

LAW OFFICES

NELSON MULLINS RILEY & SCARBOROUGH, L.L.P.

A REGISTERED LIMITED LIABILITY PARTNERSHIP

JAMES H. JEFFRIES IV
(704) 417-3103

INTERNET ADDRESS: JJ5@NMRS.COM

BANK OF AMERICA CORPORATE CENTER

SUITE 2400

100 NORTH TRYON STREET

CHARLOTTE, NORTH CAROLINA 28202-4000

TELEPHONE (704) 417-3000

FACSIMILE (704) 377-4814

WWW.NMRS.COM

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September 15, 2003

VIA ELECTRONIC AND HAND DELIVERY: Pat.Miller1@state.tn.us

The Honorable Pat Miller
Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: 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
Docket No. 03-00313

Dear Director Miller:

Attached hereto are the responses of Nashville Gas Company and the Consumer Advocate to the Tennessee Regulatory Authority's first Data Requests on the Stipulation filed in this proceeding on September 9, 2003 by Nashville Gas Company and the Consumer Advocate. The Consumer Advocate will be filing a concurrent response to questions 1, 2 and 8 of the TRA's Data Requests.

In providing these responses, Nashville Gas Company would like to emphasize the fact that the Stipulation and the underlying agreement to settle this case were very difficult to reach and were entered into with the express agreement by both parties that they were both comprehensive and integrated in nature. As such, under the terms of the Stipulation, neither party is bound to the terms of the Stipulation if it is materially altered. Further, although Nashville Gas Company agreed to certain adjustments proposed by the Consumer Advocate in this case in reaching settlement, this agreement was premised on the further agreement that no precedential effect would be claimed or given to the fact of these adjustments. From Nashville Gas Company's perspective, each of these aspects of the Stipulation was an important and material condition to Nashville Gas' willingness to agree to the other terms of settlement.

With respect to the Authority's questions regarding capital structure and cost of debt/capital, it is apparent from the attached that no unified agreement between the parties was reached with respect to these matters and that the parties bridged the gap between their respective positions by agreeing to a "bottom line" revenue increase. As

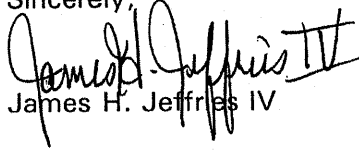
The Honorable Pat Miller

Page 2

such, the calculations of capital structure and cost of debt/capital reflected in these responses are illustrative only.

If the Authority has any further questions about the Stipulation or the responses attached hereto, please let us know.

Sincerely,



James H. Jeffries IV

JHJ/srl

Attachments

c: Mr. Timothy Phillips (via email)
Mr. George Godwin (via FedEx)
Mr. R. Dale Grimes (via email)

**NASHVILLE GAS COMPANY
A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC.
TENNESSEE REGULATORY AUTHORITY
DOCKET NO. 03-00313**

RESPONSES TO TRA DATA REQUESTS:

Rate Base

1. According to Item 8a of the Stipulation, the parties have settled on a Rate Base of \$259,859,927. Provide a schedule laying out the components of this Rate Base including Working Capital and Lead Lag results, in a format consistent with Exhibit CAPD, Schedules 2, 3, 4, and 5. Include in these schedules appropriate documentation showing the adjustments agreed to by the parties as described in Item 6 of the Stipulation.

RESPONSE: Copies of the requested schedules will be provided by the Consumer Advocate by separate response.

Operating Income

2. According to Item 8b of the Stipulation, the parties have settled on an operating income under current rates of \$15,602,432. Provide schedules laying out the details of this Operating Income in a format consistent with Exhibit CAPD, Schedules 7 & 8. Include in these schedules appropriate documentation showing all adjustments agreed to by the parties as described in Item 6 of the Stipulation.

RESPONSE: Copies of the requested schedules will be provided by the Consumer Advocate by separate response.

3. According to Footnote 1 of the Stipulation, the parties state that the TRA Staff has identified certain adjustments that are taken into account in the proposed \$10,300,000 increase in base rates. Provide a schedule documenting how these changes were taken into account in the calculation of Rate Base and Operating Income.

RESPONSE: A copy of the requested schedule is attached.

4. According to item 6 (j) of the Stipulation, the Company has eliminated the expense related to the short-term incentive plan (MVP). Have the parties also eliminated the effects of other similar employee incentive plans, such as the Long-Term Incentive plan,

the IS Premium Skills Incentive Award, and the Gas Supply Incentive Compensation Program? Provide a calculation of the total amount of all employee incentive plans.

RESPONSE: As part of the overall integrated settlement agreement reflected in the Stipulation, Nashville Gas Company agreed to the Consumer Advocate's proposal to eliminate the expense associated with Nashville Gas Company's MVP plan from the revenue request in this rate case. That agreement was reached on the express condition that no treatment of any expense or other item in the Stipulation, including MVP expense, would create a precedent with respect to how such item should be treated in any other proceeding or for any other purpose. No adjustments to expenses associated with other Nashville Gas Company employee incentive plans were proposed or agreed to as part of the Stipulation inasmuch as the Company's filing treated all such other employee incentive plans in a manner consistent with the TRA's ruling in the Company's last litigated general rate case.

Rate Design

5. Refer to Schedule 1 of the Stipulation. Provide a calculation showing the base margin rates along with the attrition period determinants that produce the proposed revenue increase contained in the Stipulation, in the same format as Exhibit CAPD, Schedule 13, Pages 1 and 2.

RESPONSE: A copy of the requested schedule is attached.

6. Refer to Schedule 2 of the Stipulation. Provide a calculation of both the dollar and percentage impact on each rate schedule, within each rate class, for the fixed cost reallocation included in the parties proposed Stipulation.

RESPONSE: A schedule reflecting the requested calculation is attached.

7. Refer to Schedule 3 of the Stipulation.
 - a. Provide a copy of the Company's weather normalization calculation that supports each of these WNA components.

RESPONSE: A schedule reflecting the requested weather normalization calculation is attached.

Capital Structure, Cost of Capital, Rate of Return

8. Refer to Stipulation 6 on Page 2. Provide capital structure, the embedded cost of debt, return on equity, and the overall cost of capital proposed by each party during the settlement negotiations.

RESPONSE: As is set forth in the Stipulation, Nashville Gas Company and the Consumer Advocate were unable to agree to a specific capital structure, cost of debt, return on equity or the resulting overall cost of capital through the process of negotiation. Ultimately, Nashville Gas Company and the Consumer Advocate were able to agree to a dollar figure of \$10,300,000 representing the agreed appropriate revenue increase in this case. The respective positions of the parties with respect to capital structure, embedded cost of debt, return on equity and overall cost of capital are reflected in their prefiled testimony. The parties modified various aspects of those positions somewhat during settlement discussions in an effort to find common ground upon which to settle the case. None of these adjustments (either individually or collectively or in any combination) were utilized by the parties jointly as the basis for the settlement. Instead, each party determined to its own satisfaction that the stipulated revenue increase was just and reasonable in the context of their individual evaluation of the risks and potential benefits of a litigated result in this docket and the other revenue adjustments referenced above. Nevertheless, the Company is attaching three capital structure/rate of return schedules. The first schedule shows the capital structure, cost of debt and 11.7% return on equity that would result from the use of the CAPD's pre-filed capital structure. The second schedule shows the capital structure, cost of debt and 9.24% return on equity that would result from the use of the Company's pre-filed capital structure and cost of debt. The third schedule shows the capital structure that would result if the information used by the CAPD in its pre-filed capital structure were updated to June 30, 2003, the Company's pre-filed cost of long-term debt, the Company's most recent cost of short term debt and 9.94% return on common equity. The Consumer Advocate will file a separate response to this data request.

MARGIN**NASHVILLE GAS DIVISION
PRO FORMA MARGIN CALCULATIONS**

Page 1 of 2

(dekatherms)	12 Mon 12/31/02 Test Period Actual (1)	Normalized Adjustment (2)	Normalized (3)	12 Mon 10/31/04 Growth Adj Thru Attrition Period (4)	Proforma (5)	4/1/2003 Billing Rates (6)	Proforma Margin (7)
Rate Schedule							
Residential 01							
Bills	1,560,177			66,911	1,627,088	\$8.00	\$13,016,704
Winter	8,093,203	(213,034)	7,880,168	337,955	8,218,123	\$2.9884	\$24,559,039
Summer	2,266,588	747	2,267,335	97,390	2,364,725	\$2.6255	\$6,208,584
Discounted A/C	3,527		3,527		3,527	\$2.2255	\$7,850
Total Residential	10,363,318	(212,288)	10,151,030	435,345	10,586,375		\$ 43,792,177
Commercial 02							
Bills	195,883			4,189	200,072	\$22.00	\$4,401,584
Winter	4,813,742	(136,269)	4,677,473	100,029	4,777,501	\$3.4839	\$16,644,337
Summer	1,962,334	28,925	1,991,259	42,584	2,033,843	\$3.1233	\$6,352,300
Total Commercial	6,776,076	(107,344)	6,668,732	142,612	6,811,344		\$ 27,398,221
Firm Industrial Sales							
Bills	701			(11)	690	\$0.00	\$0
Demand dekatherms	81,395			(195)	81,200	\$8.00000	\$649,601
First 1,500	570,401	0	570,401	3,229	573,630	\$0.8918	\$511,564
Next 2,500	136,470	0	136,470	(394)	136,076	\$0.8195	\$111,514
Next 5,000	2,401	0	2,401	0	2,401	\$0.5904	\$1,418
Over 9,000	0	0	0	0	0	\$0.2530	\$0
Total Firm Ind Sales	709,273	0	709,273	2,835	712,108		\$ 1,274,097
Interruptible Industrial Sales							
Bills	69			(32)	37	\$300.00	\$11,100
First 1,500	67,557	0	67,557	(37,850)	29,707	\$0.8034	\$23,867
Next 2,500	61,445	0	61,445	(22,000)	39,445	\$0.7382	\$29,118
Next 5,000	49,225	0	49,225	(6,000)	43,225	\$0.5319	\$22,991
Over 9,000	3,337	0	3,337	0	3,337	\$0.2280	\$761
Total Interruptible Ind Sales	181,563	0	181,563	(65,850)	115,713		\$ 87,837

MARGIN**NASHVILLE GAS DIVISION
PRO FORMA MARGIN CALCULATIONS**

Page 2 of 2

(dekatherms)	12 Mon 12/31/02 Test Period Actual (1)	Normalized Adjustment (2)	Normalized (3)	12 Mon 10/31/04 Growth Adj Thru Attrition Period (4)	Proforma (5)	4/1/2003 Billing Rates (6)	Proforma Margin (7)
Rate Schedule							
Firm Industrial Transportation							
Bills	1,120			(8)	1,112	\$0.00	\$0
Demand dekatherms	164,384			(159)	164,225	\$8.00000	\$1,313,800
First 1,500	1,177,166	0	1,177,166	(1,290)	1,175,876	\$0.8918	\$1,048,647
Next 2,500	597,032	0	597,032	(7,000)	590,032	\$0.8195	\$483,531
Next 5,000	210,348	0	210,348	0	210,348	\$0.5904	\$124,190
Over 9,000	52,943	0	52,943	0	52,943	\$0.2530	\$13,395
Total Firm Transp	2,037,490	0	2,037,490	(8,290)	2,029,200		\$ 2,983,563
Interruptible Industrial Transportation							
Bills	641			10	651	\$300.00	\$195,300
First 1,500	857,920	0	857,920	770	858,690	\$0.8034	\$689,872
Next 2,500	1,032,252	0	1,032,252	(6,500)	1,025,752	\$0.7382	\$757,210
Next 5,000	1,176,317	0	1,176,317	(31,785)	1,144,532	\$0.5319	\$608,776
Over 9,000	4,460,371	0	4,460,371	(780,209)	3,680,162	\$0.2280	\$839,077
Total Int Transp	7,526,859	0	7,526,859	(817,724)	6,709,135		\$ 3,090,235
Smyrna							
Bills	36			0	36		
Demand	15,600	0	15,600	0	15,600	\$8.0000	\$124,800
Commodity	49,333	0	49,333	0	49,333	\$0.7000	\$34,533
							\$ 159,333
Special Contracts	2,852,699	0	2,852,699	0	2,852,699		\$ 752,415
Annual Total - DT's	30,496,610	(319,632)	30,176,978	(311,072)	29,865,906		
Annual Total - Bills	1,758,627			71,059	1,829,686		
Annual Total - Margin							\$ 79,537,878
Filed Attrition Period Margin							\$80,370,100
Degree Day Adjustment							(\$832,222)

Nashville Gas Company
Corp. Payroll Adjustment

Positions Added Since Filing:

Rates Analyst	\$48,000
Rates Analyst	58,000
Planning Analyst	<u>50,000</u>
	\$156,000

Positions Deleted Since Filing:

Supervisor-Constr. Serv.	(55,000)
Senior Data Analyst	(65,000)
OD Project Mgr.	(60,000)
Business Development Analyst	(13,000)
HR Mgr.	<u>(72,000)</u>
	(265,000)

Net Decrease	(109,000)
Tenn. %	<u>23.96%</u>
Attrition Period Adjustment	(\$26,116)

Nashville Gas Company
Expense Coding Error Adjustment

Average over-allocation per month	(\$13,800)	
	<u>12</u>	
Annual Amount	(165,600)	
% Overallocated	<u>76.04%</u>	(100%-23.96%)
Amount overallocated	(125,922)	
Inflation Factor	<u>1.0370</u>	
Attrition Period Adjustment	(\$130,581)	

Piedmont Natural Gas Company
Tennessee Operations
Long-Term Incentive Plan
Attrition Period Twelve Months Ending October 31, 2004

Line No.		
1	Pro forma expense for the long-term incentive plan (a)	\$10,641,890
2	Number of years in the accrual period	<u>3</u>
3	Annualized amount (Line 1 / Line 2)	<u>\$3,547,297</u>
4	Tennessee portion (b)	\$893,751
5	Add dividend equivalent payments (c)	<u>196,426</u>
6	Total	1,090,177
7	Sharing %	<u>50%</u>
8	Attrition Period Amount	545,089

(a)	Number of units in the plan for Award No. 6 for periods ending October 31, 2006	304,054	
	Estimated common stock market price per share	\$35.00	
	Estimated award level	100.00%	
	Pro forma expense	\$10,641,890	
(b)	Based on units awarded:		
	To 3-state employees	268,415	88.28%
	Tennessee % *		23.96%
	Tennessee portion (Line 3 X 88.28% X 23.96%)		750,309
	To Tennessee direct	12,295	4.04%
	Tennessee % *		100.00%
	Tennessee portion (Line 3 X 4.04% X 100.00%)		<u>143,442</u>
	Total		<u>893,751</u>
	* Net plant as of December 31, 2002.		
(c)	Dividend equivalent payments:		
	Current quarterly dividend rate	\$0.415	
	Award No. 5:		
	Units attributable to 3-state employees **	147,028	
	Annualized dividend equivalent	244,066	
	Tennessee allocation (at net plant %)		58,478
	Units attributable to Tennessee direct **	6,494	
	Annualized dividend equivalent		10,780
	Award No. 6:		
	Units attributable to 3-state employees	268,415	
	Annualized dividend equivalent	445,569	
	Tennessee allocation (at net plant %)		106,758
	Units attributable to Tennessee direct	12,295	
	Annualized dividend equivalent		<u>20,410</u>
	Total		<u>196,426</u>
	Total		
	** After assumed distribution in December 2003.		

16-Sep-03
BLG
Long-Term Incentive Plan Expense

Piedmont Natural Gas Company
Tennessee Operations
IS Premium Skills Incentive Plan
Attrition Period Twelve Months Ending October 31, 2004

Total Company Amount	\$239,266
Tenn. %	<u>23.96%</u>
Attrition Period Amount	\$57,328

Piedmont Natural Gas Company
Tennessee Operations
Gas Supply Incentive Plan
Attrition Period Twelve Months Ending October 31, 2004

Total Company Amount	\$46,560
Tenn. %	<u>23.96%</u>
Attrition Period Amount	\$11,156

Nashville Gas Company
Sales and Transportation Rates and Revenue Summary
For the 12 Months Ending 10/31/04

03-00313
CAPD Exhibit
Schedule 13
Page 1 of 2

	(1) Current Rates	(2) Proposed Stipulated Rates	(3) % Incr.
Residential			
Winter Bills/ Customer Charge	\$8.00	\$13.00	63%
Summer Bills/ Customer Charge	\$8.00	\$10.00	25%
Winter	2.9884	3.2000	7%
Summer	2.6255	2.7000	3%
Discounted (A/C rate)	2.2255	2.7000	21%
Total rate (1)			17%
Commercial			
Rate 302, 332 Bills/ Customer Charge	22.00	29.00	32%
Rate 352, 362 Bills/ Customer Charge	22.00	75.00	241%
Winter	3.4839	3.5400	2%
Summer	3.1233	3.0300	-3%
Total rate (2)			5%
Firm Ind. Sales			
Bills/ Customer Charge	0.00	300.00	0%
Demand dekatherms	8.0000	8.0000	0%
1-1,500	0.8918	0.9742	9%
1,501-4,000	0.8195	0.8953	9%
4,001-9,000	0.5904	0.6450	9%
9,001 & Over	0.2530	0.2764	9%
Total rate (3)			21%
Interruptible Sales			
Customer Charge	300.00	300.00	0%
1-1,500	0.8034	0.9742	21%
1,501-4,000	0.7382	0.8953	21%
4,001-9,000	0.5319	0.6450	21%
9,001 & Over	0.2280	0.2764	21%
Total rate (4)			19%
Firm Transportation			
Bills/ Customer Charge	0.00	300.00	0%
Billing Determinates	8.0000	8.0000	0%
1-1,500	0.8918	0.9742	9%
1,501-4,000	0.8195	0.8953	9%
4,001-9,000	0.5904	0.6450	9%
9,001 & Over	0.2530	0.2764	9%
Total rate (7F)			16%
Interruptible Transportation			
Customer Charge	300.00	300.00	0%
1-1,500	0.8034	0.9742	21%
1,501-4,000	0.7382	0.8953	21%
4,001-9,000	0.5319	0.6450	21%
9,001 & Over	0.2280	0.2764	21%
Total rate (7I)			20%
Total Industrial			19%
Special Contracts	752,415	752,415	0%
Resale Service			
Demand	0.00	0.00	0%
Commodity	8.0000	8.0000	0%
Commodity	0.7000	0.9000	29%
Total rate (10)			
Total sales & transp.	79,618,868	10,118,315	13%
Other Revenues			
Other Revenues	360,851	494,471	37%
Revenues before forfeited discounts	80,811,622	18,321,934	12%
Forfeited Discounts	1,455,130	1,635,138	5%
Total Revenues	82,266,752	10,327,950	12%

Nashville Gas Company
Sales and Transportation Rates and Revenues
For the 12 Months Ending 10/31/04

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Projected	Projected	Current (4/1/2003)		Proposed		%
	DKTH/A	Bills and	Rates	Margin	Rates	Margin	Incr.
		OTH Demand					
Residential							
Winter Bills/ Customer Charge		686,032	\$8.00	\$5,488,256	\$13.00	\$8,918,416	63%
Summer Bills/ Customer Charge		941,056	\$8.00	\$7,528,448	\$10.00	\$9,410,560	25%
Winter	8,218,982		2.9884	24,561,606	3.2000	26,300,742	7%
Summer	2,363,722		2.6255	6,205,952	2.7000	6,382,049	3%
Discounted (A/C rate)	3,527		2.2255	7,849	2.7000	9,523	21%
Total rate (1)	10,586,231	1,627,088		43,792,111		51,021,291	17%
Commercial							
Rate 302, 332 Bills/ Customer Charge		199,748	22.00	\$4,394,456	29.00	\$5,792,692	32%
Rate 352, 362 Bills/ Customer Charge		324	22.00	\$7,128	75.00	\$24,300	241%
Winter	4,800,425		3.4839	16,724,201	3.5400	16,993,505	2%
Summer	2,034,225		3.1233	6,353,495	3.0300	6,163,702	-3%
Total rate (2)	6,834,650			27,479,280		28,974,198	5%
Firm Ind. Sales/Bills							
Bills/ Customer Charge		690	0.00	0	300.00	\$207,000	
Demand dekatherms		81,200	8.0000	649,600	8.0000	\$649,600	0%
1-1,500	573,630		0.8918	511,563	0.9742	558,830	9%
1,501-4,000	136,076		0.8195	111,514	0.8953	121,829	9%
4,001-9,000	2,401		0.5904	1,418	0.6450	1,549	9%
9,001 & Over	0		0.2530	0	0.2764	0	9%
Total rate (3)	712,107			1,274,095		1,538,808	21%
Interruptible Sales							
Customer Charge		37	300.00	11,100	300.00	\$11,100	0%
1-1,500	29,707		0.8034	23,867	0.9742	28,941	21%
1,501-4,000	39,445		0.7382	29,118	0.8953	35,315	21%
4,001-9,000	43,225		0.5319	22,991	0.6450	27,880	21%
9,001 & Over	3,337		0.2280	761	0.2764	922	21%
Total rate (4)	115,714			87,837		104,158	19%
Firm Transportation							
Bills/ Customer Charge		1,112	0.00	0	300.00	\$333,600	
Billing Determinates		164,225	8.0000	1,313,800	8.0000	\$1,313,800	0%
1-1,500	1,175,876		0.8918	1,048,646	0.9742	1,145,538	9%
1,501-4,000	590,032		0.8195	483,531	0.8953	528,256	9%
4,001-9,000	210,348		0.5904	124,189	0.6450	135,674	9%
9,001 & Over	52,943		0.2530	13,395	0.2764	14,633	9%
Total rate (7F)	2,029,199			2,983,561		3,471,502	16%
Interruptible Transportation							
Customer Charge		651	300.00	195,300	300.00	\$195,300	0%
1-1,500	858,690		0.8034	689,872	0.9742	836,536	21%
1,501-4,000	1,025,752		0.7382	757,210	0.8953	918,356	21%
4,001-9,000	1,144,532		0.5319	608,777	0.6450	738,223	21%
9,001 & Over	3,680,162		0.2280	839,077	0.2764	1,017,197	21%
Total rate (7I)	6,709,136			3,090,235		3,705,611	20%
Total Industrial	9,566,156	2,490		7,435,729		8,820,079	19%
Special Contracts							
	2,852,699			752,415		752,415	0%
Resale Service							
Demand		36	0.00	0	0.00	0	
Commodity	49,333	15,600	8.0000	124,800	8.0000	124,800	0%
Total rate (10)	49,333		0.7000	34,533	0.9000	44,400	29%
Total Bills	888,306			159,333		169,200	6%
Increase							
Total sales & trans.	29,889,069	888,306		79,618,868	10,118,315	89,737,183	13%
	11,591,034	(Transported)					
	18,298,035	(Sold)					
Other Revenues				360,851	133,620	494,471	37%
Revenues before forfeited discounts				80,811,622	10,251,935	90,231,654	12%
Forfeited Discounts				1,559,123	76,015	1,635,138	5%
Total Revenues				82,266,752	10,327,950	91,866,792	12%

Revenue Increases		Existing	Proposed	Percent Increase In Revenue	Amount Of Increase
Residential		\$118,944,864	\$125,486,664	5.5%	\$6,541,800
Commercial		\$75,730,195	\$77,147,270	1.9%	\$1,417,075
Industrial Sales		\$7,380,189	\$7,691,164	4.2%	\$310,975
Transportation		\$70,980,196	\$72,069,697	1.5%	\$1,089,501
based upon a market price of gas consistent with filed revenues					
this is equal to				\$0.11 /dt	
					<u><u>\$9,359,351</u></u>

Comparison of Fixed Gas Costs Stipulated Rate Design	Proforma Billing Determinates	Current Fixed Pipeline Rates	Current Fixed Pipeline Recovery	Revised Fixed Pipeline Rates	Revised Fixed Pipeline Recovery	Increase/ Decrease	Percent Change
Residential Rate:							
Standard Rate							
Winter Bills	441,347						
Winter dts	4,469,179	0.4182	1,869,011	\$ 0.5994	\$ 2,678,826	809,815	43%
Summer Bills	596,922						
Summer dts	996,028	0.4182	416,539	\$ 0.1001	\$ 99,702	(316,837)	-76%
Value Rate							
Winter Bills	244,685						
Winter dts	3,749,803	0.4182	1,568,168	\$ 0.2200	\$ 824,957	(743,211)	-47%
Summer Bills	344,134						
Summer dts	1,371,221	0.4182	573,445	\$ 0.1002	\$ 137,396	(436,048)	-70%
	10,586,231		\$ 4,427,162		\$ 3,740,881	(686,281)	-16%
Commercial:							
Rate 302							
Bills	156,710						
Winter dts	3,256,049	0.3792	1,234,921	\$ 0.5994	\$ 1,952,035	717,114	59%
Summer dts	571,689	0.3792	216,784	0.1000	\$ 57,169	(159,610)	-74%
Rate 332							
Winter Bills	17,580						
Winter dts	1,089,294	0.3792	413,060	\$ 0.2200	\$ 239,645	(173,416)	-42%
	320,775	0.3792	121,638	\$ 0.1100	\$ 35,285	(86,353)	-71%
Summer Bills	25,458						
Summer dts	1,182,347	0.3792	448,346	\$ 0.1500	\$ 177,352	(270,994)	-60%
	158,774	0.3792	60,207	\$ 0.0750	\$ 11,908	(48,299)	-80%
Rate 352							
Bills	30						
Winter dts	17,886	0.3792	6,782	\$ 0.2200	\$ 3,935	(2,847)	-42%
Summer dts	6,437	0.3792	2,441	\$ 0.1100	\$ 708	(1,733)	-71%
Rate 362							
Bills	121						
Winter dts	59,887	0.3792	22,709	\$ 0.2200	\$ 13,175	(9,534)	-42%
	55,934	0.3792	21,210	\$ 0.1100	\$ 6,153	(15,057)	-71%
Summer Bills	173						
Summer therms	82,041	0.3792	31,110	\$ 0.1500	\$ 12,306	(18,804)	-60%
	32,937	0.3792	12,490	\$ 0.0750	\$ 2,470	(10,019)	-80%
Total Com	6,834,650		\$ 2,591,699		\$ 2,512,142	(79,558)	-3%
Industrial:							
Firm Sales:							
Facility Charge	690			0			
Demand dekatherms	81,200	5.4409	441,800	5.4409	\$ 441,800	-	0%
First 1,500 dts	573,630	0.0249	14,283	\$0.0300	\$ 17,209	2,926	20%
Next 2,500	136,076	0.0205	2,790	\$0.0200	\$ 2,722	(68)	-2%
Next 5,000	2,401	0.0144	35	\$0.0120	\$ 29	(6)	-17%
Over 9,000 dts	0	0.0000	-	\$0.0000	\$ -	-	-
Total	712,107		458,908		\$ 461,760	2,852	1%
Interruptible Sales:							
Facility Charge	37			0	\$ -		
First 1,500 dts	29,707	0.2554	7,587	\$0.4500	\$ 13,368	5,781	76%
Next 2,500	39,445	0.2510	9,901	\$0.2000	\$ 7,889	(2,012)	-20%
Next 5,000	43,225	0.2449	10,586	\$0.1500	\$ 6,484	(4,102)	-39%
Over 9,000 dts	3,337	0.2305	769	\$0.1000	\$ 334	(435)	-57%
Total	115,714		28,843		\$ 28,075	(768)	-3%
Firm Transportation:							
Facility Charge	1,112			0	\$ -		
Standby Demand	0				\$ -		
Demand dekatherms	164,225	5.4409	893,530	5.4409	\$ 893,530	-	0%
First 1,500 dts	1,175,876	0.0249	29,279	0.0300	\$ 35,276	5,997	20%
Next 2,500	590,032	0.0205	12,096	0.0200	\$ 11,801	(295)	-2%
Next 5,000	210,348	0.0144	3,029	0.0120	\$ 2,524	(505)	-17%
Over 9,000 dts	52,943	0.0000	-	0.0000	\$ -	-	-
Total	2,029,199		937,934		\$ 943,131	5,197	1%
Interruptible Transportation:							
Facility Charge	651			0	\$ -		
First 1,500 dts	858,890	0.0249	21,381	0.0300	\$ 25,761	4,379	20%
Next 2,500	1,025,752	0.0205	21,028	0.0200	\$ 20,515	(513)	-2%
Next 5,000	1,144,532	0.0144	16,481	0.0120	\$ 13,734	(2,747)	-17%
Over 9,000 dts	3,680,162	0.0000	-	0.0000	\$ -	-	-
Total	6,709,136		58,891		\$ 60,010	1,120	2%
Sale for Resale - Rate 10							
Demand	15,600	5.4409	84,879	5.44	\$ 84,878	(1)	0%
Commodity	49,333	0.0171	844	0.0171	\$ 844	-	0%
TOTALS			\$ 8,589,159		\$ 7,831,720	(757,439)	-9%

Tennessee

Residential - Value

Heat

Base

	<u>MONTH</u>	<u>CUST</u>	<u>therms</u>	<u>DD</u> <u>15-15</u>	<u>MMBTU/Cust</u>		
2002	Jan	46,678	9,886,230	854	21.17963495		
	Feb	46,823	7,761,139	657	16.57548427		
	Mar	46,916	7,187,291	562	15.31948802		
	Apr	47,019	4,454,000	337	9.472766329		
	May	47,101	2,007,613	82	4.262357487		
	Jun	47,222	1,824,535	54	3.863739359		
	Jul	47,391	1,257,808	0	2.65410732		
	Aug	47,245	1,113,983	0	2.357885491		
	Sep	47,001	1,169,316	0	2.48785345		
	Oct	47,003	1,397,510	36	2.973235751		
	Nov	47,035	3,512,814	349	7.468510684		
	Dec	47,171	8,427,190	761	17.8651926	0.021337057	2.308653
		564,605	49,999,429	3692.0		0.000806408	0.353215
		329,982	13,224,765	88.3		0.985917461	0.870895
		234,623	36,774,664	2.450%			

NASHVILLE GAS COMPANY DIVISION RESIDENTIAL - VALUE

REV-8

BASE FACTOR 2.308653386
HEAT FACTOR 0.021337
CORRELATION 98.59%

NORMALIZED

<u>NORMAL</u> <u>DD</u>		<u>MONTH</u>	<u>BASE</u> <u>CUST</u>	<u>BASE</u> <u>VOL</u>	<u>HEAT</u> <u>VOL</u>	<u>TOTAL</u> <u>VOL</u>
842.3	2002	Jan	46,678	107,763	838,907	946,670
807.9		Feb	46,823	108,098	807,145	915,243
513.3		Mar	46,916	108,313	513,839	622,151
331.6		Apr	47,019	108,551	332,677	441,227
114.1		May	47,101	108,740	114,670	223,410
13.7		Jun	47,222	109,019	13,804	122,823
0.2		Jul	47,391	109,409	202	109,612
0		Aug	47,245	109,072	0	109,072
1.8		Sep	47,001	108,509	1,805	110,314
89.6		Oct	47,003	108,514	89,860	198,374
318.6		Nov	47,035	108,588	319,743	428,331
570.6		Dec	47,171	108,901	574,303	683,205
3,603.7		TOTAL	564,605	1,303,477	3,606,955	4,910,432

WINTER VOLUME
SUMMER VOLUME

Actual	Normal
3,677,466	3,595,600
1,322,477	1,314,832
4,999,943	4,910,432

Tennessee

Residential - Standard

Heat

Base

	<u>MONTH</u>	<u>CUST</u>	<u>therms</u>	<u>DD</u> <u>15-15</u>	<u>MMBTU/Cust</u>
2002	Jan	83,875	11,930,270	854	14.22383446
	Feb	84,234	9,410,820	657	11.17220749
	Mar	84,401	8,735,380	562	10.34982868
	Apr	83,718	4,907,241	337	5.861602242
	May	82,724	1,492,244	82	1.803873791
	Jun	81,348	989,342	54	1.21617873
	Jul	80,788	450,244	0	0.55731284
	Aug	80,896	414,075	0	0.511858549
	Sep	81,093	457,189	0	0.56378093
	Oct	81,805	766,050	36	0.936429647
	Nov	84,402	3,761,641	349	4.45680397
	Dec	86,284	10,319,252	761	11.95960744
		995,572	53,633,748	3692.0	
		572,375	9,476,387	88.3	
		423,197	44,157,361	2.450%	

0.015957352 0.391564
0.000570532 0.249899
0.987378192 0.616156

NASHVILLE GAS COMPANY DIVISION RESIDENTIAL - STANDARD

REV-9

BASE FACTOR 0.391564466
HEAT FACTOR 0.015957
CORRELATION 98.74%

NORMALIZED

<u>NORMAL</u> <u>DD</u>	<u>MONTH</u>	<u>BASE</u> <u>CUST</u>	<u>BASE</u> <u>VOL</u>	<u>HEAT</u> <u>VOL</u>	<u>TOTAL</u> <u>VOL</u>
842.3	2002 Jan	83,875	32,843	1,127,356	1,160,199
807.9	Feb	84,234	32,983	1,085,943	1,118,926
513.3	Mar	84,401	33,049	691,323	724,371
331.6	Apr	83,718	32,781	442,993	475,774
114.1	May	82,724	32,392	150,619	183,011
13.7	Jun	81,348	31,853	17,784	49,637
0.2	Jul	80,788	31,634	258	31,892
0	Aug	80,896	31,676	0	31,676
1.8	Sep	81,093	31,753	2,329	34,083
89.6	Oct	81,805	32,032	116,964	148,996
318.6	Nov	84,402	33,049	429,102	462,151
570.6	Dec	<u>86,284</u>	<u>33,786</u>	<u>785,641</u>	<u>819,426</u>
3,603.7	TOTAL	995,572	389,831	4,850,310	5,240,141

WINTER VOLUME
SUMMER VOLUME

Actual
4,415,736
947,639

Normal
4,285,073
955,068

5,363,375

5,240,141

Tennessee

302's Commercial

Heat

Base

	<u>MONTH</u>	<u>CUST</u>	<u>THERMS</u>	<u>DD</u> <u>15-15</u>	<u>MMBTU/Cust</u>
2002	Jan	13,130	9,060,211	854	69.00389406
	Feb	13,168	6,815,278	657	51.75636703
	Mar	13,136	6,060,886	562	46.13951107
	Apr	12,960	2,931,141	337	22.61682567
	May	12,755	797,902	82	6.25559855
	Jun	12,596	424,538	54	3.370422896
	Jul	12,532	268,964	0	2.146217364
	Aug	12,410	251,258	0	2.024643892
	Sep	12,369	247,457	0	2.000619242
	Oct	12,387	529,762	36	4.276757891
	Nov	12,695	2,591,800	349	20.41591178
	Dec	13,291	8,424,496	<u>761</u>	<u>63.38496727</u>
		153,429	38,403,693	3692.0	

0.079247436	0.067517
0.002907906	1.273693
0.986714383	3.140445

NASHVILLE GAS COMPANY DIVISION
SMALL GENERAL SERVICE - STANDARD

REV-10

BASE FACTOR	0.067516885
HEAT FACTOR	0.079247
CORRELATION	98.67%

NORMALIZED

<u>NORMAL</u> <u>DD</u>		<u>MONTH</u>	<u>BASE</u> <u>CUST</u>	<u>BASE</u> <u>VOL</u>	<u>HEAT</u> <u>VOL</u>	<u>TOTAL</u> <u>VOL</u>
842.3	2002	Jan	13,130	886	876,429	877,316
807.9		Feb	13,168	889	843,068	843,957
513.3		Mar	13,136	887	534,342	535,229
331.6		Apr	12,960	875	340,569	341,444
114.1		May	12,755	861	115,332	116,194
13.7		Jun	12,596	850	13,675	14,526
0.2		Jul	12,532	846	199	1,045
0		Aug	12,410	838	0	838
1.8		Sep	12,369	835	1,764	2,599
89.6		Oct	12,387	836	87,955	88,791
318.6		Nov	12,695	857	320,526	321,383
<u>570.6</u>		Dec	<u>13,291</u>	<u>897</u>	<u>601,000</u>	<u>601,898</u>
3,603.7		TOTAL	153,429	10,359	3,734,860	3,745,219

WINTER VOLUME
 SUMMER VOLUME

Actual	Normal
3,295,267	3,179,783
545,102	565,436
3,840,369	3,745,219

Tennessee

332's Commercial

Heat

Base

	<u>MONTH</u>	<u>CUST</u>	<u>THERMS</u>	<u>DD</u> <u>15-15</u>	<u>MMBTU/Cust</u>
2002	Jan	3,427	3,263,699	854	95.23487015
	Feb	3,471	2,869,875	657	82.68150389
	Mar	3,500	2,735,996	562	78.17131429
	Apr	3,536	2,358,616	337	66.70294118
	May	3,547	1,911,089	82	53.87902453
	Jun	3,583	1,956,945	54	54.6174993
	Jul	3,573	1,666,742	0	46.64825077
	Aug	3,579	1,585,661	0	44.30458229
	Sep	3,564	1,683,981	0	47.24974747
	Oct	3,543	1,892,527	36	53.41594694
	Nov	3,524	2,406,003	349	68.27477299
	Dec	3,290	2,752,986	<u>761</u>	83.67738602
		42,137	27,084,120	3692.0	

0.051839805	48.62211
0.002484533	1.088251
0.977545687	2.683216

NASHVILLE GAS COMPANY DIVISION SMALL GENERAL SERVICE - VALUE

BASE FACTOR	48.62210677
HEAT FACTOR	0.051840
CORRELATION	97.75%

REV-11

NORMALIZED

<u>NORMAL</u> <u>DD</u>		<u>MONTH</u>	<u>BASE</u> <u>CUST</u>	<u>BASE</u> <u>VOL</u>	<u>HEAT</u> <u>VOL</u>	<u>TOTAL</u> <u>VOL</u>
842.3	2002	Jan	3,427	166,628	149,639	316,267
807.9		Feb	3,471	168,767	145,370	314,138
513.3		Mar	3,500	170,177	93,133	263,310
331.6		Apr	3,536	171,928	60,784	232,712
114.1		May	3,547	172,463	20,980	193,443
13.7		Jun	3,583	174,213	2,545	176,758
0.2		Jul	3,573	173,727	37	173,764
0		Aug	3,579	174,019	0	174,019
1.8		Sep	3,564	173,289	333	173,622
89.6		Oct	3,543	172,268	16,457	188,725
318.6		Nov	3,524	171,344	58,203	229,547
<u>570.6</u>		Dec	<u>3,290</u>	<u>159,967</u>	<u>97,318</u>	<u>257,284</u>
3,603.7		TOTAL	42,137	2,048,790	644,798	2,693,587

WINTER VOLUME
SUMMER VOLUME

Actual	Normal
1,402,856	1,380,546
1,305,556	1,313,041
2,708,412	2,693,587

Tennessee

352's Commercial

Heat

Base

	MONTH	CUST	THERMS	DD 15-15	MMBTU/Cust		
2002	Jan	3	54,975	854	1832.50		
	Feb	3	40,664	657	1355.47		
	Mar	3	36,936	562	1231.20		
	Apr	3	24,254	337	808.47		
	May	3	13,984	82	466.13		
	Jun	2	4,588	54	229.40		
	Jul	2	3,814	0	190.70		
	Aug	2	3,011	0	150.55		
	Sep	2	3,834	0	191.70		
	Oct	2	7,769	36	388.45		
	Nov	2	18,703	349	935.15		
	Dec	2	28,404	<u>761</u>	1420.20	1.767175394	222.9588
		29	240,936	3692.0		0.081420889	35.66319
						0.979213107	87.93195

**NASHVILLE GAS COMPANY DIVISION
MEDIUM GENERAL SERVICE - STANDARD**

BASE FACTOR 222.9587593
HEAT FACTOR 1.767175
CORRELATION 97.92%

REV-12

NORMALIZED

NORMAL DD	MONTH	BASE CUST	BASE VOL	HEAT VOL	TOTAL VOL
842.3	2002 Jan	3	669	4,465	5,134
807.9	Feb	3	669	4,283	4,952
513.3	Mar	3	669	2,721	3,390
331.6	Apr	3	669	1,758	2,427
114.1	May	3	669	605	1,274
13.7	Jun	2	446	48	494
0.2	Jul	2	446	1	447
0	Aug	2	446	0	446
1.8	Sep	2	446	6	452
89.6	Oct	2	446	317	763
318.6	Nov	2	446	1,126	1,572
<u>570.6</u>	Dec	<u>2</u>	<u>446</u>	<u>2,017</u>	<u>2,463</u>
3,603.7	TOTAL	29	6,466	17,348	23,813

WINTER VOLUME
SUMMER VOLUME

Actual	Normal
17,968	17,511
6,125	6,302
24,094	23,813

Tennessee

362's Commercial

Heat

Base

	<u>MONTH</u>	<u>CUST</u>	<u>THERMS</u>	<u>DD</u> <u>15-15</u>	<u>MMBTU/Cust</u>
2002	Jan	25	259,981	854	1039.924
	Feb	25	236,205	657	944.82
	Mar	25	226,341	562	905.364
	Apr	25	209,545	337	838.18
	May	25	182,786	82	731.144
	Jun	24	151,633	54	631.8041667
	Jul	24	139,864	0	582.7666667
	Aug	24	133,314	0	555.475
	Sep	24	141,952	0	591.4666667
	Oct	23	156,300	36	679.5652174
	Nov	24	216,744	349	903.1
	Dec	20	210,762	<u>761</u>	1053.81
		288	2,265,427	3692.0	

0.53677501	622.9705
0.047579333	20.84024
0.927154268	51.38415

NASHVILLE GAS COMPANY DIVISION MEDIUM GENERAL SERVICE - VALUE

REV-13

BASE FACTOR	622.9705317
HEAT FACTOR	0.536775
CORRELATION	92.72%

NORMALIZED

NORMAL DD	MONTH	BASE CUST	BASE VOL	HEAT VOL	TOTAL VOL
842.3	2002 Jan	25	15,574	11,303	26,877
807.9	Feb	25	15,574	10,842	26,416
513.3	Mar	25	15,574	6,888	22,462
331.6	Apr	25	15,574	4,450	20,024
114.1	May	25	15,574	1,531	17,105
13.7	Jun	24	14,951	176	15,128
0.2	Jul	24	14,951	3	14,954
0	Aug	24	14,951	0	14,951
1.8	Sep	24	14,951	23	14,974
89.6	Oct	23	14,328	1,106	15,435
318.6	Nov	24	14,951	4,104	19,056
<u>570.6</u>	Dec	<u>20</u>	<u>12,459</u>	<u>6,126</u>	<u>18,585</u>
3,603.7	TOTAL	288	179,416	46,552	225,968

WINTER VOLUME
SUMMER VOLUME

Actual	Normal
115,003	113,396
111,539	112,571
226,543	225,968

Piedmont Natural Gas Company, Inc.
Net Operating Income and Rate of Return (Final Settlement Using CAPD Updated Cap. Struct.)
For The Twelve Months Ending October 31, 2004
Nashville Gas Division

	(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	\$42,704,073	195,366,602	\$10,167,294	\$205,533,896	(\$728,738)	\$204,805,158
2 Other Operating Revenues	350,131	10,720	360,851	133,620	494,471	0	494,471
3 Forfeited Discounts	778,777	780,346	1,559,123	76,587	1,635,710	0	1,635,710
4 Total Operating Revenue	\$153,791,437	\$43,485,139	\$197,286,576	\$10,377,501	\$207,664,077	(\$728,738)	\$206,935,339
5 Cost of Gas	\$74,169,293	\$41,743,784	\$115,913,077	\$0	\$115,913,077	(\$728,738)	\$115,184,339
6 Gross Margin	\$79,622,144	\$1,751,355	\$81,373,499	\$10,377,501	\$91,751,000	\$0	\$91,751,000
Operating Expenses:							
7 Other Operation & Maintenance	32,345,464	2,473,738	34,819,202	28,590	34,847,792	0	34,847,792
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	813,918	(110,090)	703,828	673,087	1,376,915	0	1,376,915
11 Federal Income Taxes	3,955,747	(592,822)	3,362,925	3,386,681	6,749,606	0	6,749,606
12 Total Operating Expenses	\$61,790,181	\$4,266,555	\$66,056,736	\$4,088,358	\$70,145,094	\$0	\$70,145,094
13 Net Operating Income	\$17,831,963	(\$2,515,200)	\$15,316,763	\$6,289,143	\$21,605,906	\$0	\$21,605,906
14 Interest on Customers' Deposits	(223,759)	(6,344)	(232,103)	0	(232,103)	0	(232,103)
15 AFUDC	283,675	64,388	348,073	0	348,073	0	348,073
16 Net Operating Income for Return	\$17,891,879	(\$2,459,146)	\$15,432,734	\$6,289,672	\$21,722,406	\$0	\$21,721,877

	(1) Average 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) After Adjustments For Proposed Revenues	(8) After Adjustments For Proposed Rates
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)	(27,754,022)	(199,411,506)	0	(199,411,506)	0	(199,411,506)	
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	\$5,008,842	\$270,971,813	\$0	\$270,971,813	\$0	\$270,971,813	
23 Unamortized Investment Tax Credits-Pre '71	(948)	948	0	0	0	0	0	
24 Allowance For Working Capital	7,157,228	5,043,982	12,201,210	0	12,201,210	0	12,201,210	
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	\$6,577,231	\$259,859,927	\$0	\$259,859,927	\$0	\$259,859,927	
27 Return on rate base	7.06%		5.94%		8.36%		8.36%	

CAPITAL STRUCTURE AND COST RATES

	(1) Ratio %	(2) Cost Net Investment	(3) Embedded Cost %	(4) Overall Cost Rate %	(5) Net Operating Income	(6) Embedded Cost %	(7) Overall Cost Rate %	(8) Net Operating Income
28 Long-term Debt	41.71%	\$108,387,576	7.72%	3.22%	\$8,367,521	7.72%	3.22%	\$8,367,521
29 Short-term Debt	7.79%	20,243,088	1.47%	0.11%	297,573	1.47%	0.11%	297,573
30 Common Equity	50.50%	131,229,263	5.16%	2.60%	6,767,640	9.95%	5.02%	13,057,312
31 Total	100.00%	\$259,859,927		5.94%	\$15,432,734		8.36%	\$21,722,406

18,451,651	Original Filing
(8,074,788)	Difference

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Test Period	Attrition Adjustments	After Attrition Adjustments	Adjustments For Proposed Revenues	After Adjustments For Proposed Revenues	Demand Gas Cost Reduction	Proposed Revenues After Demand Gas Cost Reduction
Operating Revenues:							
1 Sale and Transportation of Gas	\$152,662,529	\$42,731,073	195,393,602	\$10,166,660	\$205,560,262	(\$728,738)	\$204,831,524
2 Other Operating Revenues	350,131	10,720	360,851	133,620	494,471	0	494,471
3 Forfeited Discounts	778,777	780,346	1,559,123	76,583	1,635,706	0	1,635,706
4 Total Operating Revenue	\$153,791,437	\$43,522,139	\$197,313,576	\$10,376,863	\$207,690,439	(\$728,738)	\$206,961,701
5 Cost of Gas	\$74,169,293	\$41,743,784	\$115,913,077	\$0	\$115,913,077	(\$728,738)	\$115,184,339
6 Gross Margin	\$79,622,144	\$1,778,355	\$81,400,499	\$10,376,863	\$91,777,362	\$0	\$91,777,362
Operating Expenses:							
7 Other Operation & Maintenance	32,345,464	2,473,738	34,819,202	28,588	34,847,790	0	34,847,790
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	813,918	(79,499)	734,419	673,046	1,407,465	0	1,407,465
11 Federal Income Taxes	3,955,747	(438,803)	3,516,944	3,386,472	6,903,416	0	6,903,416
12 Total Operating Expenses	\$61,790,181	\$4,451,165	\$66,241,346	\$4,088,106	\$70,329,452	\$0	\$70,329,452
13 Net Operating Income	\$17,831,963	(\$2,672,810)	\$15,159,153	\$6,288,756	\$21,447,909	\$0	\$21,447,909
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	\$17,891,879	(\$2,616,756)	\$15,275,124	\$6,289,285	\$21,564,409	\$0	\$21,563,880
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)	(27,754,022)	(199,411,506)	0	(199,411,506)	0	(199,411,506)
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	\$5,008,842	\$270,971,813	\$0	\$270,971,813	\$0	\$270,971,813
23 Unamortized Investment Tax Credits-Pre '71	(948)	948	0	0	0	0	0
24 Allowance For Working Capital	7,157,228	5,043,982	12,201,210	0	12,201,210	0	12,201,210
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	\$6,577,231	\$259,859,927	\$0	\$259,859,927	\$0	\$259,859,927
27 Return on rate base	7.06%		5.88%		8.30%		8.30%
CAPITAL STRUCTURE AND COST RATES							
Ratio %							
28 Long-term Debt	44.00%	\$114,338,368	6.83%	Overall Cost Rate %	Net Operating Income	Embedded Cost %	Overall Cost Rate %
29 Short-term Debt	12.20%	31,702,911	1.30%	3.01%	\$7,809,311	6.83%	3.01%
30 Common Equity	43.80%	113,818,648	6.20%	0.16%	412,138	1.30%	0.16%
Total	100.00%	\$259,859,927		2.71%	7,953,875	11.72%	5.13%
				5.88%	\$15,275,124		8.30%
							\$21,564,409

Piedmont Natural Gas Company, Inc.
Net Operating Income and Rate of Return (Final Settlement Using PNG Original Cap. Structure)
For The Twelve Months Ending October 31, 2004
Nashville Gas Division

	(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	18,451,651 (8,075,667) Original Filing Difference
Operating Revenues:								
1 Sale and Transportation of Gas	\$152,662,529	\$42,731,073	195,393,602	\$10,165,787	\$205,559,389	(\$728,738)	\$204,830,651	
2 Other Operating Revenues	350,131	10,720	360,851	133,620	494,471	0	494,471	
3 Forfeited Discounts	<u>778,777</u>	<u>780,346</u>	<u>1,559,123</u>	<u>76,576</u>	<u>1,635,699</u>	0	<u>1,635,699</u>	
4 Total Operating Revenue	\$153,791,437	\$43,522,139	\$197,313,576	\$10,375,983	\$207,689,559	(\$728,738)	\$206,960,821	
5 Cost of Gas	<u>\$74,169,293</u>	<u>\$41,743,784</u>	<u>\$115,913,077</u>	0	<u>\$115,913,077</u>	<u>(\$728,738)</u>	<u>\$115,184,339</u>	
6 Gross Margin	\$79,622,144	\$1,778,355	\$81,400,499	\$10,375,983	\$91,776,482	0	\$91,776,482	
Operating Expenses:								
7 Other Operation & Maintenance	32,345,464	2,473,738	34,819,202	28,586	34,847,788	0	34,847,788	
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	813,918	(133,737)	680,181	672,989	1,353,170	0	1,353,170	
11 Federal Income Taxes	3,955,747	(711,873)	3,243,874	3,386,188	6,630,062	0	6,630,062	
12 Total Operating Expenses	<u>\$61,790,181</u>	<u>\$4,123,857</u>	<u>\$65,914,038</u>	<u>\$4,087,761</u>	<u>\$70,001,799</u>	0	<u>\$70,001,799</u>	
13 Net Operating Income	\$17,831,963	(\$2,345,502)	\$15,486,461	\$6,288,222	\$21,774,683	0	\$21,774,683	
14 Interest on Customers' Deposits	(223,759)	(8,344)	(232,103)	0	(232,103)	0	(232,103)	
15 AFUDC	<u>283,675</u>	<u>64,398</u>	<u>348,073</u>	0	<u>348,073</u>	0	<u>348,073</u>	
16 Net Operating Income for Return	\$17,891,879	(\$2,289,448)	\$15,602,432	\$6,288,752	\$21,891,184	0	\$21,890,654	
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)	(27,754,022)	(199,411,506)	0	(199,411,506)	0	(199,411,506)	
20 Customer Advances for Construction	0	0	(187,175)	0	(187,175)	0	(187,175)	
21 Contributions in Aid of Construction	<u>(4,345,141)</u>	<u>(128,405)</u>	<u>(4,473,546)</u>	0	<u>(4,473,546)</u>	0	<u>(4,473,546)</u>	
22 Net Plant in Service	<u>\$265,962,971</u>	<u>\$5,008,842</u>	<u>\$270,971,813</u>	0	<u>\$270,971,813</u>	0	<u>\$270,971,813</u>	
23 Unamortized Investment Tax Credits-Pre '71	(948)	948	0	0	0	0	0	
24 Allowance For Working Capital	7,157,228	5,043,982	12,201,210	0	12,201,210	0	12,201,210	
25 Accumulated Deferred Income Taxes	<u>(19,836,555)</u>	<u>(3,476,541)</u>	<u>(23,313,096)</u>	0	<u>(23,313,096)</u>	0	<u>(23,313,096)</u>	
26 Total Original Cost Rate Base	\$253,282,696	\$6,577,231	\$259,859,927	0	\$259,859,927	0	\$259,859,927	
27 Return on rate base	7.06%		6.00%		8.42%		8.42%	
CAPITAL STRUCTURE AND COST RATES								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	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%	\$116,443,233	7.72%	3.46%	\$8,989,418	7.72%	3.46%	\$8,989,418
29 Short-term Debt	1.74%	4,521,563	1.47%	0.03%	66,467	1.47%	0.03%	66,467
30 Common Equity	<u>53.45%</u>	<u>138,895,131</u>	<u>4.71%</u>	<u>2.52%</u>	<u>6,546,547</u>	<u>9.24%</u>	<u>4.94%</u>	<u>12,835,299</u>
31 Total	100.00%	\$259,859,927		6.00%	\$15,602,432		8.42%	\$21,891,184