TENNESSEE REGULATORY AUTHORITY

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

July 11, 2003

Mr. Bill Morris
Director of Corporate Planning & Development
Piedmont Natural Gas Company
1915 Rexford Road
Charlotte, NC 28233

Re: Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company for an adjustment of its Rates and Charges, the Approval of Revised Tariffs and the Approval of Revised Service Regulations
Our Docket No. 03-00313

Dear Bill:

In order to better inform ourselves at the Tennessee Regulatory Authority in regards to your pending rate case filed in behalf of Nashville Gas Company, the Staff submits the following questions. Provide responses by July 25, 2003.

100. Provide a schedule listing the beginning balance of Plant in Service on January 1, and the additions, retirements, and adjustments to arrive at the ending balance on December 31 for each of the following years, 2000, 2001, 2002, projected 2003, and at October 31, 2004.

101. Provide the same schedule as above for Accumulated Depreciation and Accumulated Amortization, listing additions, retirements, and/or adjustments using the same dates and time periods as in question 100.

102. When looking at the CWIP balance beginning with May 2001 and following through to May 2003, the average balance was much higher. In the last 13 months ending March 31, 2003, the balance averaged $12,094,894, much higher than $6,536,631 used in your rate base schedule on Page 83 of 185 in your data response No. 25. Please explain.

103. Gas inventories increased by 64% from the test year to the attrition year. Provide a schedule listing the prices used to forecast gas purchases for storage during the attrition year and list the volumes you intend to purchase, with projected times. What was your balance in each gas inventory account, at March 31, 2003? Provide worksheets explaining how the Company calculated the new gas inventory balances that are nearly double the amount in the test year. Explain what indexes were used and/or how the Company projected these prices.

104. Why is the Accrued Pension Expense increasing so rapidly? For instance, the estimated expense for FY03 is 3.4 million vs. for FY04, 5.4 million. What has caused the sudden increase?

105. The Tennessee legislature amended Title 54, Chapter 5, and Part 804, (54-5-804) of the regulations affecting the Tennessee Department of Transportation. In this amendment, the State (TDOT) will pay the utility for any relocation of pipelines due to road construction. How will this affect Special Contracts? This law is effective September 1, 2003 and it appears that your Special Contracts are mostly for relocation of pipe. Of course, any relocation that you are going to get paid for should not be included in your plant numbers. Please explain.

106. In Chuck Fleenor's testimony, pg 10, line 21, the question is asked, "if this proposed rate structure will result in discriminatory harm to lower income households?" Please expand on your answer.
   a. Provide a 12-month example of a typical residential low income customer who is on the Standard Rate versus the rate you would have computed if you had not changed the rate design or structure.
   b. Provide a12-month example of a typical residential low income customer who is on the Value Rate versus the normal rate you would have computed if you had not changed the rate design or structure.
   c. Mr. Fleenor stated in this response that the bills would be much more predictable. Provide a schedule showing how predictability of bills (budgeting) would be greatly improved and would be less subject to weather fluctuations.

107. Bill Morris, in his testimony, testified that two other states have approved this new rate structure and design. Did they approve identical proposals with the same structure and classifications as you propose in Tennessee? Are the Orders included in the Company's response to question #19. If so, provide page numbers.

108. Was the percentage of revenue increase as high in those cases as it is proposed in Tennessee?

109. In terms of percentages, how much of an increase or decrease did each class of customer receive in the other two states?

110. Were facilities charges, reconnect and disconnect fees, and any other fixed fees increased in those states also?

111. In Chuck Fleenor's exhibits on CWF-1 and CWF-2, he lists the expenses for each classification of revenue. How is it determined what expenses are allocated to the different classifications? Is it through coding, allocation, or some other method or mixture of methods based on type of expense? Provide the allocation method, percent used and basis for each classification.

112. How did your residential customers in the other states react to the increase they experienced, based on reallocation?

113. What will be your response to residential customers who complain about the large increase that they will suddenly experience if the proposed rate structure is approved? Are you concerned about rate shock to your residential customers?

114. Most people are aware that residential customers do not cover the costs it takes to serve them. Is such a large increase, coming in a period of rising gas prices that could be compounded by a cold winter, in the Company's best interest from a public relations perspective? Please explain your reasoning.

115. The Staff understands why you are trying to realign costs. However, you say the reason you cannot raise prices to industrial customers is that they can bypass or use alternate fuel. Is it reasonable to conclude that is the very reason that they should carry some of the burden for the residential customers? The residential customer cannot bypass and usually does not have alternate fuel for this necessity? Please discuss.

116. How did you educate your customers on your proposed rate structure changes?

If your have questions or comments please call me at 615-741-2904.

Sincerely,

David McClanahan

David McClanahan
Energy and Water Division

c: Deborah Taylor Tate, Chairman
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