TENNESSEE REGULATORY AUTHORITY

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460 James Robertson Parkway
Nashville, Tennessee 37243-0505

August 27, 2003

MEMORANDUM

To: Sharla Dillon
Dockets

From: Pat Murphy PM
Energy and Water Division

Subject: Request for Docket Number
Nashville Gas Company

DOCKET NO.
03-00489

Our division is currently auditing Nashville Gas Company's Incentive Plan Account for the plan year ended June 30, 2003. We, therefore, respectfully request that a docket number be assigned for this audit.

Upon assigning a docket number, please advise Betty Patton, so that appropriate files may be set up in our division. We appreciate your assistance in this matter.

cc: Hal Novak

PM02-44.ngcipa

Telephone (615) 741-2904, Toll-Free 1-800-342-8359, Facsimile (615) 741-5015
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Piedmont Natural Gas

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August 21, 2003

The Honorable Deborah T. Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

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TN REG. AUTHORITY
AUG 25 2003
ENERGY & WATER DIVISION

Re: Nashville Gas Company, Docket No. 99-00207

Dear Chairman Tate:

In accordance with the reporting provisions of Service Schedule No. 14, Performance Incentive Plan, as approved in the above captioned docket, Nashville Gas Company ("Nashville") submits the accompanying annual report of shared gas cost savings for the plan year ended June 30, 2003.

As the summary indicates, the accumulated total gains and savings under the plan for the plan year total $3,489,673. Under the Plan's sharing formulas, $1,889,673 of these gains and savings will be allocated to the Company's ratepayers. The remaining $1,600,000, the maximum allowed under the Plan provisions, of the gains and savings is to be credited to the Company's Incentive Plan Account in accordance with the terms of the Plan.

Detailed calculations supporting the amounts shown on the summary are provided in this filing subject to the execution of non-disclosure agreements.

I am enclosing one additional copy of the summary that I would appreciate your stamping "filed" and returning to me in the enclosed envelope.

Sincerely,

Bill R. Morris

Bill R. Morris

Director of Corporate Planning and Development Services

Enclosures

c: Russell Perkins, Deputy Attorney General

Post Office Box 33068 Charlotte, North Carolina 28233

Report on Nashville Incentive Plan
July 2002 - June 2003

Month	Year	Gas Procurement Incentive Mechanism Gain/(Loss) 1/	Nashville GPI Sharing Gain/(Loss) 2/	Ratepayer GPI Sharing Gain/(Loss)	Capacity Management Incentive Mechanism Gain/(Loss)	Nashville CMI Sharing Gain/(Loss) 3/	Ratepayer CMI Sharing Gain/(Loss) 3/	Total Gain/(Loss)	Total Nashville Gain/(Loss) 4/	Total Ratepayer Gain/(Loss) 4/
July	2002	$ (3,754)	$ -	$ (3,754)	$ -	$ -	$ -	$ (3,754)	$ -	$ (3,754)
August	2002	$ (1,844)	$ -	$ (1,844)	$ -	$ -	$ -	$ (1,844)	$ -	$ (1,844)
September	2002	$ 11,399	$ -	$ 11,399	$ 16,205	$ -	$ 16,205	$ 27,604	$ -	$ 27,604
October	2002	$ 55,097	$ 9,213	$ 45,884	$ 32,887	$ -	$ 32,887	$ 87,984	$ 9,213	$ 78,771
November	2002	$ 6,103	$ -	$ 6,103	$ 11,250	$ -	$ 11,250	$ 17,353	$ -	$ 17,353
December	2002	$ 1,183,399	$ 524,736	$ 658,664	$ 75,173	$ 4,160	$ 71,014	$ 1,258,573	$ 528,895	$ 729,677
January	2003	$ 407,007	$ 120,044	$ 286,963	$ 177,915	$ 44,548	$ 133,367	$ 584,922	$ 164,591	$ 420,330
February	2003	$ 124,930	$ -	$ 124,930	$ 127,139	$ 63,570	$ 63,570	$ 252,069	$ 63,570	$ 188,499
March	2003	$ (179,314)	$ -	$ (179,314)	$ 167,198	$ 83,599	$ 83,599	$ (12,116)	$ 83,599	$ (95,715)
April	2003	$ (50,010)	$ -	$ (50,010)	$ 1,593,887	$ 796,944	$ 796,944	$ 1,543,877	$ 796,944	$ 746,933
May	2003	$ (77,843)	$ -	$ (77,843)	$ -	$ -	$ -	$ (77,843)	$ -	$ (77,843)
June	2003	$ (187,152)	$ (20,418)	$ (166,733)	$ -	$ -	$ -	$ (187,152)	$ (46,812)	$ (140,339)
		$ 1,288,018	$ 633,575	$ 654,444	$ 2,201,654	$ 992,819	$ 1,208,835	$ 3,489,673	$ 1,600,000	$ 1,889,673

1/ The monthly gain or loss set forth in this column reflects total gains or losses calculated under the gas procurement mechanism, including gains or losses within the one percent deadband.

2/ Nashville GPI sharing reflects 50% of gains or losses calculated under the gas procurement mechanism after application of the one percent monthly deadband .

3/ Nashville sharing percentages range from 0% (up to 1% of annual demand savings), to 10% (1% - 2% savings), to 25% (2% - 3% savings), and to 50% (> 3% savings). Total capacity demand costs for the period are based on estimated annual costs for the plan year. These sharing amounts shall be adjusted based on the actual demand costs incurred, taking into account refunds or surcharges from pipeline and storage supplies.
(See Service Schedule No. 14, page 5)

4/ Nashville is subject to a cap on overall gains or losses of $1.6 million annually. Any gains above this cap will be reflected in the Total Ratepayer Gain/(Loss) column