A. The current commercial rate schedule provides no incentive for increased usage. All volumes consumed are billed at the same rate. An analysis of customers currently billed under the existing rate schedule indicates that most of the larger volume customers use gas for industrial processing purposes, whereas the smaller volume customers exhibit a more traditional commercial usage. By splitting the existing Small General Service rate schedule into Small General Service and Medium General Service rate categories, we

will serve the large volume customers, those who use natural gas for industrial processing, separately from the more traditional commercial customers, those whose gas usage is mostly for space heating, water heating and cooking. Both new services reward higher load factor customers and have quantity discounts for levels more in line with appropriate usage profiles.

Q. Why was a 20-dekatherm-usage threshold considered to be the most appropriate level for classifying customers as either Small General Service or Medium General Service customers?

A. We analyzed customer usage data for the test year for all commercial rate customers. Our analysis looked at the usage characteristics of commercial customers in five Dts per day increments. The customers in the group with an average daily usage above 20 Dts per day were generally industrial application customers. The customers with average daily usage below 20 Dts were more traditional commercial customers whose gas usage was primarily for space heating, water heating and cooking purposes. This second category also contained the vast majority of the customers in the existing commercial rate classification.

Q. Why was a 30% SLP deemed the most appropriate criteria for Standard Rate versus Value Rate service?

A. We analyzed the existing commercial class and found that the actual average SLP for the group was 31%. Therefore, we considered commercial customers having an SLP equal to or less than the 30% threshold as low load factor customers and those having an SLP over the 30% threshold as high load factor customers. The proposed rate design looks at the characteristics of each customer's year around usage and utilizes the 30% SLP to

identify the usage pattern as one that is a high load factor type (over 30%) or a low load factor type (equal to or less than 30%). We believe our customers will easily understand this method.

Q. In summary, why will the new commercial rate schedules provide more benefits to the distribution system than the existing rate schedule?

A. The proposed changes will better align customer costs and benefits, volumes and usage characteristics and provide an incentive for commercial customers to add year-round and summer gas load resulting in a more efficient use of the Company's distribution system, and ultimately, lower per unit costs for all customers. The new service structure will also help reduce the subsidization of low load factor customers by high load factor customers.

Q. Have the proposed changes to customer qualifications been approved by any other state regulatory agencies?

A. Yes. These changes have been approved by both the North Carolina Utilities Commission and the Public Service Commission of South Carolina and are currently in effect in both those states.

Q. Will these changes to the Company's residential and commercial rate structures have any impact on other customer classes?

A. No. The changes I have discussed impact only the customers within the residential and commercial rate classes. The relative revenue responsibility for each customer class under proposed rates is discussed by Mr. Fleenor and is not affected by the changes I have identified above.

Q. Are any changes being proposed, in this docket, to the industrial tariffs?

A. Yes. We are amending the "Monthly Imbalance Resolution" section of both the firm and

interruptible transportation tariffs, Rate Schedules 313 and 314, respectively. The revisions are generally less punitive in nature for "cashing out" monthly imbalances of less than 2%. Since Nashville Gas unbundled its transportation service, our industrial customers have demonstrated that they intend to keep monthly imbalances to a minimum. Under the current tariff provisions, if an industrial customer is "short", or consumes more gas than he has nominated for a particular month, the Company will sell the customer the amount of gas he is deficient at a unit price equivalent to the *highest* Weighted Index Price for any week beginning in the calendar month as published in *Natural Gas Week* plus applicable pipeline transportation charges. If an industrial customer is "long", or consumes less gas than he has nominated for a particular month, the Company will buy the excess customer gas at a unit price equivalent to the *lowest* Weighted Index Price for any week beginning in the calendar month as published in *Natural Gas Week* plus applicable pipeline transportation charges. Under the proposal, the unit price for both short and long imbalances of less than 2% will be the *average* of the weekly " Weighted Index Price" as published in *Natural Gas Week* plus applicable pipeline transportation charges.

Q. Is the Company proposing to increase its returned check charges in this docket?

A. Yes. We are proposing to increase our returned check charge from the current rate of $20 to $25. This will put Nashville Gas more in line with other businesses who have similar charges and should act as more of a deterrent than the current charge.

Q. Is the Company proposing any changes to its Service Regulations in this case?

A. Yes. The revised Service Regulations are included with my testimony as Exhibit___(BRM-3) and redline copies comparing the revised sheets with the original

sheets are included as part of the worksheets filed in this case.

Q. Please summarize the significant changes in the service regulations proposed in this filing.

A. The most significant change proposed is a change in Nashville Gas' existing service line policy. Under the current service line policy, the Company will construct a service line up to 100 feet at no cost to a residential customer provided the customer agrees to use natural gas for one major appliance and an additional 50 feet of service line will be installed at no cost to the customer for each additional appliance. A major appliance is defined as a natural gas heating system that is the primary heating source of the structure, a gas air conditioner or a gas water heater. We are proposing to change this policy to eliminate the provision of installing an additional 50 feet of service line for each additional gas appliance. Under the proposed service line policy, additional footage will be installed at no cost to the customer if the anticipated gas load provides a reasonable return to the Company. Other residential service line installations not meeting the criteria described above will be considered on a case-by-case basis and will be constructed at no cost to the customer if the service provides a reasonable return. Under the proposal, the customer has the option of paying the excess cost of service line for extensions over 100 feet in length and/or making a contribution which will permit the Company to earn a reasonable return on the service.

Q. Is Nashville Gas proposing to change its reconnect fees in this docket?

A. Yes. We are proposing reconnect fees of $55 during non-peak periods (February through August) and $85 for on-peak periods (September through January). The current reconnect fee is $50.

Q. Why is Nashville Gas proposing to change its reconnect fees?

A. The current charge is insufficient to offset the actual costs of reconnecting the customer. The term reconnect fee is somewhat misleading in that the amount of the charge covers not only the trip to the premise to re-establish service but also the initial visit to turn the meter off. The actual cost incurred in a typical twelve-month period for a typical turn-off and reconnect is approximately $71 per turn-off/reconnect. Since the current charge is significantly below this average, the customers who do not have their service discontinued will have to subsidize those customers whose service is disconnected and reconnected at a later date.

Q. Why is a different charge being proposed for reconnects fees during non-peak periods and on-peak periods?

A. There are two reasons for this: (1) the lower charge acts as an incentive to encourage customers to reconnect early to avoid the busy "fall light-up season" and (2) the higher charge is needed to recover the resulting overtime required to reconnect those customers who wait until the first cold autumn day to have their service reinstated.

Q. Does this conclude your testimony?

A. Yes, it does.

AFFIDAVIT

State of North Carolina)
)
County of Mecklenburg)

Bill R. Morris, being first duly sworn, deposes and says that he is the same Bill R. Morris whose prepared testimony accompanies this affidavit.

Bill R. Morris further states that, to the best of his knowledge and belief, his answers to the questions contained in such prepared testimony are true and accurate.

Bill R. Morris

Bill R. Morris

Sworn to and subscribed before me, a Notary Public, on this the 23rd day of April, 2003.

Patricia Thiel

My Commission Expires:

12-10-05

Tennessee Regulatory Authority
Docket No. 03-00313

In the Matter of)
)
Application of Nashville Gas Company,)
A Division of Piedmont Natural Gas)
Company, Inc., for an Adjustment of its)
Rates and Charges, the Approval of)
Revised Tariffs and the Approval of)
Revised Service Regulations)

Exhibits of Bill R. Morris on Behalf of Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc.

Piedmont Natural Gas

NashvilleGas
a Piedmont Natural Gas company

Piedmont Gas Company, Inc.
Net Operating Income and Rate of Return
For The Twelve Months Ending October 31,2004
Nashville Gas Division

Exhibit__ (RM-1)

		(1) Test Period	(2) Attrition Adjustments	(3) After Attrition Adjustments	(4) Adjustments For Proposed Revenues	(5) After Adjustments For Proposed Revenues	(6) Demand Gas Cost Reduction	(7) Proposed Revenues After Demand Gas Cost Reduction
	Operating Revenues:							
1	Sale and Transportation of Gas	$152,662,529	$60,263,713	$212,926,242	$18,181,855	$231,108,097	($844,605)	$230,263,492
2	Other Operating Revenues	350,131	10,720	360,851	133,620	494,471	0	494,471
3	Forfeited Discounts	778,777	798,735	1,577,512	136,176	1,713,688	0	1,713,688
4	Total Operating Revenue	$153,791,437	$61,073,168	$214,864,605	$18,451,651	$233,316,256	($844,605)	$232,471,651
5	Cost of Gas	$74,169,293	$58,386,851	$132,556,144	$0	$132,556,144	($844,605)	$131,711,539
6	Gross Margin	$79,622,144	$2,686,317	$82,308,461	$18,451,651	$100,760,112	$0	$100,760,112
	Operating Expenses:							
7	Other Operation & Maintenance	32,345,464	2,968,860	35,314,324	50,834	35,365,159	0	35,365,159
8	Depreciation	16,601,981	1,630,175	18,232,156	0	18,232,156	0	18,232,156
9	General Taxes	8,073,071	865,554	8,938,625	0	8,938,625	0	8,938,625
10	State Income Taxes	820,544	(182,209)	638,335	1,104,049	1,742,384	0	1,742,384
11	Federal Income Taxes	3,953,428	(635,855)	3,317,573	6,053,868	9,371,441	0	9,371,441
12	Total Operating Expenses	$61,794,488	$4,646,526	$66,441,013	$7,208,751	$73,649,765	$0	$73,649,765
13	Net Operating Income	$17,827,656	($1,960,208)	$15,867,448	$11,242,899	$27,110,347	$0	$27,110,347
14	Interest on Customers' Deposits	(223,759)	(8,344)	(232,103)	0	(232,103)	0	(232,103)
15	AFUDC	283,675	64,398	348,073	0	348,073	0	348,073
16	Net Operating Income for Return	$17,887,572	($1,904,154)	$15,983,419	$11,242,899	$27,226,318	$0	$27,226,318

		Average Test Period	Attrition Adjustments	After Attrition Adjustments	Adjustments For Proposed Revenues	After Adjustments For Proposed Revenues	Demand Gas Cost Reduction	After Adjustments For Proposed Revenues
	Original Cost Rate Base							
17	Plant in Service	$429,656,311	$38,851,198	$468,507,509	$0	$468,507,509	$0	$468,507,509
18	CWIP	12,496,460	(5,959,929)	6,536,531	0	6,536,531	0	6,536,531
19	Accumulated Depreciation	(171,657,484)	(25,059,585)	(196,717,069)	0	(196,717,069)	0	(196,717,069)
20	Customer Advances for Construction	(187,175)	0	(187,175)	0	(187,175)	0	(187,175)
21	Contributions In Aid of Construction	(4,345,141)	(128,405)	(4,473,546)	0	(4,473,546)	0	(4,473,546)
22	Net Plant in Service	$265,962,971	$7,703,279	$273,666,250	$0	$273,666,250	$0	$273,666,250
23	Unamortized Investment Tax Credits-Pre '71	(948)	948	0	0	0	0	0
24	Allowance For Working Capital	7,157,228	8,661,926	15,819,154	0	15,819,154	0	15,819,154
25	Accumulated Deferred Income Taxes	(19,836,555)	(3,476,541)	(23,313,096)	0	(23,313,096)	0	(23,313,096)
26	Total Original Cost Rate Base	$253,282,696	$12,889,612	$266,172,308	$0	$266,172,308	$0	$266,172,308
27	Return on rate base	7.06%		6.00%		10.23%		10.23%

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				After Attrition Adjustments				After Adjustments For Proposed Rates	
	CAPITAL STRUCTURE AND COST RATES	Ratio %	Cost Net Investment	Embedded Cost %	Overall Cost Rate %	Net Operating Income	Embedded Cost %	Overall Cost Rate %	Net Operating Income
28	Long-term Debt	44.81%	$119,271,811	7.72%	3.46%	$9,207,784	7.72%	3.46%	$9,207,784
29	Short-term Debt	1.74%	4,631,398	2.00%	0.03%	92,628	2.00%	0.03%	92,628
30	Common Equity	53.45%	142,269,099	4.70%	2.51%	6,683,007	12.60%	6.73%	17,925,906
31	Total	100.00%	$266,172,308		6.00%	$15,983,419		10.23%	$27,226,318

NASHVILLE GAS COMPANY
665 Mainstream Drive
Nashville, Tennessee 37228
A Division of Piedmont Natural Gas Company
TRA Rate Schedule No. 301

RATE SCHEDULE NO. 301
Residential Service-Value Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired service.

Rate Schedule 301 applies to all residential customers whose base load usage in either of the cycle billing months of July and August is equal to or greater than 15 therms. Base load usage will be based upon Customer's usage in the Company's most recent residential base load period adjusted for cycle length. Availability of this Rate Schedule for new Customers will be based on reasonably anticipated base load usage. Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE	Winter (November-March)	Summer (April-October)
Customer Charge (per month)	$14.00	$12.00
Commodity Charge (per therm)	$.38100	$.32998

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request

BACKUP SERVICE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour x 10 hours}}{\text{100,000 BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No.306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 321
Residential Service-Standard Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired service.

Rate Schedule 321 applies to all residential customers whose base load usage in both of the cycle billing months of July and August is less than 15 therms. Base load usage will be based upon Customer's usage in the Company's most recent residential base load period adjusted for cycle length. Availability of this Rate Schedule for new Customers will be based on reasonably anticipated base load usage. Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE	Winter (November-March)	Summer (April-October)
Customer Charge (per month)	$14.00	$12.00
Commodity Charge (per therm)	$.38100	$.32998

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request

BACKUP SERVICE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour}}{10 \text{ hours}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No.306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 302
Small General Service – Standard Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is less than 20 dekatherms per day and whose Summer Load Percentage (SLP) is equal to or less than 30%. Average daily gas usage will be based on the Customer's usage during the most recent past calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE	Winter (November-March)	Summer (April-October)
Customer Charge (per month)	$22.00	$22.00
Commodity Charge (per therm)	$.38100	$.32998

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

BACKUP RATE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour x 10 hours}}{\text{100,000 BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 332
Small General Service – Value Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is less than 20 dekatherms per day and whose Summer Load Percentage (SLP) is greater than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE	Winter (November-March)	Summer (April-October)
Customer Charge (per month)	$22.00	$22.00
Commodity Charge (per therm)		
1st 2,000 therms	$.38100	$.32998
Over 2,000 therms	$.38100	$.32998

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

BACKUP RATE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour x 10 hours}}{\text{100,000 BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

NASHVILLE GAS COMPANY
665 Mainstream Drive
Nashville, Tennessee 37228
A Division of Piedmont Natural Gas Company
TRA Rate Schedule No. 352

RATE SCHEDULE NO. 352
Medium General Service – Standard Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day and whose Summer Load Percentage (SLP) is equal to or less than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE	Winter (November-March)	Summer (April-October)
Customer Charge (per month)	$75.00	$75.00
Commodity Charge (per therm)	$.38100	$.32998

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

BACKUP RATE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour x 10 hours}}{\text{100,000 BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No.306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 362
Medium General Service – Value Rate

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of North Carolina to any full requirements non-residential Customer whose average daily usage is equal to or greater than 20 dekatherms per day but less than 50 dekatherms per day and whose Summer Load Percentage (SLP) is greater than 30%. Average daily gas usage will be based on the Customer's usage during the most recent calendar year ended on December 31 and adjusted for cycle length. SLP will be determined based upon the percentage of the Customer's total annual usage represented by the Customer's seven (7) month summer usage (April – October). Availability of this Rate Schedule for new Customers or for Customers without at least one full year of usage history will be based on reasonably anticipated usage.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE	Winter (November-March)	Summer (April-October)
Customer Charge (per month)	$75.00	$75.00
Commodity Charge (per therm)		
1st 5,000 therms	$.38100	$.32998
Over 5,000 therms	$.38100	$.32998

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request.

BACKUP RATE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating. The per therm Demand Charge shall be equal to the unit Demand Charge applicable to the Company's firm industrial rate schedules.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour x 10 hours}}{\text{100,000 BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 315, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 303
Large General Sales Service

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms when adjusted for curtailment and cycle length. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under the Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No.313 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE

Customer Charge (per month)	$300.00
Demand Charge (per therm of billing demand)	$.8000
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	$.0800
2nd Step (15,001-40,000 therms)	$.0560
3rd Step (40,001-90,000 therms)	$.0400
4th Step (Over 90,000 therms)	$.0240

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the customer charge plus the monthly demand charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge

BILLING DEMAND

The billing demand shall be determined as follows:

A Customer's billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinant will become effective June 1 of each year. The per unit demand charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.

For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinant shall be the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms. If a Customer has received gas service from the Company prior to receiving service under this rate schedule, but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based upon the highest monthly level of consumption during the previous winter period multiplied by six percent (6%).

SERVICE AGREEMENTS

All Customers purchasing gas under this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Rate Schedule No.306, "Schedule for Limiting and Curtailing Service".

NASHVILLE GAS COMPANY
665 Mainstream Drive
Nashville, Tennessee 37228
A Division of Piedmont Natural Gas Company
TRA Rate Schedule No. 304

RATE SCHEDULE NO. 304
Interruptible General Sales Service

AVAILABILITY

Gas service under this rate schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms when adjusted for curtailment and cycle length. Availability under this rate schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No.314 by giving written notice to the Company prior to April 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Customers purchasing gas pursuant to this schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE

Customer Charge (per month)	$300.00
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	$.0800
2nd Step (15,001-40,000 therms)	$.0560
3rd Step (40,001-90,000 therms)	$.0400
4th Step (Over 90,000 therms)	$.0240

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Customer Charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer Charge will be billed from the date of initial service until service is terminated at the Customer's request.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

RATE SCHEDULE NO. 313
Firm Transportation Service

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose average daily gas usage is reasonably anticipated to equal or exceed 500 therms per day. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 303 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

APPLICABILITY AND CHARACTER OF SERVICE

Transportation service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations, subject to such maximum allowable daily deliveries as may be specified in the Gas Service Contract. The Company reserves the right to suspend service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalance. Any imbalances shall be corrected by the Customer, insofar as practicable, during the month in which they occur. Customer may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance, subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems and to comply with balancing requirements of any pipeline transporting gas hereunder. Customer will be responsible for any imbalance charges assessed by the pipeline in connection with any gas transported by the Company under this Rate Schedule. The Company reserves the right to reduce nominations when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems. Company will use its best efforts to notify the Customer or the Customer's agent before proceeding with a unilateral reduction and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company. The Company reserves the right to initiate Standby Sales Service, described below, when, in the judgement of the Company, such action is necessary to reduce or eliminate operational problems resulting from the gas imbalances of the Customer. The Company will use its best efforts to notify the Customer or the Customer's agent before initiating Standby Sales Service.

By 10:30am central time four business days prior to the beginning of each month, the Customer shall inform the Company of its a) nomination of the daily quantity of gas to be transported for such month, and b) choice of

pipeline for transportation for such month. If the Customer does not provide a timely nomination to transport gas provided by a party other than the Company, the Customer will have requested Standby Sales Service provided herein by default. By 10:30am central time six business days prior to the beginning of each month, the Customer must inform the Company of the nominating agent for gas to be transported.
Changes to nominations for gas transportation within the month are due by 10:30am central time on the business day prior to gas flow.

BALANCING

It shall be the Customer's responsibility to maintain a daily and monthly balance with its transporting pipelines to avoid any assessment of penalties against the Company. If the Company is assessed a penalty by a Customer's transporting pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer is responsible for causing the Company to be assessed such penalties.

MONTHLY IMBALANCE RESOLUTION

Any differences between the quantities delivered to the Company's city gate facilities for the account of the Customer monthly, and the monthly quantities consumed by the Customer as metered, shall be the monthly imbalance. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances, as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than has been delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If the Customer's imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated imbalance for the Agent is less than or equal to 2% of the total volume consumed by all of the Agent's Customers in that transportation pool, then the price paid by the Company if the imbalance is long or the price paid by the Customer (or Agent) if the imbalance is short will be the sum of (a) the average of the weekly " Weighted Index Price" as defined below " plus (b) the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price", including applicable fuel and surcharges, for delivery to Nashville's city gate, for the months of November through March, or the commodity rate under the applicable pipeline percentages as defined in the "Weighted Index Price", including applicable fuel and surcharges, for delivery to Nashville's city gate, plus $0.05, for the months of April through October.

If the Customer (or Agent) is "short" by more than 2% of the monthly volume, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the highest "Weighted Index Price" for any week beginning in the calendar month as published in Natural Gas Week, plus the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to Nashville city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the lowest "Weighted Index Price" for any week beginning in the calendar month as published in Natural Gas Week, plus the pipelines FT variable charges at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to Nashville city gate, times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & less than 5%	100%	100%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

"The Weighted Index Price" shall be derived from the prices published in *Natural Gas Week* in the table Spot Prices on Interstate Pipeline Systems for the following pipeline designations and weighted by the corresponding percentages set forth below:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	28.36%[1]
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	65.32%[1]
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.32% [1]

The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the cash-out of imbalances.

AGENCY AUTHORIZATION FORM

A Customer may authorize an agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this Rate Schedule by executing an Agency Authorization Form in the form attached to this Rate Schedule. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering service to such Agent. Once a Customer has designated an agent, the agent is then authorized to act on behalf of that Customer and as such, the agent can be considered as the Customer in all references contained within this Rate Schedule. The Customer may not change agents within the calendar month without the permission of the Company. All agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover all costs incurred in providing the agent access to the electronic bulletin board.

STANDBY SALES SERVICE

At the option of the Customer, an election may be made monthly to receive Standby Sales Service from the Company under this Rate Schedule for delivery to the Customer at the Company's city gate. The Customer will also receive Standby Sales Service as a default if the Customer or the Customer's agent fails to submit a timely and valid nomination for transportation service. In addition to paying the Monthly Standby Index Price set forth below for Standby Sales Service hereunder, the Customer will utilize the transportation services and incur the charges otherwise applicable under this Rate Schedule to cause such gas supplies to be delivered to the Customer's meter. The price which the Customer shall pay for the gas supplied under this paragraph will be the Monthly Standby Index Price defined as follows: "The weighted average index price for the applicable month as published in the first *Natural Gas Week* for such month in the table Spot Prices on Interstate Pipeline Systems in the column labeled "Bid Week", for:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	28.36%[1]
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	65.32%[1]
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.32% [1]

1 These percentages are the ratio of the contracted winter capacity in effect at the time of the Company's most recent general rate case.

If the Customer nominates transportation service hereunder and purchases gas supplies from a third party supplier, and such Customer's consumption exceeds actual deliveries to the Company from such third party supplier to the point where operational problems are created for the Company, then the Company shall have the right, at it sole discretion, to initiate Standby Sales Service to the Customer. The price for such service shall be the same as set forth above except when the Company is required by such imbalance shortfall to purchase incremental volumes of gas supplies. In this case the Customer receiving Standby Sales Service will pay the higher of (on a daily basis) the Monthly Standby Index Price or the Daily Standby Index Price defined as follows:

The midpoint daily index price as published in Gas Daily for the day of consumption as stated in the "Daily Price Survey", for the "Tennessee 500 Leg". For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily.

Applicable firm transportation tariff commodity charges, fuel and any other surcharges as defined in the above transporters' FERC approved tariffs will be added to the above standby index prices. The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the standby index prices.

MARGIN RATE

Customer Charge (per month)	$300.00
Demand Charge (per therm of billing demand)	$.8000
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	$.0800
2nd Step (15,001-40,000 therms)	$.0560
3rd Step (40,001-90,000 therms)	$.0400
4th Step (Over 90,000 therms)	$.0240

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the customer charge plus the monthly demand charge multiplied by the billing demand determined as described below.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge.

BILLING DEMAND

The billing demand shall be determined as follows:

Customer billing demand determinate shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinate will become effective June 1 of each year. The per unit charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.

For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinate shall be based upon a reasonable assumption of usage considering the connected load. If a Customer has received gas service from the

Company prior to receiving service under this Rate Schedule but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based on the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms.

SERVICE AGREEMENTS

All Customers receiving service under this Rate Schedule shall be required to execute the Company's standard contracts and/or service applications and shall be subject to the Company's Rules and Regulations as filed with and approved by the Tennessee Regulatory Authority (TRA).

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for transportation service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the TRA and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the TRA Rules and Regulations, Orders of the TRA, and the Laws of the State of Tennessee.

SERVICE CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

AGENCY AUTHORIZATION FORM
RATE SCHEDULE NO.313

DATE

CUSTOMER
NAME OF FACILITY

ACCOUNT NUMBER(S)

AGENT

AGENT CONTACT_____PHONE #

This is to advise **Nashville Gas Company** that _____**(Customer)** has authorized _____**(Agent)** to act on its behalf for the following transactions:

_____nominations, _____imbalance resolution, _____ billing,

of gas for the above listed account(s). Nashville Gas Company is hereby authorized to deal with the Agent directly, and by signature below, the Customer and the Agent understand that they are responsible, jointly and severally for any amounts due Nashville Gas Company under this Rate Schedule which are not paid by agent on these accounts. Customer will provide Nashville Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least six (6) business days prior to changing Agents of the accounts designated.

AUTHORIZED
SIGNATURE_____
FOR THE CUSTOMER

AUTHORIZED
SIGNATURE_____
FOR THE AGENT

Please Print
AGENT'S NAME_____TITLE
PHONE #_____FAX #
MAILING ADDRESS

Please submit to: End User Transportation
Nashville Gas Company
A Division of Piedmont Natural Gas Company
P O Box 33068
Charlotte, NC 28233
Fax # _704 365-8740

RATE SCHEDULE NO. 314
Interruptible Transportation Service

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of December was in excess of 500 therms per day. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule No. 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No.304 and/or 310 by giving written notice to the Company prior to April 1 of any year. Proper notice having been provided, the Customer may discontinue service under this Rate Schedule effective the first June 1 following the notice.

Customers receiving services under this Rate Schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

APPLICABILITY AND CHARACTER OF SERVICE

Transportation service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver **ON AN INTERRUPTIBLE BASIS** gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations. The Company reserves the right to suspend service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution

system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalance. Any imbalances shall be corrected by the Customer, insofar as practicable, during the month in which they occur. Customer may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance, subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems and to comply with balancing requirements of any pipeline transporting gas hereunder. Customer will be responsible for any imbalance charges assessed by the pipeline in connection with any gas transported by the Company under this Rate Schedule. The Company reserves the right to reduce nominations when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems. Company will use its best efforts to notify the Customer or the Customer's agent before proceeding with a unilateral reduction and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company.

By 10:30am central time four business days prior to the beginning of each month, the Customer shall inform the Company of its a) nomination of the daily quantity of gas to be transported for such month, and b) choice of pipeline for transportation for such month. If the Customer does not provide a timely nomination to transport gas , the Customer will not be entitled to receive gas service. By 10:30am central time five business days prior to the beginning of each month, the Customer must inform the Company of the nominating agent for gas to be transported.

Changes to nominations for gas transportation within the month are due by 10:30am central time on the day prior to gas flow.

Notwithstanding the above, if a supplier interrupts its sales service to Customer being transported hereunder, and such interruptions by the supplier occur within a month, Customer may reschedule alternative gas supplies which may be available to Customer subject to: a) normal daily nomination and confirmation deadlines and procedures b) any operational limitations of the Company and c) the availability of interruptible transportation service hereunder.

BALANCING

It shall be the Customer's responsibility to maintain a daily and monthly balance with its transporting pipelines to avoid any assessment of penalties against the Company. If the Company is assessed a penalty by a Customer's transporting pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer or Customer's agent is responsible for causing the Company to be assessed such penalties.

MONTHLY IMBALANCE RESOLUTION

Any differences between the quantities delivered to the Company's city gate facilities for the account of the Customer monthly, and the monthly quantities consumed by the Customer as metered, shall be the monthly imbalance. Unless the Company and Customer agree to correct imbalances "in kind," the imbalance shall be resolved monthly by "cashing out" the imbalances as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell the amount of the deficiency to the Customer by charging the price as specified below. If the Customer consumes less gas than has been delivered to the Company, the Customer will be deemed to be

"long" by the amount of the surplus, and the Company will buy the amount of the surplus from the Customer by paying the price as specified below.

If the Customer's imbalance is less than or equal to 2% of the total monthly volume consumed, or if the total aggregated imbalance for the Agent is less than or equal to 2% of the total volume consumed by all of the Agent's Customers in that transportation pool, then the price paid by the Company if the imbalance is long or the price paid by the Customer (or Agent) if the imbalance is short will be the sum of (a) the average of the weekly " Weighted Index Price" as defined below " plus (b) the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price", including applicable fuel and surcharges, for delivery to Nashville's city gate, for the months of November through March, or the commodity rate under the applicable pipeline percentages as defined in the "Weighted Index Price", including applicable fuel and surcharges, for delivery to Nashville's city gate, plus $0.05, for the months of April through October.

If the Customer (or Agent) is "short" by more than 2% of the monthly volume, the price paid by the Customer (or Agent) to the Company for each dekatherm of the total deficiency will be equal to the highest "Weighted Index Price" for any week beginning in the calendar month as published in Natural Gas Week, plus the pipelines Rate Schedule IT charges at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to Nashville city gate, , times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

If the Customer (or Agent) is "long" by more than 2% of the monthly volume, the price paid by the Company to the Customer (or Agent) for each dekatherm of the total surplus will be equal to the lowest "Weighted Index Price" for any week beginning in the calendar month as published in Natural Gas Week, plus the pipelines FT variable charges at the applicable pipeline percentages that comprise the "Weighted Index Price" and deliver to Nashville city gate, , times the premium percentage corresponding to the percentage of the deficiency listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Over 2% & less than 5%	100%	100%
Over 5% & equal to or less than 10%	120%	80%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

"The Weighted Index Price" shall be derived from the prices published in *Natural Gas Week* in the table Spot Prices on Interstate Pipeline Systems for the following pipeline designations and weighted by the corresponding percentages set forth below:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	28.36%[1]
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	65.32%[1]
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.32% [1]

1 These percentages are the ratio of the contracted winter capacity in effect at the time of the Company's most recent general rate case.

The Company will collect gross receipts tax on the incremental gross gas related charges

Any difference between the actual cost of gas incurred by the Company and the Index prices defined above will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the cash-out mechanism.

AGENCY AUTHORIZATION FORM

A Customer may authorize an agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this Rate Schedule by executing an Agency Authorization Form in the form attached to this Rate Schedule. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering service to such Agent. Once a Customer has designated an agent, the agent is then authorized to act on behalf of that Customer and as such, the agent can be considered as the Customer in all references contained within this Rate Schedule. The Customer may not change agents within the calendar month without the permission of the Company. All agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover all costs incurred in providing the agent access to the electronic bulletin board.

MARGIN RATE

Customer Charge (per month)	$300.00
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	$.0800
2nd Step (15,001-40,000 therms)	$.0560
3rd Step (40,001-90,000 therms)	$.0400
4th Step (Over 90,000 therms)	$.0240

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Customer Charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge.

SERVICE AGREEMENTS

All Customers receiving service pursuant to this Rate Schedule shall be required to execute the Company's standard contracts and/or service applications and shall be subject to the Company's Rules and Regulations as filed with and approved by the Tennessee Regulatory Authority (TRA).

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for transportation service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchase gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the TRA and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the TRA Rules and Regulations, the Orders of the TRA, and the Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is interruptible and is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

AGENCY AUTHORIZATION FORM
RATE SCHEDULE NO.314

DATE

CUSTOMER
NAME OF FACILITY

ACCOUNT NUMBER(S)

AGENT

AGENT CONTACT_____PHONE #

This is to advise **Nashville Gas Company** that _____**(Customer)** has authorized _____**(Agent)** to act on its behalf for the following transactions:

_____nominations, _____imbalance resolution, _____ billing,

of gas for the above listed account(s). Nashville Gas Company is hereby authorized to deal with the Agent directly, and by signature below, the Customer and the Agent understand that they are responsible, jointly and severally for any amounts due Nashville Gas Company under this Rate Schedule which are not paid by agent on these accounts. Customer will provide Nashville Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least six (6) business days prior to changing Agents of the accounts designated.

AUTHORIZED
SIGNATURE_____
FOR THE CUSTOMER

AUTHORIZED
SIGNATURE_____
FOR THE AGENT

Please Print
AGENT'S NAME_____TITLE
PHONE #_____FAX #
MAILING ADDRESS

Please submit to: End User Transportation
Nashville Gas Company
A Division of Piedmont Natural Gas Company
P O Box 33068
Charlotte, NC 28233
Fax # __704-365-8740

SERVICE SCHEDULE NO. 306
Schedule for Limiting and Curtailing Service

This Service Schedule defines the types of curtailment that the Company may invoke from time to time due to the occurrence of extreme weather conditions, operating conditions or force majeure events, and describes the process and procedures to be followed in the implementation of gas service restrictions.

DISTRIBUTION PRESSURE CURTAILMENTS

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Nashville Gas Company Service Regulations, Rules and Regulations Governing Supply and Consumption of Gas, or the demands of the Company's firm Customers as the same may effect the Company's ability to provide interruptible service, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will curtail service to interruptible Customers served under Rate Schedule No. 304, Rate Schedule No.309, or Rate Schedule 314, by priority of their margin contribution to the Company (curtailing Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SUPPLY OR CAPACITY RELATED CURTAILMENTS

In situations when supply and capacity services contracted by the Company are not sufficient to meet the full requirements of Customers desiring sales services from the Company, the Company will first curtail service to interruptible sales Customers receiving service under Rate Schedule No. 304 by priority of their margin contribution to the Company. Customers receiving discounted sales service under Rate Schedule No. 309 will also be curtailed according to the discounted rates. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 314 at market prices in order to serve Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

EMERGENCY SERVICE

The Company will make every reasonable effort to deliver plant protection volumes to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production. All emergency gas service is of a discretionary nature and implies no present or future obligation of the Company to any Customer to provide such service on either a temporary or continuing basis. Deliveries of gas hereunder shall be made pursuant only to advance operating arrangements between the Company's authorized personnel and the Customer and shall be subject to curtailment and interruption at any time should the Company deem it necessary.

RATE FOR EMERGENCY SERVICE

If the Company has authorized the Customer to consume limited quantities of emergency gas as provided in the above paragraph, then all gas consumed by the Customer will be at a rate of $1.00 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price", until otherwise notified that either (1) further gas sales will be under the Customer's regular rate schedule or (2) complete curtailment is unavoidable and that further gas sales will be considered unauthorized. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Contract Index" and indicated specifically under "Citygates" for Tenn. Zone 6 (delivered)". "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Tenn. Zone 6 (delivered)", "Midpoint" price. For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily. Revenues realized from emergency service transactions will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

UNAUTHORIZED OVER RUN PENALTY

If at any time a Customer exceeds specified contract entitlements or if during any curtailment period, any affected Customer takes, without the Company's advance written approval, a volume of natural gas in excess of the curtailment period quantity entitlement applicable to such Customer, said volume shall constitute an unauthorized over run volume. For each therm of such unauthorized over run volume taken by such Customer, such Customer shall pay to the Company a rate of $1.50 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price". "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Contract Index" and indicated specifically under "Citygates" for Tenn. Zone 6 (delivered)". "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Tenn. Zone 6 (delivered)", "Midpoint" price. For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily. The Customer shall be liable for the above charges together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the interstate pipeline during the time of the unauthorized usage by such Customer . The payment of a penalty for unauthorized over run volumes shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule. Revenues realized from unauthorized over run penalties will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

RATE SCHEDULE NO. 309
Special Availability Service

AVAILABILITY

Gas service under this rate schedule is available to any TRA Rate Schedule No. 303,304, 313, or 314, Customer when the Company has gas supplies or services that it cannot sell at its established fixed rates where the Company's distribution mains are suitable for supplying the desired service. On such occasions, the opportunity is lost to the Company and its Customers. This Rate Schedule is designed to permit the Company to sell such gas and services at special rates for the purpose of enabling the Company to compete with alternative fuels and services available for use by its Customers.

Gas service under this Rate Schedule is available on a limited term basis to Customers who are connected to the Company's distribution system and would otherwise qualify for commercial and industrial sales or transportation service. Gas service may be provided under this Rate Schedule only in the event that the Company has available supplies or services that cannot competitively be provided under other rate schedules. Service under this Rate Schedule is temporary and the Company has the right to discontinue such service. Gas service under this rate schedule will be curtailed prior to service under any other comparable rate schedule.

In the event a Customer has zero consumption during any billing month, this tariff will not apply and service shall be rendered pursuant to the Company's regular rate schedules for the class of service indicated for the purpose of determining a minimum bill and qualifying provisions.

BASE RATE

The Customer shall pay the Company for all gas supplied or services provided under this schedule at a predetermined rate negotiated prior to delivery for limited term periods up to seven consecutive months.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Service Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the above stated net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $25.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated base rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service."

TREATMENT OF NEGOTIATED MARGIN LOSSES

Margin losses under this rate schedule shall be recovered by the Company through the Company's Actual Cost Adjustment (ACA) as provided in the Company's Purchased Gas Adjustment (PGA) Rider (TRA Service Schedule No. 311).

NASHVILLE GAS COMPANY
665 Mainstream Drive
Nashville, Tennessee 37228
A Division of Piedmont Natural Gas Company
TRA Rate Schedule No.310

RATE SCHEDULE NO. 310
Resale Service

AVAILABILITY
Sales for Resale Service is available under this rate schedule to any qualified local distribution company who purchases natural gas for the purpose of reselling same, where the Company's distribution mains are suitable for supplying the desired service.

MARGIN RATE

Demand Charge (per therm of billing demand)	$.8000
Commodity Charge (per therm)	$.0700

MONTHLY MINIMUM BILL
The minimum monthly bill shall be the monthly demand charge.

BILLING DEMAND
Demand determinants shall be those agreed to in the contract.

SERVICE AGREEMENTS
All customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS
All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE
In the event a customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the customer will be assessed a charge of $25.00.

ADJUSTMENTS
Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the curtailment provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

SERVICE SCHEDULE NO. 311
Purchased Gas Adjustment Rider

I. General Provisions.

A. This Purchased Gas Adjustment (PGA) Rider is intended to permit the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the Company does not over-collect or under-collect Gas Costs from its customers.

B. This Rider is intended to apply to all Gas Costs incurred in connection with the purchase, transportation and/or storage of gas purchased for general system supply, including, but not limited to, natural gas purchased from interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of liquefied natural gas (LNG), liquefied petroleum gas (LPG), substitute, supplemental or synthetic natural gas (SNG), and other hydrocarbons used as feed-stock, other distribution companies and end-users, whether or not the Gas Costs are regulated by the Federal Energy Regulatory Commission and whether or not the provider of the gas, transportation or storage is affiliated with the Company.

C. To the extent practicable, any revision in the PGA shall be filed with the Commission no less than fifteen (30) days in advance of the proposed effective date and shall be accompanied by the computations and information required by this Rider. It is recognized, however, that in many instances the Company receives less than 15 days notice from its Suppliers and that other conditions may exist which may prevent the Company from providing 15 days advance notice. Therefore, should circumstances occur where information necessary for the determination of an adjustment under this Rider is not available to the Company so that the fifteen (15) days requirement may be met, the Company may, upon good cause shown, be permitted to place such rates into effect with shorter advance notice.

D. The rates for gas service set forth in all of the Rate Schedules of the Company shall be adjusted pursuant to the terms of the PGA, or any specified portion of the PGA as determined by individual Rate Schedule(s).

E. No provision of this Rider shall supersede any provision of a Special Contract approved by the Commission.

II. Definitions.

A. **"Gas Costs"** shall mean 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, emergency gas purchases, over-run charges, capacity charges, standby charges, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges and take-and-pay charges (except as provided below), storage charges, service fees and transportation charges and any other similar charges which are paid by the Company to its gas suppliers in connection with the purchase, storage or transportation of gas for the Company's system supply.

B. **"Fixed Gas Costs"** shall mean all Gas Costs based on the Company's right to demand gas or transportation on a daily or seasonal peak; but unless otherwise ordered by the Commission, shall not include other charges paid for gas reserve dedication (e.g., reservation fees and gas inventory charges), minimum bill charges, minimum take charges, over-run charges, emergency gas charges, take-or-pay charges or take-and-pay charges (all of which shall be considered commodity costs).

C. **"Gas Charge Adjustment"** shall mean the per unit amount billed by the Company to its customers solely for Gas Costs. The Gas Charge Adjustment shall be separately stated for firm customers and for non-firm customers.

D. **"Suppliers"** shall mean any person or entity, including affiliates of the Company, who locates, purchases, sells, stores and/or transports natural gas or its equivalent for or on behalf of the Company. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of LNG, LPG, SNG, and other hydrocarbons used as feed-stock, other distribution companies and end-users.

E. **"Computation Period"** shall mean the twelve (12) month period utilized to compute Gas Costs. Such period shall be the twelve (12) month period ending on the last day of a month which is no more than 62 days prior to the filing date of a PGA.

F. **"Demand Billing Determinants"** shall mean the annualized volumes for which the Company has contracted with Suppliers as of the first day of the Filing Month.

G. **"Commodity Billing Determinants"** shall mean the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. Should the Company expect to purchase commodity gas from several Suppliers, the Company shall allocate to each supplier a percentage of the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. The percentage used to allocate among Suppliers shall be based on historical takes during the Computation Period, if appropriate; otherwise it shall be based upon the best estimate of the Company.

H. **"Filing Month"** shall mean the month in which a proposed revision is to become effective.

III. Computation and Application of the PGA.

The PGA shall consist of three major components: (1) the Gas Charge Adjustment; (2) the Refund Adjustment; and (3) the Actual Cost Adjustment (ACA).

A. Computation of Gas Charge Adjustment.

The Company shall compute the jurisdictional Gas Charge Adjustment at such time that the Company determines that there is a significant change in its Gas Costs.

$$Firm\ GCA = \left[\left(\frac{D \pm DACA}{SF}\right) - DB\right] + \left[\left(\frac{P + T + SR \pm CACA}{ST}\right) - CB\right]$$

1. **Formulas.** The following formulas shall be used to compute the Gas Charge Adjustment:

$$Non\text{-}Firm\ GCA = \left(\frac{P + T + SR \pm CACA}{ST}\right) - CB$$

2. **Definitions of Formula Components.**

GCA =	The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.
D =	The sum of all fixed Gas Costs.
DACA =	The demand portion of the ACA.
P =	The sum of all commodity/gas charges.
T =	The sum of all transportation charges.
SR =	The sum of all FERC approved surcharges.
CACA =	The commodity portion of the ACA.
DB =	The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).
CB =	The per unit rate of variable Gas Costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm sales.

ST = Total sales.

3. Determination of Factors for Gas Charge Adjustment.

a. Demand Charges (Factor D)

All fixed Gas Costs that do not vary with the amount of gas purchased or transported, including, but not limited to, the product resulting from the multiplication of (1) the respective Demand Billing Determinants by (2) the demand rates effective the first day of the Filing Month and (3) any fixed storage charges.

b. Demand Actual Cost Adjustment (Factor DACA)

See Subsection C of Section III.

c. Purchased Commodity Charges (Factor P)

All commodity or other variable gas costs associated with the amount of gas purchased or transported including , but not limited to, the product resulting from the multiplication of (1) the respective Commodity Billing Determinants by (2) the respective supplier's commodity/gas rate which are known, or if not known which are reasonably anticipated, to be in effect on the first day of the Filing Month.

d. Transportation Charges (Factor T)

The transportation charges actually invoiced to the Company during the Computation Period or expected to be invoiced to the Company during the current period.

e. FERC Approved Surcharges (Factor SR)

The sum of all FERC approved surcharges, including gas inventory charges or its equivalent, actually invoiced or expected to be invoiced to the Company during the Computation Period or to be effective the first day of the Filing Month by respective Suppliers.

f. Actual Cost Adjustment (Factor ACA)

See Subsection C of Section III.

g. Firm Sales (Factor SF)

Total volumes billed to the Company's firm customers during the Computation Period, regardless of source, adjusted for known and measurable changes.

h. Total Sales (Factor ST)

Total volumes billed to all the Company's customers during the Computation Period, regardless of source, adjusted for known measurable changes.

4. Modification of Formulas.

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Commission shall act to suspend the proposed

amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

5. Filing with the Commission.

The computation of the Gas Charge Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I of this Rider, and shall remain in effect until a revised Gas Charge Adjustment is computed and filed pursuant to this Rider.

The Company shall file with the Commission a transmittal letter, an exhibit showing the computation of the Gas Charge Adjustment, a PGA tariff sheet, and any applicable revised tariff sheets issued by Suppliers. The transmittal letter shall state the PGA tariff sheet number, the service area(s), the primary reasons for revision, and the effective date.

If the Company proposes to recover any Gas Costs relating to (1) any payments to an affiliate or (2) any payments to a non-affiliate for emergency gas, over-run charges, take-or-pay charges and take-or-pay charges (except as provided below) or (3) the payment of any demand or fixed charges in connection with an increase in contract demand, the Company must file with the Commission a statement setting forth the reasons why such charges were incurred and sufficient information to permit the Commission to determine if such payments were prudently made under the conditions which existed at the time the purchase decisions were made.

Any filing of a rate change under this Rider shall be effective on the proposed effective date unless the Commission shall act to suspend the proposed change within thirty day after the filing, in which case the filing shall be subject to notice and hearing.

The recovery of pipeline take-or-pay charges which were the subject of Docket No. U-87-7590 shall continue to be handled under procedures approved by this Commission in that

docket until such time as such procedures may be modified or amended by further order of the Commission.

B. Refund Adjustment.

The Refund Adjustment shall be separately stated for firm and non-firm customers, and may be either positive or negative.

1. Computation of Refund Adjustment.

The Company shall compute a Refund Adjustment on the last day of each calendar quarter

$$Firm\ RA = \left(\frac{DR1 - DR2}{SFR}\right) + \left(\frac{CR1 - CR2 \pm CR3 \pm i}{STR}\right)$$

using the following formulas:

$$Non\text{-}Firm\ RA = \left(\frac{CR1 - CR2 \pm CR3 \pm i}{STR}\right)$$

2. Definitions of Formula Components.

RA = The Refund Adjustment in dollars per Ccf/therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a Supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.

CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo.

CR2 = A commodity surcharge from a supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment.

CR3 = The residual balance of an expired Refund Adjustment.

I = Interest on the "Refund Due Customers' Account," using the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate 2% below the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the lst month of the calendar quarter. The interest rate used shall not be greater than 12% nor less than 8%.

SFR = Firm sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.

STR = Total sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.

3. Modification of Formula.

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules; therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Commission shall act to suspend the proposed

amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

4. Filing with the Commission.

The computation of the Refund Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I this Rider, and shall remain in effect for a period of twelve (12) months or for such longer or shorter period of time as required to appropriately refund the applicable refund amount.

The Company shall file with the Commission a transmittal letter, exhibits showing the computation of the Refund Adjustment and interest calculations, and a PGA tariff sheet. The transmittal letter shall state the PGA tariff sheet number, the service area(s), the reason for adjustment, and the effective date. Should the Company have a Gas Charge Adjustment filing to become effective the same date as a Refund Adjustment, a separate transmittal letter and PGA tariff sheet shall not be necessary.

C. Actual Cost Adjustment.

Commencing with the initial effective date of this Rider, the Company shall calculate the ACA monthly. The Company may, at its option, file monthly to include the ACA in its calculation of the Gas Charge Adjustment but shall be required to do so at least annually. The ACA shall be the difference between (1) revenues billed customers by means of the Gas Charge Adjustment and (2) the cost of gas invoiced the Company by Suppliers plus margin loss (if allowed by order of the Commission in another docket) as reflected in the Deferred Gas Cost account. The balance of said account shall be adjusted for interest at the rate provided for the calculation of interest with respect to the Refund Adjustment. The ACA shall be segregated into demand and commodity, and shall be added to or deducted from, as appropriate, the respective demand and commodity costs included in the Gas Charge Adjustment. Supplemental sheets showing the calculations of margin losses and cost savings shall also be provided.

D. Adjustments to Prior Period ACAs.

In the event that circumstances warrant a correction to or restatement of a prior period ACA, such correction or restatement shall be made in accordance with the ACA calculation in effect for the time period(s) to which the correction or restatement relates. The resulting adjustment shall then be added to or deducted from the appropriate ACA in the next ensuing ACA filing with the Commission.

E. Annual Filing with the Commission.

Each year, the Company shall file with the Commission an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the Commission provides written notification to the Company within 180 days, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of this Rider.

IV. Gas Cost Accounting.

To appropriately match revenues with cost of purchased gas as contemplated under this rule, the Company shall originally record the cost of purchased gas in a "Deferred Gas Cost" account. Monthly, the Company shall debit "Natural Gas Purchases" with an amount equal to any gas cost component included in the Company's base tariff rates (base rate) plus the PGA rate, as calculated hereunder, multiplied by the appropriate sales volumes billed to customers. The corresponding monthly credit entry shall be made to the "Deferred Gas Cost" account.

SERVICE SCHEDULE NO. 315
Weather Normalization Adjustment (WNA) Rider

I. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in any rate schedules utilized by the Authority in determining normalized test period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment".

The Weather Normalization Adjustment will be applicable for bills rendered on and after November 1 and continuing through the final billing cycle in March of each year.

II. Definitions

For the purposes of this Rider:

"Authority" means the Tennessee Regulatory Authority.

"Relevant Rate Order" means the final order of the Authority in the most recent litigated rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

III. Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment shall be computed to the nearest one-hundredth cent per therm by the following formula:

$$WNA_i = R_i \quad * \quad \frac{(HSF_i(NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where:

I = any particular rate schedule or billing classification within any particular rate schedule that contains more than one billing classification.

WNA_i = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per therm.

R_i = weighted average base rate (base rate less any embedded gas cost) of temperature sensitive sales for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

HSF_i = heat sensitive factor for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

NDD = normal billing cycle heating degree days utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

ADD = actual billing cycle heating degree days.

BL_i = base load sales for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

IV. Filing with Authority

The Company will file as directed by the Authority (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

SERVICE SCHEDULE NO. 316
Performance Incentive Plan

APPLICABILITY

The Performance Incentive Plan (the plan) replaces the reasonableness or prudence review of Nashville Gas Company's (Nashville or Company) gas purchasing activities overseen by the Tennessee Regulatory Authority (Authority). The plan is designed to provide incentives to Nashville in a manner that will produce rewards for its customers and its shareholders and improvements in Nashville's gas procurement activities. Each plan year will begin July 1. The annual provisions and filings herein would apply to this annual period. The Plan will continue until the Plan is either (a) terminated at the end of a plan year by not less than 90 days notice by Nashville to the Authority or (b) the Plan is modified, amended or terminated by the Authority.

OVERVIEW OF STRUCTURE

Nashville's Performance Incentive Plan is comprised of two interrelated components.

- Gas Procurement Incentive Mechanism
- Capacity Management Incentive Mechanism

The Gas Procurement Incentive Mechanism establishes a predefined benchmark index to which Nashville's commodity cost of gas is compared. It also addresses the recovery of gas supply reservation fees, the treatment of off-system sales and wholesale interstate sale for resale transactions, and the use of financial or private contracts in managing gas costs. The net incentive benefits or costs will be shared between the Company's customers and the Company on a 50% / 50% basis.

The Capacity Management Incentive Mechanism is designed to encourage Nashville to actively market off-peak unutilized transportation and storage capacity on upstream pipelines in the secondary market. The net incentive benefits or costs will be shared between the Company's customers and the Company utilizing a graduated sharing formula, with sharing percentages for Nashville ranging between zero and fifty percent.

The Company is subject to a cap on overall incentive gains or losses of $1.6 million annually. In connection with the Performance Incentive Plan, Nashville shall file with the Authority Staff, and update each year a Three Year Supply Plan. Nashville will obtain additional firm capacity and/or gas supply pursuant to such plan.

GAS PROCUREMENT INCENTIVE MECHANISM

The Gas Procurement Incentive Mechanism addresses the following areas:

- Commodity Costs
- Gas Supply Reservation Fees
- Off-System Sales and Sale for Resale Transactions
- Use of Financial Instruments or Other Private Contracts

COMMODITY COSTS

Each month Nashville will compare its *total city gate commodity cost of gas*[1] to a benchmark dollar amount. The benchmark gas cost will be computed by multiplying total actual purchase quantities for the month by a price index. The monthly price index is defined as

$$I = F_f(P_0K_0+P_1K_1+P_cK_c+...P_\infty K_\infty)+F_oO+F_dD; \text{ where}$$

$$F_f+F_o+F_d= 1; \text{ and}$$

I = the monthly city gate commodity gas cost index.

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1 Gas purchases under Nashville's existing supply contract on the Tetco system are excluded from the incentive mechanism. Nashville will continue to recover 100 percent of these costs through its PGA with no profit or loss potential. Extension or replacement of such contract shall be subject to the same competitive bidding procedures that will apply to other firm gas supply agreements. In addition, Nashville's gas procurement incentive mechanism will measure storage gas supplies against the benchmark index during the months such quantities are purchased for injection. For purposes of comparing such gas purchase costs against the monthly city gate index price, Nashville will exclude any commodity costs incurred downstream of the city gate to storage so that Nashville's actual costs and the benchmark index are calculated on the same basis.

F_f = the fraction of gas supplies purchased in the first-of-the-month market which are transported to the city gate under Nashville's FT service agreements.

P = the *Inside FERC Gas Market Report* price index for the first-of-the-month edition for a geographic pricing region, where subscript 0 denotes Tennessee Gas Pipeline (TGP) Rate Zone 0; subscript 1 denotes TGP Rate Zone 1; subscript C denotes Columbia Gas Transmission (CGT), Louisiana, plus applicable transportation and fuel charges in CGT's FT tariff to Rayne, and subscript $\propto$ denotes new incremental firm services to which Nashville may subscribe in the future.[2] The commodity index prices will be adjusted to include the appropriate pipeline maximum firm transportation (FT) commodity transportation charges and fuel retention to the city gate under Nashville's FT service agreements.

K = the fraction (relative to total maximum daily contract entitlement) of Nashville's total firm transportation capacity under contract in a geographic pricing region, where the subscripts are as above.[3]

F_o = the fraction of gas supplies purchased in the first-of-the-month spot market which are delivered to Nashville's system using transportation arrangements other than Nashville's FT contracts.

O = the weighted average of *Inside FERC Gas Market Report* first-of-the-month price indices, plus applicable maximum IT rates and fuel retention, from the source of the gas to the city gate, where the weights are computed based on actual purchases of gas supplies purchased by Nashville and delivered to

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2 To the extent that Nashville renegotiates existing reservation fee supply contracts or executes new reservation fee supply contracts with commodity pricing provisions at a discount to the first-of-the-month price index, Nashville shall modify the monthly commodity price index to reflect such discount.

3 Because the aggregate maximum daily contract quantities in Nashville's FT contract portfolio vary by month over the course of the year, the weights will be recalculated each month to reflect actual contract demand quantities for such month. The contract weights, and potentially the price indices used, will also vary as Nashville renegotiates existing or adds new FT contracts. As new contracts are negotiated, Nashville shall modify the index to reflect actual contract demand quantities and the commodity price indices appropriate for the supply regions reached by such FT agreements.

Nashville's system using transportation arrangements other than Nashville's FT contracts.

F_d = the fraction of gas supplies purchased in the daily spot market.

D = the weighted average of daily average index commodity prices taken from *Gas Daily* for the appropriate geographic pricing regions, where the weights are computed based on actual purchases made during the month. The commodity index prices will be adjusted to include the appropriate maximum transportation commodity charges and fuel retention to the city gate.

If the actual total commodity gas purchase cost in a month is within one percent of the benchmark dollar amount, there will be no incentive gains or losses. If the actual total commodity gas purchase cost varies from the benchmark dollar allowance by more than one percent, the variance in excess of the one percent threshold shall be deemed incentive gains or losses under the plan. Such gains or losses will be shared 50/50 between the Company and the ratepayers.

Gas Supply Reservation Fees

Nashville will continue to recover 100% of gas supply reservation fee costs through its PGA with no profit or loss potential. For new contracts and/or contracts subject to renegotiation during the Plan year, Nashville will solicit bids for gas supply contracts containing a reservation fee.

Off-System Sales And Sale For Resale Transactions

Margin on off-system sales and wholesale sale-for-resale transactions using Nashville's firm transportation and capacity entitlements (the costs of which are recovered from Nashville's ratepayers) shall be credited to the commodity gas cost component of the Gas Procurement Incentive Mechanism and will be shared with ratepayers. Margin on such sales will be defined as the difference between the sales proceeds and the total variable costs incurred by Nashville in connection with the transaction, including transportation and gas costs, taxes, fuel, or other costs. For purposes of gas costs, Nashville will impute such costs for its related supply purchases at the benchmark first-of-the-month or daily index, as appropriate, on the pipeline and in the zone in which the sale takes place. The difference between Nashville's actual costs and such index price is taken into account under the Gas Procurement Incentive Mechanism. As to transportation costs, Nashville will impute such costs up to the transporting pipeline's maximum interruptible transportation (IT) rate. The difference between the maximum IT rate and Nashville's actual transportation commodity costs will be treated as capacity release margin under the Capacity Management Incentive Mechanism. After deducting the total transaction costs from the sales proceeds, any remaining margin will be credited to commodity gas costs and shared on a 50/50 basis with ratepayers.

Use Of Financial Instruments Or Other Private Contracts

To the extent Nashville uses futures contracts, financial derivative products, storage swap arrangements, or other private agreements to hedge, manage or reduce gas costs, any gains or losses will flow through the commodity cost component of the Gas Procurement Incentive Mechanism.

CAPACITY MANAGEMENT INCENTIVE MECHANISM

To the extent Nashville is able to release transportation or storage capacity, or generate transportation or storage margin associated with off-system or wholesale sales-for-resale, the associated cost savings shall be shared by Nashville and customers according to the following sharing formula:

Capacity Management Incentive cost savings as a percent of Nashville's annual transportation and storage demand costs.	Sharing percentages Nashville/Customers. (Percent)
Less than or equal to 1 percent	0/100
Greater than 1 percent but less than or equal to 2 percent	10/90
Greater than 2 percent but less than or equal to 3 percent	25/75
Greater than 3 percent	50/50

The sharing percentages shall be determined based on the actual demand costs incurred by Nashville (exclusive of credits for capacity release) for transportation and storage capacity during the plan year, as such costs may be adjusted due to refunds or surcharges from pipeline and storage suppliers. Any incentive gains or losses resulting from adjustments to the sharing percentages caused by refunds or surcharges shall be recorded in the current Incentive Plan Account (IPA).

DETERMINATION OF SHARED SAVINGS

Each month during the term of plan, Nashville will compute any gains or losses in accordance with the plan. If Nashville earns a gain, a separate Incentive Plan Account (IPA) will be debited with such gain. If Nashville incurs a loss, that same IPA will be credited with such loss. During a plan year, Nashville will be limited to overall gains or losses totaling $1.6 million. Interest shall be computed on balances in the IPA using the same interest rate and methods as used in Nashville's Actual Cost Adjustment (ACA) account. The offsetting entries to IPA gains or losses will be recorded to income or expense, as appropriate. At its option, however, Nashville may temporarily record any monthly gains in a non-regulatory deferred credit balance sheet account until results for the entire plan year are available.

Gains or losses accruing to the Company under the Plan will form the basis for a rate increment or decrement to be filed and placed into effect separate from any other rate adjustments to recover or refund such amount over a prospective twelve-month period.

Each year, effective November 1, the rates for all customers, excluding interruptible transportation customers who receive no direct benefit from any gas cost reductions resulting from the plan, will be increased or decreased by a separate rate increment or

decrement designed to amortize the collection or refund of the June 30 IPA balance over the succeeding twelve month period. The increment or decrement will be established by dividing the June 30 IPA balance by the appropriate volumetric billing determinants for the twelve months ended June 30. During the twelve month amortization period, the amount collected or refunded each month will be computed by multiplying the billed volumetric determinants for such month by the increment or decrement, as applicable. The product will be credited or debited to the IPA, as appropriate. The balance in the IPA will be tracked as a separate collection mechanism.

FILING WITH THE AUTHORITY

The Company will file calculations of shared savings and shared costs quarterly with the Authority not later than 60 days after the end of each interim fiscal quarter and will file an annual report not later than 60 days following the end of each plan year. Unless the Authority provides written notification to the Company within 180 days of such reports, the Incentive Plan Account shall be deemed in compliance with the provisions of this Service Schedule.

PERIODIC INDEX REVISIONS

Because of changes in the natural gas marketplace, the price indices utilized by the Company, and the composition of the Company's purchased gas portfolio may change. The Company shall, within 30 days of identifying a change to a significant component of the mechanism, provide notice of such change to the Authority. Unless the Authority provides written justification to the Company within 30 days of such notice, the price indices shall be deemed approved as proposed by the Company.

GAS SUPPLY INCENTIVE COMPENSATION PROGRAM

The Company has in place a Gas Supply Incentive Compensation Program (the Program) designed to provide incentive compensation to selected Gas Supply non-executive employees involved in the implementation of the Nashville Incentive Plan and Secondary Marketing Programs in a manner consistent with the benefits achieved for customers and shareholders through improvements in gas procurement and secondary marketing activities. Participants in the program receive incentive compensation as recognition for their contribution to the customers and shareholders of the Company through lower gas costs and gains related thereto. Performance measures are established for the Program each year.

During the time this tariff is in effect, the Company will continue to have in place the Gas Supply Incentive Compensation Program, as detailed to the Authority, as it relates to the Nashville Incentive Plan. The Company will advise the Authority in writing of any changes to the Program, and unless the Company is advised within 60 days, said

changes will become effective. No filing for prior approval is required for changes in the performance measures.

Piedmont Natural Gas Company

Nashville Gas Company Service Regulations

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Nashville Gas Company Service Regulations

Section 1 – GENERAL SERVICE POLICY OF NASHVILLE GAS

Nashville Gas (hereinafter referred to as "the Company") will make free service calls, within certain broad guidelines, around-the-clock on customer appliances connected to our mains. Those service requests requiring immediate attention will be answered as soon as possible. Those of less urgent nature will be answered on a scheduled basis according to the workload. In either case, the Company will make every effort to answer each customer's call promptly and to leave all appliances operating at maximum efficiency.

Free Services (1220-4-5-.06(iii))

The Company provides the following services at no charge to the customer during normal working hours (Mon - Fri, 8am - 5pm, excluding Holidays):

- Install gas meters and regulators for new customers
- Turn-on, turn-off, & service gas meters
- Check for gas leaks
- Investigate the possible presence of carbon monoxide
- Cut off pilots
- Disconnect appliances (disconnect & cap existing pipe only)
- Food Service equipment service including leveling, adjusting, or calibrating
- Diagnostic time or time to provide an estimate for jobbing work
- Quotes for appliance installation
- The first light-up and service call of the heating season on central furnaces (a flat charge applies for each additional light-up)
- Gaslight turn-on and re-lighting
- Service leased water heaters
- Service appliances other than central heating systems or gas air conditioners (no parts needed) including:
  - Service calls to diagnose problems
  - Check gas pressure
  - Adjust burners
  - Clean air mixers
  - Light pilots
  - Clean & adjust pilots
  - Examine flue connections & check draft
  - Check and calibrate thermostats & controls
  - Check appliance wiring & other electrical components
- Service central heating systems including floor furnaces and unit heaters

including:
  - Service calls to diagnose problems
  - Gas and air adjustments on burners and pilot assemblies
  - Adjustments of controls and thermostats
  - Minor electrical repairs that do not require materials
- Service Arkla, Bryant, and other gas-fired air conditioners including:
  - Service calls to diagnose problems
  - Gas and air adjustments on burners and pilot assemblies
  - Checks of controls and thermostats
  - Pumping of water-cooled units to maintain operation
  - Purging of non-condensables from air-cooled units

Note: When an appliance is not operating, every effort will be made to answer the call without delay, and in most circumstances, on the same day. Should repair work be required, parts needed to complete the repair will be ordered from the manufacturer and installed if the customer so desires. There is, however, a charge for this service.

The company will also provide immediate response to any hazardous situation that might cause threat to life or property after normal working hours (Mon – Fri, 5pm - 8am; Sat; Sun; & Holidays) at no charge, including:

- Fire or explosion
- Gas leak
- Damaged gas main or service (parts & labor may apply)
- Gas appliance that won't cut off
- Carbon monoxide investigation
- Leased water heater service within 24 hours

Services For Which There Are Charges

- Installation or connection of gas appliances
- Reconnects of gas appliances
- Repair of gas appliances where parts are needed (except central systems)
- Repair or replacement parts, electrical equipment, or thermostats on Arkla or Bryant gas air conditioners beyond Service/Warranty Contract
- Cleaning condensers and condensate lines on gas A/C units
- Gaslight repairs and reconditioning
- Miscellaneous pipe work
- Change outs and reconnects of food service equipment
- Repair of gas air conditioning units installed after January 1, 1975; units on which the Warranty/Service Contract has expired; and units or installations not approved by the Company's Service Department
- Work involving replacement of filters and out-of-warranty parts (charged on a "time and materials" basis)

- After hours work that requires a repair including commercial cooking and water heating equipment (the customer may be given the option for jobbing repair at the current overtime rate, if time and workload permits)

Work the Company Does Not Provide

- Replacement of filters in central heating equipment
- Installation, connection, or repair of unit heaters and central heating equipment
- Repair or replacement of unit heaters and other equipment requiring an electrician
- Repair or installation of gas appliances that are not AGA certified or where gas appliances are not used in accordance with manufacturer listing
- Repairs on heating equipment that requires parts will not be made except on those units sold by Nashville Gas prior to May 1, 1974. In addition, the Company does not install furnace filters
- No work will be performed on electrical air conditioning units installed with a gas furnace (this work will be referred to the installer or mechanical contractor)

Termination Policy

Reasons for Termination of Service or Denial of Service (1220-4-5-.18)

Service may be refused or discontinued for any of the reasons listed below. Unless otherwise stated, the customer shall be allowed a reasonable time in which to comply with the rule before service is discontinued.

1. With notice in the event of a condition determined by the utility to be hazardous
2. Without notice in the event of customer use of equipment or the utility's service to others
3. Without notice in the event of tampering with the equipment furnished and owned by the utility
4. Without notice in the event of unauthorized use
5. For violation of and/or non-compliance with the utility's rules on file with and approved by the Tennessee Regulatory Authority
6. For failure of the customer to fulfill his contractual obligations for service and/or facilities subject to regulation by the Tennessee Regulatory Authority
7. For failure of the customer to permit the utility reasonable access to its equipment
8. For non-payment of bill provided that the utility has made a reasonable attempt to effectively collect and has given the customer written notice that he has at least five (5) days, excluding Sundays and holidays, in which to make settlement on his account or have his service denied

9. For failure of the customer to provide the utility with a deposit as authorized by 1220-4-5-.14 of the Tennessee Regulatory Authority Statutes
10. For failure of the customer to furnish such services, equipment, permits, certificates, and/or rights-of-way, as shall have been specified by the utility as a condition to obtaining service, or in the event such equipment or permission are withdrawn or terminated.

Insufficient Reasons for Denying Service (1220-4-5-.19)

The following shall not constitute sufficient cause for refusal of service to a present or prospective customer:

1. Delinquency in payment for service by a previous occupant of the premises to be served
2. Failure to pay for merchandise purchased from the utility
3. Failure to pay for a different type of class of public utility service
4. Failure to pay the bill of another customer as guarantor thereof
5. Failure to pay a back bill rendered in accordance 1220-4-5-.17(a) of Tennessee Regulatory Authority Statutes.

Disconnection

The Company has the right to shut off gas from any consumer who may be in arrears for a longer period than twenty (20) days in paying for gas furnished hereunder or under any other prior or subsequent agreement, or for gas used by the consumer at the consumer's present or any prior subsequent address. The said twenty-day period commences to run from the date the bill was rendered. The Company will not shut off gas for non-payment without first mailing a notice to the consumer giving him seven (7) calendar days to pay the bill in arrears.

Reinstating Service

If natural gas service is disconnected for nonpayment, service will be restored after the customer has paid the total amount past due, paid the reconnection charge and paid a deposit.

Third-Party Notification

At the customer's request, the Company will send a copy of any disconnection notice to a designated third party. However, the designated third party is not responsible for paying the bill.

Medical Emergencies and Life Support Devices

The Company will delay disconnection of gas service for 30 days if a physician, public health officer or social service official certifies in writing that discontinuing gas service will worsen an existing medical emergency for a permanent resident of the premises where services are rendered. A prompt request is important. During the 30-day extension, payment of the bill must be guaranteed by another person or entity that is acceptable to the Company.

The Company will not disconnect service at the service address if there are natural gas appliances that are critical to maintaining the health of one or more permanent residents. The Customer Service Department must be contacted to determine whether a gas appliance is considered a life-support device.

Notice of Rights and Remedies

Should the Customer request help in paying his natural gas bill the Company will provide the customer with a list of community agencies that provide aid in paying their natural gas bill. The company will also, in some cases, make alternative pay arrangements if the customer is temporarily unable to pay his natural gas bill. However, if such an agreement is made the customer gives up their right to dispute the amount due under the agreement. If the customer does not fulfill the terms of the agreement, the Company may disconnect service and a new pay agreement will not be offered before we disconnect service.

If the Customer wants to appeal an unfavorable decision regarding a natural gas bill, they may contact the Tennessee Regulatory Authority's Complaint Division, 460 James Robertson Parkway, Nashville, TN 37219 (615-741-3939 or 800-342-8359). This must be done before the net due date if the dispute involves a disconnection notice. The Company will not disconnect service for nonpayment of the disputed portion of the bill while it is being reviewed. The Customers right to appeal will not expire if delay on the Company's part makes it impossible to contact the TRA within the required time period. The Customer also has the right to suspend payment of the disputed portion of the bill while the dispute procedures mentioned above are in progress.

Customer Classifications

Residential Rate Service Classification. Residential rate service classification under the Company's Rate Schedules 301 and 321 shall be based on the following criteria:

A. Definitions: As used in residential rate service classification, the following terms shall have the meanings assigned below:

(1) "Residential Base Load Period" shall mean the cycle billing months of July and August.

(2) "Base Load Usage" shall mean the amount of natural gas used by a customer as reflected by the Company's invoices for that Customer during the cycle billing months of July and August.

B. Procedure:

Step 1. During the month of September of each year, the Company will determine for each customer served under Rate Schedules 301 and 321 the customer's Base Load Usage during each month of the Company's Residential Base Load Period.

Step 2. A Rate Schedule 301 Customer whose base load usage during each month of the Residential Base Load Periods of the most recent two years is less than 15 therms will be transferred to Rate Schedule 321. A Rate Schedule 321 Customer whose base load usage is equal to or greater than 15 therms in either month of the Residential Base Load Period of the most recent past year will be transferred to Rate Schedule 301.

All changes in rate classification under this section shall be effective on the first day of November following the most recent Residential Base Load Period.

C. Exceptions:

(1) New Customers will be assigned a Residential Rate Classification according to their reasonably anticipated base load usage associated with the type and number of appliances installed at the customer's premise prior to the gas meter being set and turned on.

(2) Existing Customers currently being billed under Rate Schedule 321 who add a piece of natural gas equipment that will clearly increase the Customer's base load usage to a level that will qualify that Customer for Rate Schedule 301 may, upon notification to the Company and subject to verification by the Company, be transferred to the new Rate Schedule prior to November 1.

Commercial Rate Service Classification. Commercial Rate Service Classification under the Company's Rate Schedules 302, 332, 352 and 362 shall be

based on the following criteria:

A. Definitions: As used in Commercial Rate Service Classification, the following terms shall have the meanings assigned below:

(1) "Annual Review Period" shall mean the twelve (12) months ended on December 31 of each year.

(2) "Actual Annual Usage" shall mean the actual natural gas volumes consumed by the Customer during the Annual Review Period as reflected on the Company's invoices for the Customer.

(3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average daily usage that must be maintained in order to receive service under a rate schedule. The classification usage for Rate Schedule 302 and Rate Schedule 332 shall be less than an average of 20 dekatherms per day. The classification usage for Rate Schedule 352 and Rate Schedule 362 shall equal or exceed an average of 20 dekatherms per day but be less than an average of 50 dekatherms per day.

(4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Annual Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.

(5) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days.

(6) "Average Daily Usage" shall be the Customer's Actual Annual Usage divided by the number of Service Days within the Annual Review Period.

(7) "Summer Load Percentage" (SLP) shall mean the percentage of the Customer's Actual Annual Usage that occurs during the seven (7) month summer period of April through October in a given calendar year.

B. Procedures:

(1) At the conclusion of the Annual Review Period of each year and prior to June 1st of the ensuing year, the Company will determine for each

customer served under Rate Schedule 302, Rate Schedule 332, Rate Schedule 352, and Rate Schedule 362 that Customer's Average Daily Usage and their SLP.

(2) Those customers currently receiving service under Rate Schedule 302 or Rate Schedule 332 whose Average Daily Usage is equal to or exceeds 20 Dekatherms a day, will be transferred to Rate Schedule 352 or Rate Schedule 362 as applicable, effective on the first day of June following the most recent Annual Review Period.

(3) Those customers currently receiving service under Rate Schedule 302 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP is greater than 30% will be transferred to Rate Schedule 332 effective the first day of June following the most recent Annual Review Period.

(4) Those customers currently receiving service under Rate Schedule 332 whose Average Daily Usage is less than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 302 effective the first day of June following the most recent Annual Review Period.

(5) Those customers currently receiving service under Rate Schedule 352 or Rate Schedule 362 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is less than 20 Dekatherms a day, will be transferred to Rate Schedule 302 or Rate Schedule 332 as applicable, effective on the first day of June following the second, and most recent, Annual Review Period.

(6) Those customers currently receiving service under Rate Schedule 352 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP exceeds 30% will be transferred to Rate Schedule 362 effective the first day of June following the most recent Annual Review Period.

(7) Those customers currently receiving service under Rate Schedule 362 whose Average Daily Usage is equal to or greater than 20 Dekatherms a day but whose SLP in each of the most recent two (2) Annual Review Periods is equal to or less than 30% will be transferred to Rate Schedule 352 effective the first day of June following the most recent Annual Review Period.

(8) Those customers currently receiving service under Rate Schedule 302, 332, 352, or 362 whose Average Daily Usage in each of the most recent two (2) Annual Review Periods is equal to or greater than 110% of 50 dekatherms per day will be transferred to Rate Schedule 303, 304, 313, or 314 as applicable.

C. Exceptions: If a customer currently being billed under Rate Schedule 302 or Rate Schedule 332 adds natural gas equipment that increases the Customer's Average Daily Usage to the point where the customer will qualify for Rate Schedule 352 or Rate Schedule 362, the Company may, upon notification from the Customer and subject to installation verification by the Company, transfer the Customer to the new Rate Schedule prior to June 1 of that year.

Industrial Rate Service Classification. Rate service classification under the Company's Rate Schedules, 303, 304, 313 and 314 shall be based on the following criteria:

A. Definitions: As used in rate service classification, the following terms shall have the meanings assigned below:

(1) "Actual Annual Usage" shall mean the actual natural gas volumes sold or transported for the Customer by the Company as reflected on the Company's bills for that Customer.

(2) "Average Dekatherm per Day" shall mean the Actual Annual Usage of a Customer divided by the number of Service Days within the Review Period.

(3) "Classification Usage" shall mean the usage criteria that establishes the minimum and/or maximum average usage that must be maintained in order to receive service under any rate schedule. For existing Customers, the classification usage for Rate Schedule 302, 332, 352, 362 shall not exceed an average usage of 55 dekatherms per day. For existing Customers, the classification usage for Rate Schedules 303, 304, 313 and 314 shall exceed an average usage of 45 dekatherms per day.

(4) "Involuntary Curtailment Days" shall mean those days or portions of days in a given Review Period where curtailment of the Customer's natural gas service was imposed by the Company's decision to curtail.

(5) "Review Period" shall mean the twelve (12) months ended on December 31, or the regularly scheduled meter reading nearest December 31.

(6) "Service Days" shall mean 365 days less the number of Involuntary Curtailment Days plus the number of days that Customer consumed an alternative fuel to natural gas.

B. Procedure:

Step 1. During January and February of each year, the Company will determine for each Customer served under Rate Schedules, 303, 304, 313 and 314 the Customer's Average Dekatherm per Day usage for each of the two most recent Review Periods.

Step 2. A Rate Schedule 302, 332, 352 or 362 Customer whose usage is 110% of the 50 dekatherms threshold in the two most recent Review periods will be transferred to Rate Schedule 303, 304, 313 or 314, as applicable. A Rate Schedule 303, 304, 313 or 314 Customer whose usage is equal to or less than 90% of the 50 dekatherms threshold in both of the most recent two Review Periods will be transferred to the appropriate Small or Medium General Service Rate Schedule. Customers receiving service under Rate Schedules 303 or 304 shall be eligible to elect transportation service to be effective with the rate reclassification.

All changes in rate classification under this section shall be effective on the first day of June following the review.

Step 3. Customers who are reclassified shall be notified of the change in rate schedule, and receive a copy of the tariff sheets applicable to his old and new rate schedules at least 21 days prior to the effective date of the change.

C. Exceptions: If a Customer adds or retires a major piece of gas-burning equipment, changes the hours of operations or otherwise materially alters the Customer's business that will clearly increase, or decrease, the Customer's consumption on an ongoing basis to a level that will change the Customer's ability to qualify the Customer for a particular rate schedule, the Customer shall report such changes to the Company and afford the Company an opportunity to inspect the change in equipment and to meet with the Customer to review and discuss the anticipated future level of consumption. If, after such inspection and meeting, the Company is satisfied that reclassification is appropriate, the reclassification will occur within two months after the new equipment is in place and operational, or the retirement is

completed, and the first meter reading reflects the higher anticipated usage resulting from the new equipment or the lower anticipated usage resulting from the retirement. Any reclassification pursuant to this paragraph is subject to correction if actual experience so warrants. If the reclassification results in qualification for service under Rate 303 or 304, the Customer shall provide an election form one week prior to reclassification if a transportation election is desired. Otherwise, service will be provided under Rate Schedule 303 or 304, dependent upon rate qualification.

Requirements: Upon reclassification from Rate 302, 332, 352 or 362 to either Rate 303, 304, 313, or 314, Customer will be responsible for installing and maintaining, at the Customer's expense, a dedicated 110v electrical service in a location suitable to provide electrical service for the Company's telemetering equipment.

Priority of Service

The Company has established the following categories of service in order of priority:

1. Residential, small commercial (less than 50 MCF on a peak day), school, hospital, police protection, fire protection, sanitation, or correctional facility requirements
2. Essential agricultural requirements
3. Large commercial requirements (50 MCF or more on a peak day), firm industrial requirements for plant protection, feedstock and process needs, pipeline customer storage injection requirements, and firm industrial sales up to 300 MCF per day
4. All industrial requirements not specified in 2, 3, 5, 6, 7, 8, 9 or 10
5. Firm industrial requirements for boiler fuel use at less than 3,000 MCF per day, but more than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
6. Firm industrial requirements for large volume (3,000 MCF or more per day) boiler fuel use where alternate fuel capabilities can meet such requirements
7. Limited Availability requirements of less than 300 MCF per day, where alternate fuel capabilities can meet such requirements
8. Limited Availability requirements of more than 300 MCF per day but less than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
9. Limited Availability requirements of intermediate volumes (from 1,500 MCF per day through 3,000 MCF per day), where alternate fuel capabilities can meet such requirements

10. Limited Availability requirements of more than 3,000 MCF per day, but less than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements
11. Limited Availability requirements of more than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements.

Meter Turn On

There is no charge for meter turn on for a new customer. There will be a flat charge for meter turn on for an existing customer or member of same family or household. For turning on meters shut off for non-payment of bills there will be a flat charge for meter turn on plus payment of all past due bills. The Company may also secure an additional customer deposit. If an existing customer requests that his/her meter be turned off for the summer to avoid minimum bills during the summer period and then requests the Company to turn the meter back on, the flat charge for meter turn on will apply.

Gas Wastage (1220-4-5-.06(iv))

Excessive gas consumption without knowledge by the customer may possibly be the result of gas leakage or appliance malfunction. Gas bill adjustments generally will not be permitted for improper and/or inefficient operation of gas appliances or for gas leaks. Adjustments for all special cases will be based upon individual merit dependent upon such factors as prompt action by the customer, the nature of the problem, maintenance of facilities by the customer, the time period involved, etc. An example might possibly be a hot water relief valve stuck open or a broken hot water line on a gas water heater. All such special adjustments shall not exceed 35% of the wastage and shall be approved by the Director of Customer Service (residential) or the General Manager of Marketing (commercial). Wastage shall be based on Service Department inspection or Customer Service Department researches. The Director of Customer Service shall determine consumption rates. Duration of the adjustment shall not exceed 30 days. Where such gas appliance malfunction or gas leakage was directly caused by actions of Company personnel or occurred within 30 days of the date the work was performed by Company personnel, the Company will grant 100% credit of wastage to the customer. The amount of wastage will be approved by the Service Superintendent and not exceed a period of 30 days.

Title to Facilities

The title to all facilities including mains, gas service lines, meters, and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the customer for extending service.

Appliance Classifications

Major appliances

- natural gas heating systems utilized as primary heating source in the structure
- gas air conditioners
- gas water heaters

Minor appliances

- clothes dryers
- gas fireplaces
- gaslights
- grills
- incinerators
- log starters
- logs
- ranges
- swimming pool gas water heaters

General Installation / Connection & Repair Policy

The following regulations are applicable for residential natural gas appliance connections on Nashville Gas lines. The delivery and uncrating of the appliance is the responsibility of the customer/dealer. The connection/installation of commercial and/or industrial gas appliances is the responsibility of dealer. All natural gas appliance installations on Nashville Gas lines shall comply with the provisions of the Southern Gas Code (SBCCI), as updated. All appliances must also be AGA approved. The Company reserves the right to refuse to connect those appliances which, in its judgment, do not conform to appropriate safety requirements.

Space Heaters and Central Heating

The Company will provide free of charge: a service call to diagnose the problem, gas and air adjustments on burners and pilot assemblies, adjustments to controls and thermostats, and minor electrical repairs not requiring material. The Company shall not make repairs to gas furnaces other than pilots, thermocouples, or other parts we normally stock. A heating contractor, preferably the one who installed the equipment, will perform such repairs. The Company does not install air filters. The Company will make repairs to gas heating equipment that was installed by the Company. Such repairs will be charged to the customer on a "Time and Material" basis or at a flat charge if so provided for herein.

A **Gas Furnace Safety Inspection** is provided without charge by the Company and covers the following:

1. Check for gas leaks at the meter and on the customers' gas fuel lines.
2. Check furnace vent.
3. Safety inspection of the gas fired equipment to ascertain that safety and other limit controls are operating correctly.
4. Safety inspection of the furnace combustion chamber to determine if cracked or unsafe.

A **Gas Furnace Operational Inspection** is provided at the request of the Federal Housing Authority, Veteran's Administration, HUD, real estate/mortgage firms, or other parties interested in a more thorough operational inspection of the gas fired heating equipment. Such requests should be initially referred to the Marketing Department. There is a charge for this inspection that includes the following:

1. Check for gas leaks at the meter and on the customers' gas fuel lines.
2. Check furnace vent.
3. Safety inspection of the gas fired equipment to ascertain that safety inspection and other limit controls are operating correctly.
4. Inspection of the combustion chamber for safety (check for cracked chamber) and for operational purposes to determine the condition of furnace.
5. Calculate actual equipment input rate (Btu/h) to determine if the burner is operating in accordance with the manufacturers' instructions and rating plate.
6. Make an inspection of the air delivery system to check for the condition of ductwork and delivery of reasonable air volumes.
7. Provide a written report to the client on findings of Operational Inspection.

Automatic Vent Dampers

Automatic vent dampers that are AGA certified and UL listed are acceptable. Dampers must be installed in accordance with the manufacturer's instructions. The name of the qualified installing agency must be affixed to the damper. The vent damper must be so installed and wired so that upon failure it will "fail safe" in the open position. If not, the damper and the associated gas appliance will be red-tagged and turned off. The Company will not install, repair, or provide service on the damper installation. In the instance of a malfunction or a retrofit damper installation, the Company will secure the damper in a "make safe" position and advise the customer to secure repair through the distributor, manufacturer, or installing dealer. The Company does not endorse any specific brand unit and does not endorse or guarantee any claimed energy savings.

Unvented Gas Heaters

The use of UL listed unvented natural gas space heaters is permitted in accordance with the Southern Gas Association Code. However, they may not be located in bedroom areas or sleeping quarters, nor in confined areas where the listed total input rating of such heaters is greater than 30 BTU/HR/CF of space volume (confined space definition). Further, the gas meter will not be turned on in the following cases:

- Where unvented heaters are the primary source of heat in a residence
- Where unvented heaters are the primary source of heat in commercial or industrial structures unless specifically approved by the Service Superintendent or General Superintendent as being unconfined space and adequately ventilated

Gas Air Conditioning

On Arkla, Bryant, and other gas-fired air conditioning units connected to our lines, the Company will provide the following services without charge to the customer:

1. Make service call to diagnose the problem.
2. Perform gas and air adjustments to all burners and pilot assemblies.
3. Check thermostats and controls.
4. Pumping of water-cooled units in order to maintain operations.
5. Purging of non-condensables from air-cooled units.

Other than that described above, and unless specifically covered under appropriate customer Warranty/Service Contract, service work involving repair or parts replacement will be charged to the customer on a "Time and Material" basis. The General Manager of Marketing or the Service Superintendent will determine any exceptions. On request by customer, the Company will replace air filters on gas air conditioning system on our lines for a flat charge, regardless of the number of filters required per job. This will apply to plain flat filters only, not bag or other types.

Water Heaters

All installations of and repairs on water heaters purchased from Nashville Gas will be charged on a "Time & Material" basis. The Company will provide dip tube replacement, thermostat control, and other repairs to the residential customer for a charge based on "Time & Material". For repairs of commercial gas water heaters, the customer is to be referred to local dealer or plumber.

Dryers

Installations of and repairs on residential gas clothes dryers will be charged on a "Time & Material" basis. Repair requests on commercial gas clothes dryers, other thermocouples or other parts normally stocked by our storeroom, will be referred to the appropriate dealer for servicing.

Gas Grills

The Company, as part of its free service program, will make burner air and gas adjustments, check controls, and assist in problem diagnosis on a no-charge basis. Installations of and repairs on gas grills will be charged on a "Time & Material" basis. Cleaning and painting of the grill will be the responsibility of customer. The Company may also perform the following:

1. Post Replacement: Gas grill posts will be replaced for "Time and Material." If a special post must be fabricated, the cost of the installation and post will be "Time and Material."
2. Repairs to Cut or Damaged Tubing: If repair to tubing is performed by the Company, the charge will be "Time and Material". A service representative can sometimes perform this work, but generally a three-man fitting crew is required.
3. All Other Repairs -- All other repairs will be performed at "Time and Material".

Gaslights

With regard to gaslights, the Company will turn on, re-light and replace mantles without charge to the residential customer. Should the residential customer wish to replace the mantles himself, the Company will, upon request, mail to him replacement mantles for residential use in his gaslights without charge. Residential customers may also pick up free replacement mantles for use only in their gaslights at the Company's storeroom. The same gaslight service policies apply to commercial/industrial customers except they will be charged for the mantles. Subdivision entrances and multi-family developments do not qualify for residential use. Services do not include the painting of gaslights or glass cleaning; these are considered the owner's responsibilities.

The Company will recondition the customer's gaslight, including replacement of mantles, cleaning and/or replacement of glass panes as required, and painting repair of gaslight as necessary, for a flat labor charge plus cost of replacement parts (other than mantles). In the case of multiple gaslights on the same piece of property, the labor charge shall apply only to the first light. For each additional light on the same property, an additional charge plus parts (other than mantles) will apply. The same policy applies to commercial customers except they will also be charged for mantles. Installation of and repairs on gaslights will be charged on a "Time & Materials" basis. The Company may also perform

the following:

1. Post and/or Light Head Replacement: Post only replacement will be performed by the company on a "Time & Material" basis. All customers needing to purchase a gaslight head will be referred to the Home Energy Center.
2. Repairs to Cut or Damaged Tubing: If repair to tubing is performed by the Company, the charge will be "Time & Material". A service representative can sometimes perform this work, but generally a three-man fitting crew is required.
3. Complete Replacement: The customer shall be referred to the Company's Home Energy Center. If the customer provides a replacement light head and post of the same basic type, the Company will connect the replacement, charging the customer on a "Time & Material" basis.
4. All Other Repairs: Other repairs will be performed on a "Time & Material" basis.

Gas Logs & Log Starters

All installations of or repairs on gas logs and log starters will be charged on a "Time & Material" basis.

Other Miscellaneous Residential Gas Appliances

All installations of or repairs on other approved gas appliances will be charged on a "Time & Material" basis.

Customer Options

In those instances where a flat charge for connection/repair is listed, the customer may elect prior to our performing the work involved to be charged on a "Time & Material" basis rather than the flat charge. However, having elected to take the T&M option, after the work is completed that decision cannot be reversed and customer will be charged on the "Time & Material" basis. All customer charges described herein are subject to change by the Company.

Appliance Parts Broken by Company Personnel

From time to time when our service personnel are repairing a customer's gas appliance, other adjacent parts become broken during the course of the repair. Such instances leave a question as to whether the customer should be charged for that additional part. Such decisions shall be at the discretion of the supervisor involved. The following guidelines should be of assistance.

No Charge to Customer

1. Breakage caused by negligence on part of our personnel. In such cases, the employee will be counseled to avoid repetition.
2. Accidental breakage of part considered "relatively new" and our representative was using care and attention to work procedures.

Charge to Customer

1. Parts that may be broken after customer first being warned that we will use care in repair but the customer will be responsible for all parts involved. If the service representative has doubts about the condition of the appliance, he should so warn the customer initially.
2. Any parts broken which are not "relatively new" and in process of normal repair with our representative using reasonable care in work procedures. Where we make a mistake we'll stand behind it, but we will not unilaterally absorb the cost of other parts broken, they will be considered part of the job.

Sales to Employees

The following is applicable for active permanent employees, retired employees and retiree's surviving wife or husband until such time as survivor remarries:

1. Employees may purchase Natural Gas Appliances and accessories at cost from the Home Energy Center. Appliances must be purchased for use only in the employee's own home.
2. Pipe, pipe fittings and similar material carried in stock by the Company may be purchased by employees at warehouse cost, but these also must be used in the employee's own home. The employee's department head must approve purchases exceeding $15.00. Each month, a list of employee purchases will be supplied to the employee's department head. Each purchase must be released to personnel for documentation and approved by the Customer Service Department if financing is requested.

There is no intent in these rules for employees to unfairly benefit from Company discounts. The giving of false information to obtain a discount from the Company will be considered a cause for discipline.

When an employee purchases a qualifying residential natural gas appliance from the Home Energy Center for connection on Company gas lines for use in his own home, the Company will provide normal installation at cost with no mark up to the employee. Qualifying residential natural gas appliances are as follows:

- Gas Dryer
- Gas Range, Cooktop, or Walloven
- Gas Grill
- Gas Water Heater

- Gas Space Heaters
- Gas Logs or Log Starter
- Gaslight

Appliances purchased elsewhere will be installed at the normal installation charges as set forth in the service Rules and Regulations Manual. Floor furnaces, central heating and cooling equipment, including pre-vent heaters and wall furnaces, commercial appliances, and pool heater installations are also not qualifying and should be referred to plumbing or mechanical contractors. Relocation of the above listed applicable natural gas appliances, within an employee's own home, will be performed at cost of labor and materials, but no overhead will be charged.

Residential appliance repair on natural gas appliances in use by employee in his own home on Company lines will be performed by the Company with the employee being charged only for the cost of materials with no overhead. Replacement of furnace combustion chambers is not included in this program. Warranty repair work for an appliance obtained from a dealer and still in warranty will be performed by the dealer. The Vice President of Tennessee Operations and the Superintendent of the Service Department will resolve any questions or interpretations of the above policies.

Liquid Propane Conversion to Natural Gas

Any new conversion customer converting from liquid propane (LP) to natural gas will receive gas service line and meter installation on the same basis as any other residential or commercial customer. The fuel lines and any other required conversion labor and materials from the meter to the gas equipment will be the responsibility of the customer. Contractors other than Nashville Gas must perform these conversions.

Residential

Conversion of AGA approved residential gas dryers, grills, logs, and ranges from LP to natural gas is available for a flat charge for each appliance. This charge is to include change of burner orifices and addition or modification of gas appliance pressure regulator. Where a burner cannot be converted and new burner is required, the conversion charge will be "Time and Material." The charge for conversion of more than one of these appliances at the same time, shall be "Time and Material". Conversion of furnaces or other appliances will be done on "Time and Material" basis.

Commercial

Conversion of AGA approved residential gas appliances or commercial gas appliances in a commercial structure will be performed on a "Time and Material" basis. Service line and meter installation will be on the same basis as any other new customer. Any necessary fuel line, house piping and appliance connection will be done on a "Time and Material" basis.

Temporary Conversions to Liquid Propane

When deemed necessary by Nashville Gas, new construction and conversion customers will be temporarily converted to liquid propane at no charge. The conversion back to natural gas will also be performed by Nashville Gas at no charge.

Nashville Gas Company Service Regulations
Section 2 – METERS

Installation & Location

The Company performs standard meter installation at no charge to the customer. However, a customer desiring an underground meter installation will be charged for the additional cost. The most desirable and serviceable location for a new residential meter installation is on the outside of the structure, approximately four feet past the front wall, where it is not subject to damage from automobiles. The new meter shall be so located unless it is physically impractical or it interferes with customer's use of his property. If a problem arises, the Service Superintendent and General Manager of Marketing will make a decision on a location after consulting with the Construction Superintendent. Underground meter locations will not be used except as approved by the Vice President of Tennessee Operations.

The proper meter location for large outside commercial or industrial meters, especially those having multiple structures, is at the property line wherever possible. Under no circumstances shall a meter be located within 10 feet of a combustion air intake. Further, meters shall not be located within 3 feet of an ignition source such as heating or air conditioning equipment, water heaters, electric meters, switch gear, electric panels, etc.

The customer or owner must at all times provide a proper and accessible location for all meters and regulators. The following rules apply as well:

1. All meters installed on high-pressure services must be installed outdoors.
2. All "farm tap" meters shall be located at the main.
3. All meters served from standard and medium pressure mains shall be installed outdoors, except in those instances in which it is extremely difficult to do so or is very undesirable from the customer's viewpoint. In such cases, the meter may be installed indoors, at the discretion of the Company, if the installation conforms to applicable codes.
4. If a customer desires to use gas solely for swimming pool water heating, the meter shall be located at the house and the fuel line run from this point to the pool heater.
5. If located indoors, the meter shall not be located:
   a. Above the ground floor
   b. Less than 3 feet from a hot air furnace or boiler
   c. Less than 3 feet from a gas oven or hot water heater
   d. On or under stairways
   e. In bathrooms or adjoining clothes closets
   f. In small, unvented, or confined spaces

g. Where subject to damage, extreme high temperature, or corrosion
h. In entrances or exits so as to obstruct passage in any way
i. Less than 10 feet from boilers or other sources of heat, if the meter capacity is 80B or larger

Meter Relocation

Outside meters will be relocated when requested by the customer, however, the customer will be charged Time and Material.

Meter Testing

The Company maintains a regular program of meter testing and change-out to insure metering accuracy. Upon written request from the customer for a special test of his meter, the Company will inspect the meter at a reasonable time in accordance with provisions of Rules, Regulations and Statutes Governing Public Utilities as issued by the Tennessee Regulatory Authority. Such meters will be considered to register correctly if the error is not greater than plus or minus two percent (2%). If the meter is found to be registering incorrectly, the meter will be repaired or adjusted to conform to standards with no charge to the customer for testing or repair. If the meter is registering correctly, there will be a meter testing charge to the customer.

Meter Tampering or By-pass

The term "metered gas" is defined as "all gas that has passed through the customer's meter." It is Company policy to prosecute those persons involved where the Company finds evidence of meter tampering or by-pass. Such acts are illegal, as well as extremely dangerous, and Tennessee State Law provides for substantial punishment. In such cases, the customer or party involved will be charged for all gas used and the cost of meter repair including travel time and all other related expenses on a "Time and Materials" basis. At the Company's option, gas service may also be terminated. The Regional Customer Service Manager, the Manager of Meter Reading, and the Service Superintendent will handle such investigations.

Meter Damage

The customer has a responsibility to provide reasonable protection for the Company's metering facilities from damage by his employees, customers, and the general public. It is not, however, his equipment and he cannot be expected to provide security such as guards, surveillance, enclosures, etc. to protect the Company's meters from acts of vandalism or from the general public. The Company selects and approves meter locations.

If a location is in a drive, parking lot, alley, etc. where damage is likely, then it is the Company's responsibility to provide adequate protection such as posts, etc. In cases where the Company's metering facilities are damaged, the Service Department shall conduct investigations of the incidents. The Chief Engineer will approve all proposed meter damage bills after consultation with the General Manager of Marketing and the Service Superintendent. With regard to actual damage responsibility, the following applies:

1. If the customer or his employees cause damage (accidentally or purposely), then the customer should be billed for damages.
2. If a visitor, commercial vehicle, or general public vehicle damages a meter, damage relief should come from that person or firm causing the damage. Damage relief shall not come from the customer, unless it can be proven that the damage by a third party resulted from negligence on the customer's part.

Piedmont Natural Gas Company

Nashville Gas Company Service Regulations

Section 3 – FUEL LINES

Customer gas fuel lines installed on Company mains shall comply with provisions of the Southern Gas Code (SBCCI), the appropriate gas code recognized by the Metropolitan Government of Nashville and Davidson County, Nashville Gas, or other county regulations. The care and maintenance of all customer-owned underground fuel lines is the responsibility of the customer. All piping carrying metered gas is considered a fuel line. When in place in a finished building, hidden from view and not easily accessible, the piping is considered a concealed fuel line. All fuel lines will be (a) standard threaded and coupled or welded steel minimum schedule 40 pipe (depending on operating pressure), or (b) plastic pipe or tubing of the following types: TR-418 PE 2306 -- orange color, Drisco 7000 or 8000 PE 3406 -- black color, or approved equal.

Fuel Lines May

- Be installed underground in accordance with applicable codes to include corrosion protection.
- Be installed to serve any number of buildings if all the buildings are located on a single or continuous tract of land with common ownership.
- Be concealed if installed in accordance with applicable codes.

Fuel Lines May Not

- Be smaller than 1-1/4" coated steel or 1-1/8" x.090 wt Polyethylene (PE) tubing if installed underground (unless serving only gaslights, grills, or logs). Fuel lines to remote heating units may be smaller as approved by the Service Department. The Service Department will determine the size of fuel lines for mobile homes.
- Extend to or across property under different ownership.
- Cross any public street, alley, or highway. Fuel lines shall be sized to have a minimum pressure drop between the meter outlet and any appliance of 0.3-inch water column. Those fuel lines served from standard pressure distribution systems will be sized on 0.2-inch water column pressure drop.

Installation Charges

All fuel lines will be installed at the customer's expense with one exception: when determined necessary, the Company may choose to install a fuel line instead of a service line. In this event, ownership with maintenance responsibility shall remain with the customer. In such cases, footage of fuel line installed shall be equal to the footage of

service line that would be "free service" if the customer were served in the usual manner (a "farm tap" customer is an example). Charges for residential underground fuel lines will be "Time & Material." Pre-installation estimates may be obtained from the Service Department (for plastic tubing) or the Construction Department (for all other underground fuel lines). The customer at his expense will replace any sidewalk or pavement cut. The customer will be charged "Time and Materials" for all fuel line repairs (excluding tubing to gaslights and grills) made by the Company.

Commercial or Industrial Fuel Lines

Commercial or Industrial fuel line piping work requests shall be referred to local plumbing contractors, except in special cases as approved by the Superintendent of Construction and the General Manager of Marketing. If the Company installs a customer's underground fuel line, the charge will be "Time and Materials."

Nashville Gas Company Service Regulations

Section 4 – SERVICE LINES

Service lines are pipes used to carry unmetered gas from the main to the customer's meter. The preferred route of the service line will be from the nearest adequate main to four (4) feet beyond the customer's nearest building wall. Service lines, service relocations, and extensions may be installed in accordance with applicable codes by either the Company or by a contractor approved by the Company. The complete installation must be inspected and approved, prior to being backfilled, by the appropriate Company representative. In general, service lines should not be laid on vacant property adjoining the building to be served if there is likelihood that a building will be constructed on the vacant property. Service line installation policies are subject to conditions of gas supply and the Company's limited service attachment programs.

Customer Types

Residential

The Company will install free of charge 100 feet of service line for one major appliance, as defined in Section 1, where no main extension is required. The gas service line must extend along the route selected by the Company. In the event that the above conditions are not met, the service line installed for the customer must provide a reasonable return to the Company. If the customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas service line is more than the length allowed above and/or the service to be rendered to the customer will not produce a reasonable return to the Company, the Company may require the customer to pay the excess cost of constructing the facilities along the alternate route or in excess of the footage allowed and/or to make a contribution which will permit the Company to earn a reasonable return. In all cases any pavement or sidewalk cut will be replaced by and at the customer's expense.

Commercial or Industrial

For permanent use and where revenues provide a reasonable return to the Company, the Company will install free of charge 100 feet of service line measured from customer's property line or four feet past the nearest building wall, whichever is less.

Exceptions

In cases where there is exceptional cost due to length of service, paving (such as crossing major street), rock, etc., these service orders shall be reviewed by the Engineering Department on a case-by-case basis to determine if they meet the main extension policy provided in Section 5. The Vice President of Tennessee Operations and the Regional Sales Manager must approve these exceptions.

Excess Service

Excess service refers to that portion of the total cost of a service line installed for a customer that is in excess of the Company's justifiable investment and is that portion of service line cost paid for by the customer.

Repairs

Repairs to service lines damaged by others shall be charged at the Company's actual repair costs.

Service Extensions

A service extension includes all piping carrying unmetered gas from the termination of the previous service line to the inlet of the meter. Service extensions and relocations shall be installed at the customer's expense.

Branch Services

Branch services will be permitted only when the point of junction of the two services is either in the public right-of-way or on a customer's property. In the latter case, written and notarized permission of the property owner must be obtained and filed with the Register of Deeds of the appropriate county. In the case of services requiring in-line valves, the service must be branched in the public right-of-way, and the Construction Department must confirm presence of a valve in each branch.

Multiple Buildings on Same Lot

In those cases where two or more buildings are located on the same lot in such a manner as to be reasonably suited to subdividing, the Company will, if requested, run separate service lines to these buildings. However, if the buildings are not so situated (e.g. garage apartments or combination commercial and residential buildings), the Company will not run separate services except where the full cost of the additional service from main to meter, including paving, is borne by the customer.

Service Line Enlargements

If the load through an existing service is so increased as to require a larger service line, the Company will enlarge the existing service to a point four (4) feet beyond the customer's nearest outside building wall without charge. Any enlargement of the service line beyond this point will be at the customer's expense. Any fuel line changes will be at the customer's expense.

Shopping Centers

A shopping center shall be considered as a single structure containing a minimum of 7,500 square feet of floor space and a minimum of four (4) tenants or business stores operating within the structure. The Company shall install one service line and one bank of gas meters for each 12,000 square feet of floor space. The final number of meter banks shall be at the discretion of the Regional Sales Manager, based upon the size and layout of the particular shopping center under consideration.

Nashville Gas Company Service Regulations
Section 5 – MAINS

The Company has a policy of extending its main(s) to serve a new customer (or customers) provided such main extension is determined to be economically feasible. The criteria for economic feasibility shall be met when the total annual net revenue to be obtained from the customer (or customers) provides a rate of return that is equal to or greater than the overall cost of capital established in the Company's last general rate case.

The determination of the anticipated rate of return on the main extension will be based on a net present value (NPV) computation utilizing the following parameters:

1. Net revenues will be calculated by applying the applicable tariff margin rate to the estimated annual total usage and, where applicable, potential for future growth may be considered.
2. Estimated annual total usage shall be based on those appliances that will be in use during the first five (5) years of service, except as provided in paragraph 3 under "Main Extension Contract".
3. The required investment will be based upon engineering cost estimates as determined by the Company and will include the costs of all facilities required for providing service including material and labor costs associated with the installation of mains, service lines, metering and regulating equipment, easements, rights of way, street crossings, and all other required equipment or facilities.
4. The discount rate shall be equal to the overall cost of capital allowed in the Company's last general rate case adjusted for taxes and depreciation.
5. The discount period shall be equal to the economic useful life of the investment in the mains and services.
6. Main extensions producing a positive net present value at the end of the discount period shall be considered economically feasible.

Main Extension Contract

To the extent the net present value computation produces a negative result:

1. The customer shall pay to the Company an amount equal to the negative net present value at the end of the discount period, plus any additional funds required to provide for the payment of resulting taxes. This payment may be made in a lump sum or in periodic payments (without interest) -- annual, monthly, etc.
2. If within three (3) years after the original installation, the customer making the payment adds additional major or minor appliances, the Company will refund to the customer (if

paid in advance or credit his account if on extended terms), upon written request, an amount equal to the net annual revenues anticipated to be realized from the usage of the additional appliance(s).

3. If within three years after the original installation additional customers are connected to the main then the Company shall refund (or credit his account) to customers making the payment, upon written request, an amount equal to the net annual revenues anticipated to be realized from the additional customer(s).
4. In no case shall the customer making the payment be refunded more than he paid.

The above provisions assume that only one customer will make the payments. If two or more customers make the payments, the contract will be adjusted to reflect this fact; for example, if two customers made equal payments and a refund is due because one of the two has added an additional appliance, then the entire refund shall be paid to him.

Exceptions

The Company may make exceptions to the main extension rule when system improvements are realized by the extension.

Main Relocation

If a customer requests a re-routing or relocation of a main located on a public right-of-way, the customer will be charged for this work. If the main is located on private property, such as an easement, railroad right-of-way, the case will be referred to the Engineering Department for determination as to whether a charge shall be made. The same will apply to relocations or re-routings requested by a contractor. Repairs to mains damaged by a contractor will be charged to the contractor on a "Time and Materials" basis.

Aboveground Facilities

If the above-ground facilities (such as post regulators, vent pipe, etc.) are so located that they seriously interfere with, or make impracticable, the owner's use of this property, the relocation of such facility will be done at no cost to the customer. An example of serious interference would be when the aboveground facility was located in front of a proposed narrow driveway. In all other cases, the cost of relocation will be charged to the customer. In those cases where it is difficult to determine whether the customer is to be charged for the relocation, the decision shall be made by the Vice President of Tennessee Operations. The charge, unless specified for any of the above items, will be either of the following, at the customer's option, prior to commencement of work:

1. Estimated cost as determined by the Construction Department
2. Actual cost

Piedmont Natural Gas Company

Nashville Gas Company Service Regulations

Section 6 - Rules and Regulations Governing Supply & Consumption of Gas

The consumer agrees to the following rules and regulations, having made proper application and deposit for service with Nashville Gas Company.

1. Consumer is responsible for damage to any gas meter or equipment belonging to the Company placed on the premises occupied by the consumer and will immediately reimburse the Company for all costs of repairing or replacing same. In accordance with Item (1), Section 1220-4-5-. 18, Reasons for Denial of Service of the Tennessee Regulatory Authority's Rules and Regulations, a consumer may be refused service if consumer has damaged the Company's equipment or tampered with the lock on a meter. The Company will charge $45.00 for a broken meter lock.
2. Consumer will use gas supplied through Company's meter only. Use of other metering devices or bypassing equipment and tampering or adjustments on company-owned metering facilities by consumer are prohibited. The Company will not permit secondary meter billing.
3. In case the meter has failed to register the quantity of gas consumed, in whole or in part, the consumer will pay such reasonable sum as is ascertained to be due for the period involved.
4. The Company's authorized agents shall have access to consumer's premises at all reasonable times for the purpose of checking, reading, servicing, and disconnecting the meter; shutting off gas; and for such other purposes as the Company may deem advisable to protect its interests.
5. The Company shall be under no duty to inspect, repair, or maintain the service of other pipes, connections, equipment, or appliances located beyond the meter outlet on the premises of the consumer.
6. The consumer shall be liable and shall pay for all gas passing through the meter until it is turned off. When termination of service is requested, consumer must ensure that the Company receives either written or verbal notice at least two days prior to the desired date of termination. Access to the meter must be provided.
7. The consumer is entitled to the usual discount allowed by the Company if bills are paid within the first twelve days following the date bills are rendered. All gas bills are due when rendered and they will be considered as rendered when mailed to the address specified by the consumer. A residential, head of household consumer dependent on social security or other retirement check may request a net to gross

discount waiver. Qualified consumers will be granted a net to gross discount waiver and the account will be monitored for continuing compliance.

8. The Company shall have the right to shut off gas from any consumer who may be in arrears for a longer period than twenty days in paying for gas furnished hereunder or under any other prior or subsequent agreement, or for gas used by consumer at consumer's present or any prior or subsequent address, it being understood hereby that said twenty day period commences to run from date the bill is rendered as above defined. The Company will not shut off gas for non-payment without first mailing a notice to the consumer giving him seven days to pay for the bill in arrears.
9. The Company is authorized to require the consumer to make a deposit, or increase any existing deposit, in such amount as the Company deems proper for its protection before restoring gas service. The deposit amount will not exceed two consecutive billing periods or ninety (90) days, whichever is less.
10. If a consumer is found using gas service without having made proper application and deposit, a notice to the consumer will be delivered to the premises and the consumer will be allowed four days in which to make proper application before the service is discontinued.
11. All consumer deposits will accrue simple interest on the principal at the rate of six (6) percent per annum.
12. The Company will charge $55.00 during the months of February through August and $85 for the months of September through January for turning on a meter for an existing consumer or member of the same family or household at same address. This charge applies only to those consumers who have previously elected to have the meter turned off without discontinuing service or whose account has been closed because of non-payment of a bill.
13. In the event gas is shut off because of consumer's failure to pay, a charge will be made for each restoration. The Company will charge $55.00 during the months of February through August and $85 for the months of September through January plus payment of past due gas bills for turning on meters shut off for non-payment of bill. The Company will not be liable for damages for shutting off gas or for delay in restoring service. An additional deposit may also be required.
14. At the Company's option, special discounts may be offered to the approved reconnect fee to encourage customers to have their service reinstated during non-peak turn-on periods. Such special discounts will be made upon a 1 day notice to the Authority and will be available on a nondiscriminatory basis within the classifications of Sections 12 and 13 above. Notification will include the time period during which the promotion will be conducted as well as the terms and conditions of the promotion.

15. The consumer agrees to notify Company in advance of any planned change in physical premise or environment around meter or service to determine impact on safety cases, meter reading, and meter maintenance.
16. In the event the Company is unable, wholly or in part, by reason of force majeure to carry out its obligations to provide service, 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; breakage of or accidents to machinery, lines of pipe, or the Company's peak shaving plants; freezing of wells or lines of reduction in gas pressure by its suppliers; inability to obtain rights-of-way, permits, 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 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.
17. When the Company in its discretion determines that it is necessary to curtail service to maintain the integrity of its distribution system or to provide for its or the public's safety, the Company shall have the right to curtail delivery of gas to any consumer.
18. In the event of a failure or interruption of service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such failure or interruption due to accidents, force majeure, extreme weather conditions, or causes beyond its control.

DISCOVERY REQUEST NO. 19: Identify and produce copies of any and all documents referred to or relied upon in responding to CAPD's discovery requests.

RESPONSE:

Due to time constraints in preparing for Nashville Gas Company's rate case, this item is not being responded to at this time. It is believed that most of the information requested is included with the responses to the individual data request items.

DISCOVERY REQUEST NO. 20: Identify and produce all material provided to, reviewed by or produced by any expert or consultant retained by Petitioners' to testify or to provide information from which another expert will testify concerning this case.

RESPONSE:

Not applicable.

DISCOVERY REQUEST NO. 21: Identify and produce all work papers of Petitioners' proposed experts, including but not limited to file notes, chart notes, tests, test results, interview and/or consult notes and all other file documentation that any of Petitioners' expert witnesses in any way used, created, generated or consulted by any of Petitioners' expert witnesses in connection with the evaluation, conclusions and opinion in this matter.

RESPONSE:

No testimony has yet been prepared. The primary publications relied are the Tennessee Regulatory Authority Administrative Rule 1220-4-7 and Nashville Gas Company Service Schedule No. 11, Purchased Gas Adjustment Rider.

DISCOVERY REQUEST NO. 22: Identify and produce a copy of all trade articles, journals, treatises and publications of any kind in any way utilized or relied upon by any of Petitioners' proposed expert witnesses in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

No testimony has yet been prepared. The primary publications relied are the Tennessee Regulatory Authority Administrative Rule 1220-4-7 and Nashville Gas Company Service Schedule No. 11, Purchased Gas Adjustment Rider.

DISCOVERY REQUEST NO. 23: Identify and produce a copy of all documents which relate or pertain to any factual information provided to, gathered by, utilized or relied upon by any of Petitioners' proposed expert witnesses in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

No testimony has yet been prepared. The primary publications relied are the Tennessee Regulatory Authority Administrative Rule 1220-4-7 and Nashville Gas Company Service Schedule No. 11, Purchased Gas Adjustment Rider.

DISCOVERY REQUEST NO. 24: Identify and produce a copy of all articles, journals, books or speeches written by or co-written by any of Petitioners' expert witnesses, whether published or not.

RESPONSE:

Not applicable.