THOMAS M. McELROY
PROFESSIONAL ASSOCIATION
ATTORNEY AT LAW
301 NORTH BROADWAY
POST OFFICE BOX 1450
TUPELO, MISSISSIPPI 38802-1450

TEL (662) 842-3723 McElroy Tup@aol com FAX (662) 842-3744

RECEIVED
2004 FEB -4 PM 2: 18
T.R.A. DOCKET ROOM

February 3, 2004

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

04-00037

RE Counce Natural Gas Company/ Rate Increase

To Whom It May Concern

Please find enclosed the original and thirteen copies of the following:

1 Petition for Rate Change and Tariff Increase

2 Testimony of Michael D Horton

3 Testimony of Stephen Swetz, CPA

4 My office check in the sum of $25 00 for filing

If you have any questions, please advise

Sincerely,

Thomas M McElroy

lnl

RECEIVED
2004 FEB -4 PM 2:18
TRA DOCKET ROOM

BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN RE: APPLICATION OF COUNCE NATURAL GAS CORPORATION TO INCREASE ITS RATES

CAUSE NO 04-00037

PETITION

The Petitioner, Counce Natural Gas Corporation, would respectfully show to the Authority as follows

1

The Petitioner is a Tennessee Corporation with it's principle office is located at Suite 200, 700 Colonial Road, Memphis, Tennessee 38117

2

Petitioner is a public utility as designed in T C A 65-4-101 and subject to the regulations of the Tennessee Regulatory Authority Counce was granted it's original Certificate of Convenience and Necessity from this Authority on ___________________, and has since been operating a private utility in Hardin County, Tennessee That pursuant to previous Orders of the Tennessee Regulatory Authority, the following rate for use of natural gas was authorized $2 1304 per MCF

3

Petitioner submits periodic financial statements to the Tennessee Regulatory Authority Exhibit 1 to Steve Swetz's testimony reflects a projected loss for the time period ending May 31, 2005 Petitioner further submits that the system has operated at a loss since October 1, 2001

Petitioner would show that in order to continue to operate and service it's customers, and to eventually provide a rate of return on the owner's investment, the existing rate should be increased as follows

(A) Natural gas service rates for residential and commercial customers should be increased to $6 6449 per MCF for all customer classes

5.

In addition Petitioner seeks to change its tariff in accordance with the proposed tariff attached hereto as Exhibit 2 Attached as Exhibit 3 is a copy of the tariff now in effect

WHEREFORE, Petitioner prays that the Tennessee Regulatory Authority approve an increase in rates as aforesaid, That this matter be set for hearing at a very early date, as Petitioner needs immediate emergency relief, For such other relief to which it may be entitled

Respectfully submitted, this the 16th day of January, 2004.

COUNCE NATURAL GAS

Michael D. Horton

By MICHAEL D HORTON

ACKNOWLEDGMENT

Mike Horton, being first duly sworn, deposed and says that he is the same Mike Horton who signed the above and foregoing Petition, and further states that the facts and allegations of the above Petition are true and accurate to the best of his knowledge and belief

Dated this the 16th day of January, 2004

MIKE HORTON

Thomas M McElroy
Attorney for Petitioner
P O Box 1450
Tupelo, MS 38801
662-842-3723
MS Bar No 2543

COUNCE NATURAL GAS COMPANY

GENERAL RULES AND REGULATIONS

1. EXPENDITURES FOR PLANT ADDITIONS

Prior to beginning the construction of any property or additions to plant, where the cost of same exceeds $10,000, plans shall be submitted to the Tennessee Regulatory Authority for their approval

2 REPORTS

Quarterly financial statements will be filed with the Tennessee Regulatory Authority

3 RECORDS

All records required by the Tennessee Regulatory Authority wil be kept at the company office located at Highway 72, Burnsville, Mississippi Unless otherwise specified by the Authority, all records required by the Authority shall be preserved for the period of time specified in the current edition of the National Association of Regulatory Utility Commissioners' publication "Regulations to Govern the preservation of Records of Electric, Gas and Water Utilities."

4 PIPELINE SAFETY RULE

The Operating and Maintenance Procedure Manual that has been filed with theTennessee Regulatory Authority will be kept current with applicable laws and used as a guide in comply with this rule.

5. STANDARD HEATING VALUE OF GAS

The gas supplied to customers shall have a minimum heating value equal to the heating value of the gas furnished by the company's supplier or suppliers. (This normally varies between 1000 and 1040 BTU per cubic foot.)

6 CUSTOMER SERVICE REQUESTS

Each customer desiring service of the types supplied by the company shall request the service either by writing, calling, or coming in person to the company office on Highway 72, Burnsville, Mississippi. This required so that the proper forms and records can be processed.

EXHIBIT 2

7. DEPOSITS

Prior to providing gas service to a customer the following amounts of cash deposits, intended to guarantee payment of current bills for gas service, will be made with the company: rental houses, apartments, or mobile homes- $150.00, houses owned by the customer- $50.00, small commercial - $150.00, large commercial will be based upon monthly usage The above deposits may be increased to an amount estimated to be equal to the two highest regular billing periods, where the management of the company has experienced collection problems or has valid reasons to expect collection problems with a customer.

8. EXTENSION POLICY

a. Service Lines - a service line will be installed at a cost of $1.35 per foot plus $40.00 for riser and tap.

b Main Extensions - Gas mains will not be installed or extended without a charge A feasibility study that reflects the gas customers gas consumption will determine the cost as well as economically support the extension. Gas mains may be extended for reasons other than the above at the direction of the President of the Company.

9. COMPANY OWNED EQUIPMENT ON CUSTOMERS'S PREMISES

The company will normally furnish, own and maintain the following equipment on customer's premises; a service line, a gas shut off c\valve or valves, a gas pressure regulator or regulators with proper relief devices and a gas meter If service line is found to be leaking or damaged, the service line will be repaired or replaced at customer's expense.

10. MEASUREMENT OF GAS

The gas furnished to Residential and small Commercial customer will be measured at standard service pressure (atmospheric pressure = 4 ounces) and under the condition existing in the meter, however, a meter which corrects the temperature of the gas to a base F may be used at the company's option.

The gas furnished to Large Commercial and Industrial customers will be measured in accordance with the applicable rate schedule or as specified in the gas contract between the customer and the company

11 METER READING AND BILLING

Meters will be read monthly on a scheduled cycle basis with a bill for the gas consumed during the billing period mailed to the customer by the fourth day following the date that the meter was read The bill rendered to the customer will be based on the type of service furnished in accordance with approval rate schedules or existing contracts with the company

12. DISCONTINUANCE OR SUSPENSION OF SERVICE FOR NONPAYMENT OF GAS BILLS

Residential and Commercial customers bills will become due on the 1st day of each month and will become delinquent on the 11th day of each month unless the 10th day of each month falls on a weekend or holiday and if so the following day will be penalty free When a bill becomes delinquent a 10% charge will be added and the customer notified with a late notice that their gas will be discontinued if their bill is not paid by the 26th day of the month

13 SERVICES PROVIDED TO CUSTOMERS' APPLIANCES

The company will provide the following service free of charge to it's Residential and small commercial customers, if performed during normal working office hours: check for gas leaks on customers' piping and appliances The company will charge for the above services if it is made other than during normal office hours or required to be repeated frequently for the same customer.

14. WASTAGE OF GAS

If gas wastage occurs, the customer is responsible for the lost gas.

15. SITUATIONS NOT COVERED BY THESE GENERAL RULES AND REGULATIONS

When prompt action is required for a situation not covered by these General rules and Regulation, the President of the Company or his designated representative is authorized to determine what procedure should be followed After making a ruling of this type, it is to be brought to the attention of the President for his decision as to whether it should be added to the General Rules and Regulations

COUNCE NATURAL GAS COMPANY

GENERAL RULES AND REGULATIONS

1 EXPENDITURES FOR PLANT ADDITIONS

Prior to beginning the construction of any property or additions to plant, where the cost of same exceeds $10,000, plans shall be submitted to the Tennessee Regulatory Authority for their approval.

2 REPORTS

Quarterly financial statements will be filed with the Tennessee Regulatory Authority

3. RECORDS

All records required by the Tennessee Regulatory Authority wil be kept at the company office located at Highway 72, Burnsville, Mississippi Unless otherwise specified by the Authority, all records required by the Authority shall be preserved for the period of time specified in the current edition of the National Association of Regulatory Utility Commissioners' publication "Regulations to Govern the preservation of Records of Electric, Gas and Water Utilities."

4. PIPELINE SAFETY RULE

The Operating and Maintenance Procedure Manual that has been filed with theTennessee Regulatory Authority will be kept current with applicable laws and used as a guide in comply with this rule.

5. STANDARD HEATING VALUE OF GAS

The gas supplied to customers shall have a minimum heating value equal to the heating value of the gas furnished by the company's supplier or suppliers. (This normally varies between 1000 and 1040 BTU per cubic foot.)

6. CUSTOMER SERVICE REQUESTS

Each customer desiring service of the types supplied by the company shall request the service either by writing, calling, or coming in person to the company office on Highway 72, Burnsville, Mississippi. This required so that the proper forms and records can be processed

7. DEPOSITS

Prior to providing gas service to a customer the following amounts of cash deposits, intended to guarantee payment of current bills for gas service, will be made with the company; rental houses, apartments, or mobile homes - $10 00 houses owned by the customer - $10.00, and small commercial - $15.00. The above deposits may be increased to an amount estimated to be equal to the two highest regular billing periods, where the management of the company has experienced collection problems or has valid reasons to expect collection problems with a customer.

8 EXTENSION POLICY

a. Service Lines - A service line will be installed free of charge a distance of not more than 200 feet from an existing main to a permanent dwelling The location of the service line riser will be determined by the company. For service lines more than 200 feet in length from an existing main, the company will determine if the customer's gas consumption will economically support the additional required footage or if a charge should be made for the additional labor and material.

b Main Extensions - Gas mains will be installed or extended without charge a distance of not more than 100 feet per customer or after a feasibility study has been made which reflects that the gas customers' gas consumption would economically support the extenmsion. Gas mains may be extended for reasons other than the above at the direction of the President of the Company

9 COMPANY OWNED EQUIPMENT ON CUSTOMER'S PREMISES

The company will normally furnish, own, and maintain the following equipment on customer's premises, a service line, a gas shut off valve or valves, a gas pressure regulator or regulators with proper relief devices and a gas meter

10. MEASUREMENT OF GAS

The gas furnished to Residential and small Commercial customer will be measured at standard service pressure (atmospheric pressure = 4 ounces) and under the condition existing in the meter, however, a meter which corrects the temperature of the gas to a base F may be used at the company's option.

The gas furnished to Large Commercial and Industrial customers will be measured in accordance with the applicable rate schedule or as specified in the gas contract between the customer and the company

11 METER READING AND BILLING

Meters will be read monthly on a scheduled cycle basis with a bill for the gas consumed during the billing period mailed to the customer by the fourth day following the date that the matter was read. The bill rendered to the customer will be based on the type of service furnished in accordance with approved rate schedules or existing contracts with the company,

12. DISCONTINUANCE OR SUSPENSION OF SERVICE FOR NONPAYMENT OF GAS BILLS

Residential and small commercial customers bills become due on the 5th day of each month and become delinquent on the 16th day of each month. When the bill becomes delinquent a 10 % charge shall be added and the customer notified that their gas service will be discontinued if the bill is not paid by the 25th of the month.

13 SERVICES PROVIDED TO CUSTOMERS' APPLIANCES

The company will provide the following service free of charge to it's Residential and small commercial customers, if performed during normal working office hours check for gas leaks on customers' piping and appliances The company will charge for the above services if it is made other than during normal office hours or required to be repeated frequently for the same customer

14 WASTAGE OF GAS

If gas wastage occurs, without the knowledge of the customer, the company will adjust the customers bill by half the difference between the cost of gas to the company and the effective rate at the time of wastage

15 SITUATIONS NOT COVERED BY THESE GENERAL RULES AND REGULATIONS

When prompt action is required for a situation not covered by these General rules and Regulation, the President of the Company or his designated representative is authorized to determine what procedure should be followed After making a ruling of this type, it is to be brought to the attention of the President for his decision as to whether it should be added to the General Rules and Regulations.

Before the

PUBLIC SERVICE COMMISSION

Of the

STATE OF TENNESSEE

In re:

COUNCE NATURAL GAS

(Cause No __________)

****

Testimony

OF

MIKE HORTON

****

January 16,2004

Q Please state your name for the record, please

A Michael D Horton

Q. By whom are you employed and what is your position?

A Counce Natural Gas Corporation I am the Majority Stockholder and President of Counce Natural Gas Corporation

Q How long have you been the Majority Stockholder of Counce Natural Gas?

A I purchased the stock in Counce Natural Gas Corporation on October 1, 2000

Q Would you briefly describe your duties as President and Manger of Counce Natural Gas Corporation?

A I direct the day to day operations of Counce Natural Gas Corporation, overseeing all administrative functions of the Corporation and make all decisions concerning the finances of the Corporation.

Q What is the purpose of your testimony?

A. The purpose of my testimony is to present facts in support of a rate increase for Counce Natural Gas Corporation

Q When was the company's last rate increase?

A

Q. Why is the Partnership filing this Petition for a rate increase?

A For the year ended September 30, 2003, the Corporation sustained a net operating loss of Forty-four Thousand Five Hundred Forty-six Dollars ($44,546 00) Using the current rate allowed by tariff, Counce Natural Gas Corporation will sustain a net loss of Sixty-one Thousand Three Hundred and Forty-seven Dollars ($61,347 00) as of May 31, 2005, based upon the report of Watkins, Ward and Stafford, PLLC, Statement of Forecasted and Projected Income A copy of this report is presented with my testimony

Q Would you please summarize the company's Petition?

A The Petition seeks a base rate increase from $2 1304 per MCF to $6 6449 per MCF for all customer classes.

Q Can you identify specific reasons why the company will be sustaining a projected operating loss for the year?

A Yes The base rate of $2 1304 per MCF is insufficient to allow the Corporation to cover its operating cost and to make a reasonable profit

Q Are you aware of any complaints regarding the company's service?

A No

Q Is Counce Natural Gas Corporation seeking to amend it's Tariff as reflected in Exhibit 2 to the Petition?

A Yes The amendment to the tariff is sought to increase customers deposits, cost to customers for installing gas service lines and the date for disconnecting a customer for a non payment of a monthly bill.

Q Are there other issues which need to be discussed at this time?

A No

Q Does this conclude your testimony?

A Yes

AFFIDAVIT

STATE OF MISSISSIPPI

COUNTY OF LEE

Mike Horton, being first duly sworn, deposed and says that he is the same Mike Horton whose prepared testimony accompanies this affidavit.

Mike Horton, 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 to the best of his knowledge and belief

Dated this the 16th day of January, 2004

____
MIKE HORTON

Sworn to and subscribed before me this the 16th day of January, 2004

____
NOTARY PUBLIC

My Commission Expires ________________________

KIMBERLY JONES, ITAWAMBA COUNTY, MS
NOTARY PUBLIC

Before the

PUBLIC SERVICE COMMISSION

Of the

STATE OF TENNESSEE

In re

COUNCE NATURAL GAS

(Cause No __________)

****

Testimony

OF

STEPHEN J SWETZ, C. P. A.

****

January 21, 2004

Q Please state your name for the record, please

A Stephen J Swetz

Q By whom are you employed and what is your position?

A Watkins, Ward & Stafford, PLLC, Certified Public Accountant

Q How long have you been acquainted with the finances of Counce Natural Gas Corporation?

A Approximately four (4) years

Q What is your educational background and what degree do you hold?

A I hold a bachelor of science degree and a masters degree in accounting from Mississippi State University

Q Would you briefly describe your role as independent C P A for Counce Natural Gas?

A I am an outside consultant for Counce Natural Gas Corporation

Q What is the purpose of your testimony?

A The purpose of my testimony is to present financial data of the corporation through September 30, 2003, and projected financial figures of the Corporation through May 1, 2005

Q Why is Counce Natural Gas Corporation filing this Petition for a rate increase?

A The Corporation has been losing money since October 1, 2000

Q Can you identify any specific reasons why the Corporation has been unable to make a profit?

A The gas rate of $2 1304 per Mcf is insufficient for the Corporation to make a profit from its operations

Q Are you familiar with the projections filed with the Corporation's Petition as "Cumulative Exhibit 1"?

A Yes

Q In your professional opinion, do you agree that this rate increase is necessary in order for the Corporation to continue service to its customers without interruption?

A Yes

Q Are the projections and this rate request based upon a return on the rate base?

A Yes My projections took into consideration the, mix of customers, i e residential, commercial and industrial, size of Counce Natural Gas Corporation, growth prospects and the interest rate on the debt of the Corporation and arrived at a cost of capital of approximately six percent (6%)

Q Does this conclude your testimony?

A Yes

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF

Stephen J Swetz, C P A , being first duly sworn, deposed and says that he is the same Stephen J Swetz, C P A whose prepared testimony accompanies this affidavit

Stephen J Swetz, C P. A , 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 to the best of his knowledge and belief

Dated this the 19th day of January, 2004

Stephen J. Swetz, CPA

STEPHEN J SWETZ, C P A

Sworn to and subscribed before me this the 19th day of January, 2004

Lucey A. Lippincott

NOTARY PUBLIC

My Commission Expires MISSISSIPPI STATEWIDE NOTARY PUBLIC MY COMMISSION EXPIRES MARCH 31, 2006

COUNCE NATURAL GAS COMPANY

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WWS

WATKINS, WARD AND STAFFORD
Professional Limited Liability Company
Certified Public Accountants

318 W Main St PO Box 583 Philadelphia, MS 39350
Phone (601) 656-4252 Fax (601) 656-4236

James L Stafford, CPA
Harry W Stevens, CPA
Boyd M Edwards, CPA
Paul A Ray, CPA
S Keith Winfield, CPA
William B Staggers, CPA
Aubrey R Holder, CPA
David M Howell, CPA
Michael W McCully, CPA
Mort Stroud, CPA
Gary C Hamilton, CPA
R Steve Sinclair, CPA
Michael L Pierce, CPA
Marsha L McDonald, CPA
Wanda S Holley, CPA
Robin Y McCormick, CPA/PFS
J Randy Scrivner, CPA
Kimberly S Caskey, CPA

Management
Counce Natural Gas Company
Counce, Tennessee

We have compiled the accompanying forecasted and projected statement of income of Counce Natural Gas Company, subsidiary of a corporation, as of May 31, 2005, and for the year then ending, and the accompanying supplementary information contained in Schedules A through H, which are presented only for supplementary analysis purposes, in accordance with attestation standards established by the American Institute of Certified Public Accountants The accompanying projection was prepared for obtaining a higher gas rate to charge to the company's customers and should not be considered a presentation of expected future results.

A compilation is limited to presenting in the form of prospective financial statements and supplementary schedules information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast or projection. We have not examined the forecast or projection and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them or the assumptions. Furthermore, because events and circumstances frequently do not occur as expected, there will usually be differences between the forecasted and actual results, and even if the Company is able to obtain the requested gas rate increase, there will usually be differences between the projected and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report

We have also compiled the accompanying balance sheet of Counce Natural Gas Company, subsidiary of a corporation, as of September 30, 2003, and the related statement of income for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation of historical financial statements is limited to presenting in the form of historical financial statements information that is the representation of management We have not audited or reviewed the accompanying historical financial statements and, accordingly, do not express an opinion or any other form of assurance on them

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles for the historical financial statements. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows Accordingly, the accompanying historical statements are not designed for those who are not informed about such matters.

West Point, Mississippi
November 10, 2003

Watkins, Ward and Stafford PLLC

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Balance Sheet
September 30, 2003

ASSETS		
CURRENT ASSETS		
Cash		$ 69,055
Accounts Receivable		8,737
Meter Deposits		2,437
Intercompany Receivables		300,144
	TOTAL CURRENT ASSETS	380,373
PROPERTY AND EQUIPMENT		
Machinery & Equipment (at cost)		79,634
Less Accumulated Depreciation		(39,378)
		40,256
	TOTAL ASSETS	$ 420,629
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable		$ 19,233
Payroll Tax Liabilities		674
Sales Tax Payable		227
Meter Deposits		3,781
Current Portion of Notes Payable-Tumlinson & O'Leary		6,288
Due to Burnesville		171,962
	TOTAL CURRENT LIABILITIES	202,165
LONG-TERM LIABILITIES		
Note Payable - Tumlinson & O'Leary		
Less Current Portion		210,096
Note Payable - Tumlinson & O'Leary		
Less Current Portion		51,713
		261,809
	TOTAL LONG-TERM LIABILITIES	463,974
STOCKHOLDERS' EQUITY		
Capital stock		1,000
Paid-in capital		68,000
Retained Earnings		(112,345)
	TOTAL STOCKHOLDERS' EQUITY	(43,345)
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 420,629

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Statement of Income
Year Ended September 30, 2003

Gross Revenues.		
Residential	$ 50,950	
Commercial	81,300	
Industrial	48,872	
Other	8,213	
Total Revenues		$ 189,335
Purchased Gas		138,127
Gross Margin		51,208
Operating Expenses		
Distribution Expenses - Operation		
Repairs - equipment	4	
Supplies	1,052	
Total Distribution Expenses - Operation		1,056
Administrative and General Expense		
Accounting and legal fees	9,644	
Auto and truck expense	3,761	
Donations	150	
Dues and subscriptions	714	
Insurance	6,038	
License	534	
Miscellaneous	120	
Utilities	1,494	
Office supplies	480	
Postage	634	
Rent	2,535	
Telephone	1,753	
Salaries - officers (see Schedule G)	20,348	
Salaries - general (see Schedule G)	31,574	
Total Administrative and General Expenses		79,779
Depreciation and Amortization Expense		6,697
Taxes Other Than Income Taxes		
Taxes - other	2,447	
Taxes - payroll	4,387	
Total Taxes Other Than Income Taxes		6,834
Income Taxes		0
Total Operating Expenses		94,366
Net Operating Income (Loss)		(43,158)
Interest Expense		1,388
Net Income (Loss)		$ (44,546)

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
STATEMENTS OF FORECASTED AND PROJECTED INCOME

		FORECASTED Current Rate Year Ending 5/31/05	PROJECTED Proposed Rate Year Ending 5/31/05
Gross Revenues			
Residential	$	54,274	72,740
Commercial		59,849	80,212
Industrial		87,199	116,869
Other			
Total Revenues		201,322	269,821
Purchased Gas		154,088	154,088
Gross Margin		47,234	115,733
Operating Expenses			
Distribution Expenses - Operation			
Repairs - equipment		4	4
Supplies		1,078	1,078
Total Distribution Expenses - Operation		1,082	1,082
Administrative and General Expense			
Accounting and legal fees		6,810	6,810
Auto and truck expense		3,855	3,855
Donations		154	154
Dues and subscriptions		732	732
Insurance		6,189	6,189
License		547	547
Miscellaneous		123	123
Utilities		1,531	1,531
Office supplies		492	492
Postage		650	650
Rent		2,598	2,598
Telephone		1,797	1,797
Salaries - officers		20,958	20,958
Salaries - general		32,521	32,521
Total Administrative and General Expenses		78,957	78,957
Depreciation Expense		6,697	6,697
Amortization Expense		2,000	2,000
Taxes Other Than Income Taxes			
Taxes - other		2,508	2,508
Taxes - payroll		4,519	4,519
Total Taxes Other Than Income Taxes		7,027	7,027
Total Operating Expenses		95,763	95,763
Net Operating Income (Deficit)		(48,529)	19,970
Income Taxes		-	2,427
Interest Expense		12,818	12,818
Net Income	$	(61,347)	4,725

See summary of significant assumptions and accountants' report

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS

NOTE A – NATURE OF PRESENTATION

The Corporation is a subsidiary of Tumlinson Engineering, Inc. The purpose of the Company is to distribute natural gas to customers located in Hardin County, Tennessee.

The financial forecast presents, to the best of management's knowledge and belief, the expected net income(loss) of the Company for the forecast period. Accordingly, the forecast reflects its judgment as of November 10, 2003, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

This financial projection is based on a requested increase to the gas rate charged to the Company's customers and present, to the best of management's knowledge and belief, the Company's expected results of operations for the projection period if such gas rate increase is attained Accordingly, this projection reflects its judgment as of November 10, 2003, the date of this projection, of the expected conditions and its expected course of action if such gas rate increase is attained. This presentation is for the purpose of obtaining the requested gas rate increase for a corporation that distributes natural gas to its customers and should not be considered to be a presentation of expected results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projections. Furthermore, even if the gas rate increase is attained, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The natural gas would be distributed to all classes of customers, residential, commercial, and industrial, at the same rate based on MCF usage.

NOTE B – REVENUE

Management has projected a base rate increase from $2.1304 per MCF to $6 6449 per MCF for all customer classes Management assumed that the MCF usage per customer, the number of active customers, and the class of customer will not change in the forecast/projection year from the historical test period ended September 30, 2003

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS
(CONTINUED)

NOOTE B – REVENUE (CONTINUED)

Management forecasted the revenue by customer type using the current base rate of $2 1304 for the forecasted attrition year as follows

Residential	5,977 MCF x ($2 1304 + 6 95) =	$ 54,274
Commercial	6,591 MCF x ($2 1304 + 6 95) =	$ 59,849
Industrial	9,603 MCF x ($2.1304 + 6.95) =	$ 87,199

Management projected the revenue by customer type using the proposed base rate of $5.22 for the projected attrition year as follows·

Residential	5,977 MCF x ($5 22 + 6.95) =	$ 72,740
Commercial	6,591 MCF x ($5 22 + 6.95) =	$ 80,212
Industrial	9,603 MCF x ($5.22 + 6.95) =	$116,869

Furthermore, management has not forecasted any revenue from tap fees since this type of revenue accounts for less than 1% of total revenue

NOTE C – PURCHASED GAS

Management made the assumption that the current PGA adjustment of $6 95/MCF will remain in effect in the forecast/projection year. Management assumed that the MCF usage per customer, the number of active customers, and the class of customer will not change in the forecast/projection year from the historical test period ended September 30, 2003. Therefore, the purchased gas cost would be $154,088 which is the product of 22,171 MCF usage and $6.95/MCF rate. 22,171 is the MCF units used in the historical test year ended September 30, 2003

NOTE D – OPERATING EXPENSES

The following summarizes the key assumptions made by management in the forecasted and projected income statement for the attrition year ending May 31, 2005·

1 Supplies – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002.
2 Accounting and legal fees – increasing by 2.5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002 after deducting $3,000 in legal fees from the test year ended September 30, 2003, that were not recurring expenses

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS
(CONTINUED)

NOTE D – OPERATING EXPENSES (CONTINUED)

3 Auto and truck expenses – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

4 Donations – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

5 Dues and subscriptions – increasing by 2 5%, which is based on the average CPI rate of change over the over the last four years ended December 31, 2002.

6 Insurance – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

7 License – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

8 Miscellaneous – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002.

9 Utilities - increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

10. Office supplies – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

11 Postage – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002 .

12 Rent – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

13 Telephone – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

14 Salaries-officers – increasing by 3 0%, which is based on management's assumption

15. Salaries-other – increasing by 3 0%, which is the rate of increase that management has agreed to pay its employees in the future

16 Depreciation – represents depreciation of fixed assets presented in Supplemental Schedule F

17 Amortization – straight-line amortization of $6,000 over 3 years of the legal and accounting fees associated with this rate increase proposal

18. Taxes-other – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

19 Taxes-payroll – 8 45%, which is the sum of the FICA and FUTA rates, of salaries

20 Interest expense – 21 69% of the interest calculated on the amortization schedule included with this rate case filing Management allocated 21 69% of the principal of the loan used to purchase Tumlinson Engineering, Inc to Counce Natural Gas Company The allocation calculation is presented in Supplemental Schedule E

21 Income taxes – the calculation is presented in Supplemental Schedule D

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Cost of Capital Schedule
Supplemental Schedule A

COST RATE BASE		Capital	Percentage of Capital	Cost Rate	Weighted Cost Rate
Purchase Price of Tumlinson Engineering, Inc through Debt (Parent of Counce Natural Gas Company)		$1,250,000			
% Allocated to Counce Natural Gas		21 69%			
Purchase Price Allocated to Counce		$ 271,125	95 59%	6 00%	5 74%
Original Cost of Additional Assets since the Purchase of the Corporation	$ 10,634				
Accumulated Depreciation @ 9/30/03	$ (4,111)				
Legal & Accounting Fees of Rate Case	$ 6,000				
Net Plant in Service		$ 12,523	4 41%	10 00%	0 44%
Total Investment		$ 283,648	100 00%		6 18%

TOTAL INVESTMENT	**$ 283,648**
RATE OF RETURN	**6.18%**
RETURN	**$ 17,529**

1 Management assumed that the legal and accounting fees associated with this rate case will be $6,000

2 Management assumed a 6% cost rate associated with the purchase of Tumlinson Engineering, Inc since that is the interest rate associated with the debt used in the purchase

3 Management assumed a 10% cost rate for the net carrying value for all of the assets placed in service since the purchase The 10% cost rate was determined by assuming an additional 4% risk factor due to the fact that the company has two industrial customers that account for 43% of the total MCF usage for the test year ended September 30, 2003 If the Company was to lose either one of those customers, the Company would be severly impacted financially

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Gas Sales
Year Ended September 30, 2003
Supplemental Schedule B

		COUNCE							
		Residential		Commercial		Industrial			
Month	Year	# of Customers	Mcf	# of Customers	Mcf	# of Customers	Mcf	Total Customers	Total Mcf
October	2002	110	157	34	288	2	309	146	754
November	2002	111	587	34	446	2	1,094	147	2,127
December	2002	114	1,240	35	1,071	2	1,423	151	3,734
January	2003	116	1,508	35	1,455	2	2,241	153	5,204
February	2003	115	1,165	34	1,136	2	1,465	151	3,766
March	2003	114	599	34	532	2	954	150	2,085
April	2003	113	337	34	341	2	617	149	1,295
May	2003	113	83	34	263	2	431	149	777
June	2003	112	73	34	255	2	331	148	659
July	2003	111	89	34	263	2	238	147	590
August	2003	111	62	34	259	2	210	147	531
September	2003	111	77	34	282	2	290	147	649
Averages		**113**		**34**		**2**		**149**	
Totals			**5,977**		**6,591**		**9,603**		**22,171**

		BURNSVILLE							
		Residential		Commercial		Industrial			
Month	Year	# of Customers	Mcf	# of Customers	Mcf	# of Customers	Mcf	Total Customers	Total Mcf
October	2002	169	186	42	163	1	1,184	212	1,533
November	2002	173	773	42	640	1	1,762	216	3,175
December	2002	179	1,632	43	1,749	1	436	223	3,817
January	2003	178	1,956	44	2,133	1	26	223	4,115
February	2003	181	1,410	43	1,676	1	583	225	3,669
March	2003	177	733	43	798	1	2,135	221	3,666
April	2003	169	408	43	418	1	1,619	213	2,445
May	2003	164	109	43	209	1	1,532	208	1,850
June	2003	160	89	43	154	1	1,585	204	1,828
July	2003	155	82	42	155	1	1,715	198	1,952
August	2003	152	65	41	151	1	1,115	194	1,331
September	2003	154	83	41	151	1	1,265	196	1,499
Averages		**168**		**43**		**1**		**211**	
Totals			**7,526**		**8,397**		**14,957**		**30,880**

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Revenue Deficiency Schedule
Supplmental Schedule C

Line		Amount	
1	Investment (Rate Base)	$ 283,648	
2	Net Operating Income (After Tax, Before Interest)	$ (48,529)	
3	Earned Rate of Return	-17 11%	(line 2 / line 1)
4	Fair Rate of Return	6 18%	
5	Required Net Operating Income	$ 17,529	
6	Net Operating Income Deficiency	$ 66,058	(line 5 - line 2)
7	Revenue Conversion Factor (1/1-tax rate)	1 5152	
8	**Revenue Deficiency for the Year**	**$ 100,091**	(line 6 x line 7)
9	Factor to Adjust Net Operating Income Not Taxed	(31,594)	
10	**Adjusted Revenue Deficiency for the Year**	**$ 68,497**	(line 8 - line 9)

Calculated Requested Base Rate as a result of the Revenue Deficiency

Revenue Deficiency / MCF usage (test year)	$ 68,497 / 22,171	=	3 0896
	Current Base Rate		2 1304
	Proposed Base Rate		5 2200

See accountants' report

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Calculation of Income Taxes
Supplemental Schedule D

Line		Amount
1	Fair Return (Net Operating Income)	$ 17,529
2	Interest Expense	$ 12,818
3	**Net Income**	**$ 4,711**
4	Required Taxable Income (line 3/(1- 34))	$ 7,138
5	Tax Rate	34%
6	**Income Tax**	**$ 2,427**

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Allocation of Purchase Price to Calculate Cost Rate Base
Supplemental Schedule E

FIXED ASSETS		**Original Cost**	**% of Total**	
Tumlinson Engineering	$	285,071 21	78 16%	
Counce Natural Gas		79,634 40	21 84%	21 84%
	$	364,705 61	100 00%	

REVENUES (Test Year Ended September 30, 2003)		**Revenues**	**% of Total**	
Tumlinson Engineering	$	690,189 75	78 47%	
Counce Natural Gas		189,334 76	21 53%	21 53%
	$	879,524 51	100 00%	
Average % to Allocate to Calculate the Cost Rate Base		21 69%		

This schedule above provides support for allocating 21 69% of the $1,250,000 purchase price to the Counce Natural Gas Company to arrive at the Rate Base reported on the Cost of Capital Supplementary Schedule A

The contract and note agreements of the purchase of Tumlinson Engineering are included with this Proposed Rate Increase Application

COUNCE NATURAL GAS COMPANY
DETAIL OF FIXED ASSETS

Description		**Original Cost**	**Allocation %**	**Counce Original Cost**
1 Ton Truck	$	3,500 00	100%	3,500 00
ATV (40% Cost)		4,090 00	40%	1,636 00
Ford 4000 Tractor (40% Cost)		4,000 00	40%	1,600 00
Canon Copier (40% Cost)		661 00	40%	264 40
Compressor (40% Cost)		4,500 00	40%	1,800 00
Mower & Bush Hog (40% Cost)		1,031 00	40%	412 40
Meters (40% Cost)		3,554 00	40%	1,421 60
Meters 150@$100 each		15,000 00	100%	15,000 00
Pipelines		54,000 00	100%	54,000 00
	$	90,336 00		79,634 40

The percentage of the cost of the fixed assets allocated to Counce Gas Company is based on the time that the specific asset is used in the operations of Counce Gas Company according to Management

See accountants' report

COUNCE COUNCE NATURAL GAS COMPANY

FYE: 9/30/2003

Book Asset Detail 10/01/02 - 9/30/03

Supplemental Schedule F

Asset	*	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
Group: AUTOS & TRUCKS												
1		1 TON TRUCK	12/10/00	3,500 00	0 00	0 00	1,283 33	700 00	1,983 33	1,516 67	S/L	5 0
		AUTOS & TRUCKS		3,500 00	0 00c	0 00	1,283 33	700 00	1,983 33	1,516 67		
Group: EQUIPMENT												
2		ATV 40% COST	9/21/01	1,636 00	0 00	0 00	327 20	327 20	654 40	981 60	S/L	5 0
4		FORD 4000 TRACTOR 40% COST	8/29/01	1,600 00	0 00	0 00	346 67	320 00	666 67	933 33	S/L	5 0
8		CANON COPIER 40% COST	2/27/02	264 40	0 00	0 00	30 85	52 88	83 73	180 67	S/L	5 0
9		COMPRESSOR 40% COST	12/05/01	1,800 00	0 00	0 00	150 00	180 00	330 00	1,470 00	S/L	10 0
10		MOWER & BUSH HOG 40% COS	9/08/01	412 40	0 00	0 00	89 35	82 48	171 83	240 57	S/L	5 0
		EQUIPMENT		5,712 80	0 00c	0 00	944 07	962 56	1,906 63	3,806 17		
Group: LAND IMPROVEMENTS												
5		METERS 40% COST	6/01/01	1,421 60	0 00	0 00	126 36	94 77	221 13	1,200 47	S/L	15 0
6		METERS 150@$100	2/01/96	15,000 00	0 00	0 00	6,666 67	1,000 00	7,666 67	7,333 33	S/L	15 0
7		PIPELINES	2/01/96	54,000 00	0 00	0 00	24,000 00	3,600 00	27,600 00	26,400 00	S/L	15 0
		LAND IMPROVEMENTS		70,421 60	0 00c	0 00	30,793 03	4,694 77	35,487 80	34,933 80		
		Grand Total		79,634 40	0 00c	0 00	33,020 43	6,357 33	39,377 76	40,256 64		

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Schedule of Salaries
Supplemental Schedule G

	ACTUAL Year Ended 9/30/03	FORECASTED Current Rate Year Ending 5/31/05		PROJECTED Proposed Rate Year Ending 5/31/05
Plant Manager				
$906 40/biweekly	$ 21,210	21,846	3% raise next year	$ 21,846
90% time devoted to Counce				
Secretary				
$664 35/biweekly	10,364	10,675	3% raise next year	10,675
60% time devoted to Counce				
Total Wages	$ 31,574	32,521		32,521
Officer Salaries				
Mike Horton				
$500/biweekly	$ 9,100	9,373	3% raise next year	9,373
60% time devoted to Counce				
Candy Horton				
$721/biweekly	11,248	11,585	3% raise next year	11,585
60% time devoted to Counce				
Total Officer Salaries	$ 20,348	20,958		$ 20,958

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Reconciliation of General Ledger Totals to the Balance Sheet
September 30, 2003
Supplemental Schedule H

		General Ledger	Adjustments	Balance Sheet
ASSETS				
CURRENT ASSETS				
Cash	$	69,055	-	69,055
Accounts Receivable		8,737	-	8,737
Meter Deposits		2,437	-	2,437
Intercompany Receivables		650,066	(349,922)	300,144
TOTAL CURRENT ASSETS		730,295		380,373
PROPERTY AND EQUIPMENT				
Machinery & Equipment (at cost)		69,000	10,634	79,634
Less Accumulated Depreciation		(69,000)	29,622	(39,378)
TOTAL PROPERTY AND EQUIPMENT		-		40,256
TOTAL ASSETS	$	730,295		420,629
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts Payable	$	19,233	-	19,233
Payroll Tax Liabilities		674	-	674
Sales Tax Payable		227	-	227
Meter Deposits		3,781	-	3,781
Current Portion of Notes Payable-Tumlinson & O'Leary		14,494	(8,206)	6,288
Due to Burnesville		136,553	35,409	171,962
TOTAL CURRENT LIABILITIES		174,962		202,165
LONG-TERM LIABILITIES				
Note Payable - Tumlinson & O'Leary				
Less Current Portion		484,315	(274,219)	210,096
Note Payable - Tumlinson & O'Leary				
Less Current Portion		119,210	(67,497)	51,713
		603,525		261,809
TOTAL LONG-TERM LIABILITIES		778,487		463,974
STOCKHOLDERS' EQUITY				
Capital stock		1,000	-	1,000
Paid-in capital		68,000	-	68,000
Retained Earnings		(117,192)	4,847	(112,345)
TOTAL STOCKHOLDERS' EQUITY		(48,192)		(43,345)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	730,295		420,629

The balances on the general ledger had to be adjusted to allocate 21 7% of total debt used to purchase Tumlinson Engineering to Counce Gas Company and to report fixed assets that were used in the operations of both Tumlinson Engineering and Counce Gas Company The calculations of the 21 7% allocation figure and the list of fixed assets used in both operations are detailed in Supplemental Schedule E

See accountants' report

COUNCE NATURAL GAS COMPANY

WWS

WATKINS, WARD AND STAFFORD
Professional Limited Liability Company
Certified Public Accountants

318 W Main St PO Box 583 Philadelphia, MS 39350
Phone (601) 656-4252 Fax (601) 656-4236

James L Stafford, CPA
Harry W Stevens, CPA
Boyd M Edwards, CPA
Paul A Ray, CPA
S Keith Winfield, CPA
William B Staggers, CPA
Aubrey R Holder, CPA
David M Howell, CPA
Michael W McCully, CPA
Mort Stroud, CPA
Gary C Hamilton, CPA
R Steve Sinclair, CPA
Michael L Pierce, CPA
Marsha L McDonald, CPA
Wanda S Holley, CPA
Robin Y McCormick, CPA/PFS
J Randy Scrivner, CPA
Kimberly S Caskey, CPA

Management
Counce Natural Gas Company
Counce, Tennessee

We have compiled the accompanying forecasted and projected statement of income of Counce Natural Gas Company, subsidiary of a corporation, as of May 31, 2005, and for the year then ending, and the accompanying supplementary information contained in Schedules A through H, which are presented only for supplementary analysis purposes, in accordance with attestation standards established by the American Institute of Certified Public Accountants. The accompanying projection was prepared for obtaining a higher gas rate to charge to the company's customers and should not be considered a presentation of expected future results.

A compilation is limited to presenting in the form of prospective financial statements and supplementary schedules information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast or projection. We have not examined the forecast or projection and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them or the assumptions. Furthermore, because events and circumstances frequently do not occur as expected, there will usually be differences between the forecasted and actual results, and even if the Company is able to obtain the requested gas rate increase, there will usually be differences between the projected and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report

We have also compiled the accompanying balance sheet of Counce Natural Gas Company, subsidiary of a corporation, as of September 30, 2003, and the related statement of income for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation of historical financial statements is limited to presenting in the form of historical financial statements information that is the representation of management We have not audited or reviewed the accompanying historical financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles for the historical financial statements. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows Accordingly, the accompanying historical statements are not designed for those who are not informed about such matters.

West Point, Mississippi
November 10, 2003

Watkins, Ward and Stafford PLLC

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Balance Sheet
September 30, 2003

ASSETS		
CURRENT ASSETS		
Cash		$ 69,055
Accounts Receivable		8,737
Meter Deposits		2,437
Intercompany Receivables		300,144
	TOTAL CURRENT ASSETS	380,373
PROPERTY AND EQUIPMENT		
Machinery & Equipment (at cost)		79,634
Less Accumulated Depreciation		(39,378)
		40,256
	TOTAL ASSETS	$ 420,629
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable		$ 19,233
Payroll Tax Liabilities		674
Sales Tax Payable		227
Meter Deposits		3,781
Current Portion of Notes Payable-Tumlinson & O'Leary		6,288
Due to Burnesville		171,962
	TOTAL CURRENT LIABILITIES	202,165
LONG-TERM LIABILITIES		
Note Payable - Tumlinson & O'Leary		
Less Current Portion		210,096
Note Payable - Tumlinson & O'Leary		
Less Current Portion		51,713
		261,809
	TOTAL LONG-TERM LIABILITIES	463,974
STOCKHOLDERS' EQUITY		
Capital stock		1,000
Paid-in capital		68,000
Retained Earnings		(112,345)
	TOTAL STOCKHOLDERS' EQUITY	(43,345)
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 420,629

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Statement of Income
Year Ended September 30, 2003

Gross Revenues.		
Residential	$ 50,950	
Commercial	81,300	
Industrial	48,872	
Other	8,213	
Total Revenues		$ 189,335
Purchased Gas		138,127
Gross Margin		51,208
Operating Expenses.		
Distribution Expenses - Operation		
Repairs - equipment	4	
Supplies	1,052	
Total Distribution Expenses - Operation		1,056
Administrative and General Expense		
Accounting and legal fees	9,644	
Auto and truck expense	3,761	
Donations	150	
Dues and subscriptions	714	
Insurance	6,038	
License	534	
Miscellaneous	120	
Utilities	1,494	
Office supplies	480	
Postage	634	
Rent	2,535	
Telephone	1,753	
Salaries - officers (see Schedule G)	20,348	
Salaries - general (see Schedule G)	31,574	
Total Administrative and General Expenses		79,779
Depreciation and Amortization Expense		6,697
Taxes Other Than Income Taxes		
Taxes - other	2,447	
Taxes - payroll	4,387	
Total Taxes Other Than Income Taxes		6,834
Income Taxes		0
Total Operating Expenses		94,366
Net Operating Income (Loss)		(43,158)
Interest Expense		1,388
Net Income (Loss)		$ (44,546)

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
STATEMENTS OF FORECASTED AND PROJECTED INCOME

		FORECASTED Current Rate Year Ending 5/31/05	PROJECTED Proposed Rate Year Ending 5/31/05
Gross Revenues			
Residential	$	54,274	72,740
Commercial		59,849	80,212
Industrial		87,199	116,869
Other			
Total Revenues		201,322	269,821
Purchased Gas		154,088	154,088
Gross Margin		47,234	115,733
Operating Expenses:			
Distribution Expenses - Operation			
Repairs - equipment		4	4
Supplies		1,078	1,078
Total Distribution Expenses - Operation		1,082	1,082
Administrative and General Expense			
Accounting and legal fees		6,810	6,810
Auto and truck expense		3,855	3,855
Donations		154	154
Dues and subscriptions		732	732
Insurance		6,189	6,189
License		547	547
Miscellaneous		123	123
Utilities		1,531	1,531
Office supplies		492	492
Postage		650	650
Rent		2,598	2,598
Telephone		1,797	1,797
Salaries - officers		20,958	20,958
Salaries - general		32,521	32,521
Total Administrative and General Expenses		78,957	78,957
Depreciation Expense		6,697	6,697
Amortization Expense		2,000	2,000
Taxes Other Than Income Taxes			
Taxes - other		2,508	2,508
Taxes - payroll		4,519	4,519
Total Taxes Other Than Income Taxes		7,027	7,027
Total Operating Expenses		95,763	95,763
Net Operating Income (Deficit)		(48,529)	19,970
Income Taxes		-	2,427
Interest Expense		12,818	12,818
Net Income	$	(61,347)	4,725

See summary of significant assumptions and accountants' report

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS

NOTE A – NATURE OF PRESENTATION

The Corporation is a subsidiary of Tumlinson Engineering, Inc. The purpose of the Company is to distribute natural gas to customers located in Hardin County, Tennessee.

The financial forecast presents, to the best of management's knowledge and belief, the expected net income(loss) of the Company for the forecast period. Accordingly, the forecast reflects its judgment as of November 10, 2003, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

This financial projection is based on a requested increase to the gas rate charged to the Company's customers and present, to the best of management's knowledge and belief, the Company's expected results of operations for the projection period if such gas rate increase is attained. Accordingly, this projection reflects its judgment as of November 10, 2003, the date of this projection, of the expected conditions and its expected course of action if such gas rate increase is attained. This presentation is for the purpose of obtaining the requested gas rate increase for a corporation that distributes natural gas to its customers and should not be considered to be a presentation of expected results Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projections. Furthermore, even if the gas rate increase is attained, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The natural gas would be distributed to all classes of customers, residential, commercial, and industrial, at the same rate based on MCF usage.

NOTE B – REVENUE

Management has projected a base rate increase from $2 1304 per MCF to $6 6449 per MCF for all customer classes Management assumed that the MCF usage per customer, the number of active customers, and the class of customer will not change in the forecast/projection year from the historical test period ended September 30, 2003

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS
(CONTINUED)

NOOTE B – REVENUE (CONTINUED)

Management forecasted the revenue by customer type using the current base rate of $2.1304 for the forecasted attrition year as follows:

Residential	5,977 MCF x ($2.1304 + 6 95) =	$ 54,274
Commercial	6,591 MCF x ($2 1304 + 6.95) =	$ 59,849
Industrial	9,603 MCF x ($2.1304 + 6 95) =	$ 87,199

Management projected the revenue by customer type using the proposed base rate of $5.22 for the projected attrition year as follows.

Residential	5,977 MCF x ($5 22 + 6.95) =	$ 72,740
Commercial	6,591 MCF x ($5 22 + 6.95) =	$ 80,212
Industrial	9,603 MCF x ($5 22 + 6.95) =	$116,869

Furthermore, management has not forecasted any revenue from tap fees since this type of revenue accounts for less than 1% of total revenue.

NOTE C – PURCHASED GAS

Management made the assumption that the current PGA adjustment of $6.95/MCF will remain in effect in the forecast/projection year. Management assumed that the MCF usage per customer, the number of active customers, and the class of customer will not change in the forecast/projection year from the historical test period ended September 30, 2003. Therefore, the purchased gas cost would be $154,088 which is the product of 22,171 MCF usage and $6.95/MCF rate. 22,171 is the MCF units used in the historical test year ended September 30, 2003

NOTE D – OPERATING EXPENSES

The following summarizes the key assumptions made by management in the forecasted and projected income statement for the attrition year ending May 31, 2005:

1. Supplies – increasing by 2.5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002.
2. Accounting and legal fees – increasing by 2.5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002 after deducting $3,000 in legal fees from the test year ended September 30, 2003, that were not recurring expenses

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS
(CONTINUED)

NOTE D – OPERATING EXPENSES (CONTINUED)

3 Auto and truck expenses – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

4 Donations – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

5 Dues and subscriptions – increasing by 2 5%, which is based on the average CPI rate of change over the over the last four years ended December 31, 2002

6 Insurance – increasing by 2.5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

7 License – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

8 Miscellaneous – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002.

9 Utilities - increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

10 Office supplies – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

11. Postage – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

12 Rent – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

13 Telephone – increasing by 2.5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

14 Salaries-officers – increasing by 3 0%, which is based on management's assumption

15 Salaries-other – increasing by 3 0%, which is the rate of increase that management has agreed to pay its employees in the future

16. Depreciation – represents depreciation of fixed assets presented in Supplemental Schedule F

17 Amortization – straight-line amortization of $6,000 over 3 years of the legal and accounting fees associated with this rate increase proposal

18 Taxes-other – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002

19 Taxes-payroll – 8 45%, which is the sum of the FICA and FUTA rates, of salaries

20 Interest expense – 21 69% of the interest calculated on the amortization schedule included with this rate case filing Management allocated 21 69% of the principal of the loan used to purchase Tumlinson Engineering, Inc to Counce Natural Gas Company The allocation calculation is presented in Supplemental Schedule E

21 Income taxes – the calculation is presented in Supplemental Schedule D

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Cost of Capital Schedule
Supplemental Schedule A

COST RATE BASE		**Capital**	**Percentage of Capital**	**Cost Rate**	**Weighted Cost Rate**
Purchase Price of Tumlinson Engineering, Inc through Debt (Parent of Counce Natural Gas Company)		$1,250,000			
% Allocated to Counce Natural Gas		21 69%			
Purchase Price Allocated to Counce		$ 271,125	95 59%	6 00%	5 74%
Original Cost of Additional Assets since the Purchase of the Corporation	$ 10,634				
Accumulated Depreciation @ 9/30/03	$ (4,111)				
Legal & Accounting Fees of Rate Case	$ 6,000				
Net Plant in Service		$ 12,523	4 41%	10 00%	0 44%
Total Investment		$ 283,648	100 00%		6 18%

TOTAL INVESTMENT	**$ 283,648**
RATE OF RETURN	**6 18%**
RETURN	**$ 17,529**

1 Management assumed that the legal and accounting fees associated with this rate case will be $6,000

2 Management assumed a 6% cost rate associated with the purchase of Tumlinson Engineering, Inc since that is the interest rate associated with the debt used in the purchase

3 Management assumed a 10% cost rate for the net carrying value for all of the assets placed in service since the purchase The 10% cost rate was determined by assuming an additional 4% risk factor due to the fact that the company has two industrial customers that account for 43% of the total MCF usage for the test year ended September 30, 2003 If the Company was to lose either one of those customers, the Company would be severly impacted financially

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Gas Sales
Year Ended September 30, 2003
Supplemental Schedule B

		COUNCE								BURNSVILLE							
		Residential		Commercial		Industrial				Residential		Commercial		Industrial			
Month	Year	# of Customers	Mcf	# of Customers	Mcf	# of Customers	Mcf	Total Customers	Total Mcf	# of Customers	Mcf	# of Customers	Mcf	# of Customers	Mcf	Total Customers	Total Mcf
October	2002	110	157	34	288	2	309	146	754	169	186	42	163	1	1,184	212	1,533
November	2002	111	587	34	446	2	1,094	147	2,127	173	773	42	640	1	1,762	216	3,175
December	2002	114	1,240	35	1,071	2	1,423	151	3,734	179	1,632	43	1,749	1	436	223	3,817
January	2003	116	1,508	35	1,455	2	2,241	153	5,204	178	1,956	44	2,133	1	26	223	4,115
February	2003	115	1,165	34	1,136	2	1,465	151	3,766	181	1,410	43	1,676	1	583	225	3,669
March	2003	114	599	34	532	2	954	150	2,085	177	733	43	798	1	2,135	221	3,666
April	2003	113	337	34	341	2	617	149	1,295	169	408	43	418	1	1,619	213	2,445
May	2003	113	83	34	263	2	431	149	777	164	109	43	209	1	1,532	208	1,850
June	2003	112	73	34	255	2	331	148	659	160	89	43	154	1	1,585	204	1,828
July	2003	111	89	34	263	2	238	147	590	155	82	42	155	1	1,715	198	1,952
August	2003	111	62	34	259	2	210	147	531	152	65	41	151	1	1,115	194	1,331
September	2003	111	77	34	282	2	290	147	649	154	83	41	151	1	1,265	196	1,499
Averages		**113**		**34**		**2**		**149**		**168**		**43**		**1**		**211**	
Totals			**5,977**		**6,591**		**9,603**		**22,171**		**7,526**		**8,397**		**14,957**		**30,880**

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Revenue Deficiency Schedule
Supplmental Schedule C

Line		Amount	
1	Investment (Rate Base)	$ 283,648	
2	Net Operating Income (After Tax, Before Interest)	$ (48,529)	
3	Earned Rate of Return	-17 11%	(line 2 / line 1)
4	Fair Rate of Return	6 18%	
5	Required Net Operating Income	$ 17,529	
6	Net Operating Income Deficiency	$ 66,058	(line 5 - line 2)
7	Revenue Conversion Factor (1/1-tax rate)	1 5152	
8	**Revenue Deficiency for the Year**	**$ 100,091**	(line 6 x line 7)
9	Factor to Adjust Net Operating Income Not Taxed	(31,594)	
10	**Adjusted Revenue Deficiency for the Year**	**$ 68,497**	(line 8 - line 9)

Calculated Requested Base Rate as a result of the Revenue Deficiency

Revenue Deficiency / MCF usage (test year)	$ 68,497 / 22,171	=	3 0896
	Current Base Rate		2 1304
	Proposed Base Rate		5 2200

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Calculation of Income Taxes
Supplemental Schedule D

Line		Amount
1	Fair Return (Net Operating Income)	$ 17,529
2	Interest Expense	$ 12,818
3	**Net Income**	**$ 4,711**
4	Required Taxable Income (line 3/(1-.34))	$ 7,138
5	Tax Rate	34%
6	**Income Tax**	**$ 2,427**

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Allocation of Purchase Price to Calculate Cost Rate Base
Supplemental Schedule E

FIXED ASSETS		**Original Cost**	**% of Total**	
Tumlinson Engineering	$	285,071'21	78 16%	
Counce Natural Gas		79,634 40	21 84%	21 84%
	$	364,705 61	100 00%	

REVENUES (Test Year Ended September 30, 2003)		**Revenues**	**% of Total**	
Tumlinson Engineering	$	690,189 75	78 47%	
Counce Natural Gas		189,334 76	21 53%	21 53%
	$	879,524 51	100 00%	
Average % to Allocate to Calculate the Cost Rate Base		21 69%		

This schedule above provides support for allocating 21 69% of the $1,250,000 purchase price to the Counce Natural Gas Company to arrive at the Rate Base reported on the Cost of Capital Supplementary Schedule A

The contract and note agreements of the purchase of Tumlinson Engineering are included with this Proposed Rate Increase Application

COUNCE NATURAL GAS COMPANY
DETAIL OF FIXED ASSETS

Description		**Original Cost**	**Allocation %**	**Counce Original Cost**
1 Ton Truck	$	3,500 00	100%	3,500 00
ATV (40% Cost)		4,090 00	40%	1,636 00
Ford 4000 Tractor (40% Cost)		4,000 00	40%	1,600 00
Canon Copier (40% Cost)		661 00	40%	264 40
Compressor (40% Cost)		4,500 00	40%	1,800 00
Mower & Bush Hog (40% Cost)		1,031 00	40%	412 40
Meters (40% Cost)		3,554 00	40%	1,421 60
Meters 150@$100 each		15,000 00	100%	15,000 00
Pipelines		54,000 00	100%	54,000 00
	$	90,336 00		79,634 40

The percentage of the cost of the fixed assets allocated to Counce Gas Company is based on the time that the specific asset is used in the operations of Counce Gas Company according to Management

See accountants' report

COUNCE COUNCE NATURAL GAS COMPANY

Book Asset Detail 10/01/02 - 9/30/03

Supplemental Schedule F

FYE: 9/30/2003

Asset	*	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
Group: AUTOS & TRUCKS												
1		1 TON TRUCK	12/10/00	3,500 00	0 00	0 00	1,283 33	700 00	1,983 33	1,516 67	S/L	5 0
		AUTOS & TRUCKS		3,500 00	0 00c	0 00	1,283 33	700 00	1,983 33	1,516 67		
Group: EQUIPMENT												
2		ATV 40% COST	9/21/01	1,636 00	0 00	0 00	327 20	327 20	654 40	981 60	S/L	5 0
4		FORD 4000 TRACTOR 40% COST	8/29/01	1,600 00	0 00	0 00	346 67	320 00	666 67	933 33	S/L	5 0
8		CANON COPIER 40% COST	2/27/02	264 40	0 00	0 00	30 85	52 88	83 73	180 67	S/L	5 0
9		COMPRESSOR 40% COST	12/05/01	1,800 00	0 00	0 00	150 00	180 00	330 00	1,470 00	S/L	10 0
10		MOWER & BUSH HOG 40% COS	9/08/01	412 40	0 00	0 00	89 35	82 48	171 83	240 57	S/L	5 0
		EQUIPMENT		5,712 80	0 00c	0 00	944 07	962 56	1,906 63	3,806 17		
Group. LAND IMPROVEMENTS												
5		METERS 40% COST	6/01/01	1,421 60	0 00	0 00	126 36	94 77	221 13	1,200 47	S/L	15 0
6		METERS 150@$100	2/01/96	15,000 00	0 00	0 00	6,666 67	1,000 00	7,666 67	7,333 33	S/L	15 0
7		PIPELINES	2/01/96	54,000 00	0 00	0 00	24,000 00	3,600 00	27,600 00	26,400 00	S/L	15 0
		LAND IMPROVEMENTS		70,421 60	0 00c	0 00	30,793 03	4,694 77	35,487 80	34,933 80		
		Grand Total		79,634 40	0 00c	0 00	33,020 43	6,357 33	39,377 76	40,256 64		

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Schedule of Salaries
Supplemental Schedule G

	ACTUAL Year Ended 9/30/03	FORECASTED Current Rate Year Ending 5/31/05		PROJECTED Proposed Rate Year Ending 5/31/05
Plant Manager				
$906 40/biweekly 90% time devoted to Counce	$ 21,210	21,846	3% raise next year	$ 21,846
Secretary				
$664 35/biweekly 60% time devoted to Counce	10,364	10,675	3% raise next year	10,675
Total Wages	$ 31,574	32,521		32,521
Officer Salaries				
Mike Horton				
$500/biweekly 60% time devoted to Counce	$ 9,100	9,373	3% raise next year	9,373
Candy Horton				
$721/biweekly 60% time devoted to Counce	11,248	11,585	3% raise next year	11,585
Total Officer Salaries	$ 20,348	20,958		$ 20,958

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Reconciliation of General Ledger Totals to the Balance Sheet
September 30, 2003
Supplemental Schedule H

		General Ledger	Adjustments	Balance Sheet
ASSETS				
CURRENT ASSETS				
Cash	$	69,055	-	69,055
Accounts Receivable		8,737	-	8,737
Meter Deposits		2,437	-	2,437
Intercompany Receivables		650,066	(349,922)	300,144
TOTAL CURRENT ASSETS		730,295		380,373
PROPERTY AND EQUIPMENT				
Machinery & Equipment (at cost)		69,000	10,634	79,634
Less Accumulated Depreciation		(69,000)	29,622	(39,378)
TOTAL PROPERTY AND EQUIPMENT		-		40,256
TOTAL ASSETS	$	730,295		420,629
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts Payable	$	19,233	-	19,233
Payroll Tax Liabilities		674	-	674
Sales Tax Payable		227	-	227
Meter Deposits		3,781	-	3,781
Current Portion of Notes Payable-Tumlinson & O'Leary		14,494	(8,206)	6,288
Due to Burnesville		136,553	35,409	171,962
TOTAL CURRENT LIABILITIES		174,962		202,165
LONG-TERM LIABILITIES				
Note Payable - Tumlinson & O'Leary				
Less Current Portion		484,315	(274,219)	210,096
Note Payable - Tumlinson & O'Leary				
Less Current Portion		119,210	(67,497)	51,713
		603,525		261,809
TOTAL LONG-TERM LIABILITIES		778,487		463,974
STOCKHOLDERS' EQUITY				
Capital stock		1,000	-	1,000
Paid-in capital		68,000	-	68,000
Retained Earnings		(117,192)	4,847	(112,345)
TOTAL STOCKHOLDERS' EQUITY		(48,192)		(43,345)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	730,295		420,629

The balances on the general ledger had to be adjusted to allocate 21 7% of total debt used to purchase Tumlinson Engineering to Counce Gas Company and to report fixed assets that were used in the operations of both Tumlinson Engineering and Counce Gas Company The calculations of the 21 7% allocation figure and the list of fixed assets used in both operations are detailed in Supplemental Schedule E

See accountants' report

COUNCE NATURAL GAS COMPANY

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WWS

WATKINS, WARD AND STAFFORD
Professional Limited Liability Company
Certified Public Accountants

318 W Main St PO Box 583 Philadelphia, MS 39350
Phone (601) 656-4252 Fax (601) 656-4236

James L Stafford, CPA
Harry W Stevens, CPA
Boyd M Edwards, CPA
Paul A Ray, CPA
S Keith Winfield, CPA
William B Staggers, CPA
Aubrey R Holder, CPA
David M Howell, CPA
Michael W McCully, CPA
Mort Stroud, CPA
Gary C Hamilton, CPA
R Steve Sinclair, CPA
Michael L Pierce, CPA
Marsha L McDonald, CPA
Wanda S Holley, CPA
Robin Y McCormick, CPA/PFS
J Randy Scrivner, CPA
Kimberly S Caskey, CPA

Management
Counce Natural Gas Company
Counce, Tennessee

We have compiled the accompanying forecasted and projected statement of income of Counce Natural Gas Company, subsidiary of a corporation, as of May 31, 2005, and for the year then ending, and the accompanying supplementary information contained in Schedules A through H, which are presented only for supplementary analysis purposes, in accordance with attestation standards established by the American Institute of Certified Public Accountants. The accompanying projection was prepared for obtaining a higher gas rate to charge to the company's customers and should not be considered a presentation of expected future results

A compilation is limited to presenting in the form of prospective financial statements and supplementary schedules information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast or projection. We have not examined the forecast or projection and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them or the assumptions. Furthermore, because events and circumstances frequently do not occur as expected, there will usually be differences between the forecasted and actual results, and even if the Company is able to obtain the requested gas rate increase, there will usually be differences between the projected and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report

We have also compiled the accompanying balance sheet of Counce Natural Gas Company, subsidiary of a corporation, as of September 30, 2003, and the related statement of income for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants

A compilation of historical financial statements is limited to presenting in the form of historical financial statements information that is the representation of management We have not audited or reviewed the accompanying historical financial statements and, accordingly, do not express an opinion or any other form of assurance on them

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles for the historical financial statements If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the accompanying historical statements are not designed for those who are not informed about such matters.

West Point, Mississippi
November 10, 2003

Watkins, Ward and Stafford PLLC

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Balance Sheet
September 30, 2003

ASSETS			
CURRENT ASSETS			
Cash		$	69,055
Accounts Receivable			8,737
Meter Deposits			2,437
Intercompany Receivables			300,144
	TOTAL CURRENT ASSETS		380,373
PROPERTY AND EQUIPMENT			
Machinery & Equipment (at cost)			79,634
Less Accumulated Depreciation			(39,378)
			40,256
	TOTAL ASSETS	$	420,629
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts Payable		$	19,233
Payroll Tax Liabilities			674
Sales Tax Payable			227
Meter Deposits			3,781
Current Portion of Notes Payable-Tumlinson & O'Leary			6,288
Due to Burnesville			171,962
	TOTAL CURRENT LIABILITIES		202,165
LONG-TERM LIABILITIES			
Note Payable - Tumlinson & O'Leary			
Less Current Portion			210,096
Note Payable - Tumlinson & O'Leary			
Less Current Portion			51,713
			261,809
	TOTAL LONG-TERM LIABILITIES		463,974
STOCKHOLDERS' EQUITY			
Capital stock			1,000
Paid-in capital			68,000
Retained Earnings			(112,345)
	TOTAL STOCKHOLDERS' EQUITY		(43,345)
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	420,629

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Statement of Income
Year Ended September 30, 2003

Gross Revenues.				
Residential	$	50,950		
Commercial		81,300		
Industrial		48,872		
Other		8,213		
Total Revenues			$	189,335
Purchased Gas				138,127
Gross Margin				51,208
Operating Expenses:				
Distribution Expenses - Operation				
Repairs - equipment		4		
Supplies		1,052		
Total Distribution Expenses - Operation				1,056
Administrative and General Expense				
Accounting and legal fees		9,644		
Auto and truck expense		3,761		
Donations		150		
Dues and subscriptions		714		
Insurance		6,038		
License		534		
Miscellaneous		120		
Utilities		1,494		
Office supplies		480		
Postage		634		
Rent		2,535		
Telephone		1,753		
Salaries - officers (see Schedule G)		20,348		
Salaries - general (see Schedule G)		31,574		
Total Administrative and General Expenses				79,779
Depreciation and Amortization Expense				6,697
Taxes Other Than Income Taxes				
Taxes - other		2,447		
Taxes - payroll		4,387		
Total Taxes Other Than Income Taxes				6,834
Income Taxes				0
Total Operating Expenses				94,366
Net Operating Income (Loss)				(43,158)
Interest Expense				1,388
Net Income (Loss)			$	(44,546)

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
STATEMENTS OF FORECASTED AND PROJECTED INCOME

		FORECASTED Current Rate Year Ending 5/31/05	PROJECTED Proposed Rate Year Ending 5/31/05
Gross Revenues			
Residential	$	54,274	72,740
Commercial		59,849	80,212
Industrial		87,199	116,869
Other			
Total Revenues		201,322	269,821
Purchased Gas		154,088	154,088
Gross Margin		47,234	115,733
Operating Expenses.			
Distribution Expenses - Operation			
Repairs - equipment		4	4
Supplies		1,078	1,078
Total Distribution Expenses - Operation		1,082	1,082
Administrative and General Expense			
Accounting and legal fees		6,810	6,810
Auto and truck expense		3,855	3,855
Donations		154	154
Dues and subscriptions		732	732
Insurance		6,189	6,189
License		547	547
Miscellaneous		123	123
Utilities		1,531	1,531
Office supplies		492	492
Postage		650	650
Rent		2,598	2,598
Telephone		1,797	1,797
Salaries - officers		20,958	20,958
Salaries - general		32,521	32,521
Total Administrative and General Expenses		78,957	78,957
Depreciation Expense		6,697	6,697
Amortization Expense		2,000	2,000
Taxes Other Than Income Taxes			
Taxes - other		2,508	2,508
Taxes - payroll		4,519	4,519
Total Taxes Other Than Income Taxes		7,027	7,027
Total Operating Expenses		95,763	95,763
Net Operating Income (Deficit)		(48,529)	19,970
Income Taxes		-	2,427
Interest Expense		12,818	12,818
Net Income	$	(61,347)	4,725

See summary of significant assumptions and accountants' report

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS

NOTE A – NATURE OF PRESENTATION

The Corporation is a subsidiary of Tumlinson Engineering, Inc. The purpose of the Company is to distribute natural gas to customers located in Hardin County, Tennessee.

The financial forecast presents, to the best of management's knowledge and belief, the expected net income(loss) of the Company for the forecast period Accordingly, the forecast reflects its judgment as of November 10, 2003, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

This financial projection is based on a requested increase to the gas rate charged to the Company's customers and present, to the best of management's knowledge and belief, the Company's expected results of operations for the projection period if such gas rate increase is attained. Accordingly, this projection reflects its judgment as of November 10, 2003, the date of this projection, of the expected conditions and its expected course of action if such gas rate increase is attained. This presentation is for the purpose of obtaining the requested gas rate increase for a corporation that distributes natural gas to its customers and should not be considered to be a presentation of expected results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projections. Furthermore, even if the gas rate increase is attained, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material

The natural gas would be distributed to all classes of customers, residential, commercial, and industrial, at the same rate based on MCF usage.

NOTE B – REVENUE

Management has projected a base rate increase from $2 1304 per MCF to $6 6449 per MCF for all customer classes. Management assumed that the MCF usage per customer, the number of active customers, and the class of customer will not change in the forecast/projection year from the historical test period ended September 30, 2003

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS
(CONTINUED)

NOOTE B – REVENUE (CONTINUED)

Management forecasted the revenue by customer type using the current base rate of $2.1304 for the forecasted attrition year as follows.

Residential	5,977 MCF x ($2 1304 + 6 95) =	$ 54,274
Commercial	6,591 MCF x ($2 1304 + 6.95) =	$ 59,849
Industrial	9,603 MCF x ($2.1304 + 6.95) =	$ 87,199

Management projected the revenue by customer type using the proposed base rate of $5 22 for the projected attrition year as follows·

Residential	5,977 MCF x ($5.22 + 6 95) =	$ 72,740
Commercial	6,591 MCF x ($5 22 + 6.95) =	$ 80,212
Industrial	9,603 MCF x ($5.22 + 6.95) =	$116,869

Furthermore, management has not forecasted any revenue from tap fees since this type of revenue accounts for less than 1% of total revenue

NOTE C – PURCHASED GAS

Management made the assumption that the current PGA adjustment of $6 95/MCF will remain in effect in the forecast/projection year Management assumed that the MCF usage per customer, the number of active customers, and the class of customer will not change in the forecast/projection year from the historical test period ended September 30, 2003. Therefore, the purchased gas cost would be $154,088 which is the product of 22,171 MCF usage and $6.95/MCF rate. 22,171 is the MCF units used in the historical test year ended September 30, 2003

NOTE D – OPERATING EXPENSES

The following summarizes the key assumptions made by management in the forecasted and projected income statement for the attrition year ending May 31, 2005·

1. Supplies – increasing by 2.5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
2. Accounting and legal fees – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002 after deducting $3,000 in legal fees from the test year ended September 30, 2003, that were not recurring expenses.

COUNCE NATURAL GAS COMPANY
SUMMARY OF SIGNIFICANT FORECAST AND PROJECTION ASSUMPTIONS
(CONTINUED)

NOTE D – OPERATING EXPENSES (CONTINUED)

3 Auto and truck expenses – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
4 Donations – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
5 Dues and subscriptions – increasing by 2 5%, which is based on the average CPI rate of change over the over the last four years ended December 31, 2002
6 Insurance – increasing by 2.5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
7 License – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
8 Miscellaneous – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
9 Utilities - increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
10. Office supplies – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
11 Postage – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
12 Rent – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
13. Telephone – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
14 Salaries-officers – increasing by 3 0%, which is based on management's assumption
15 Salaries-other – increasing by 3 0%, which is the rate of increase that management has agreed to pay its employees in the future
16 Depreciation – represents depreciation of fixed assets presented in Supplemental Schedule F
17 Amortization – straight-line amortization of $6,000 over 3 years of the legal and accounting fees associated with this rate increase proposal
18 Taxes-other – increasing by 2 5%, which is based on the average CPI rate of change over the last four years ended December 31, 2002
19 Taxes-payroll – 8 45%, which is the sum of the FICA and FUTA rates, of salaries
20 Interest expense – 21 69% of the interest calculated on the amortization schedule included with this rate case filing Management allocated 21 69% of the principal of the loan used to purchase Tumlinson Engineering, Inc to Counce Natural Gas Company The allocation calculation is presented in Supplemental Schedule E
21. Income taxes – the calculation is presented in Supplemental Schedule D

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Cost of Capital Schedule
Supplemental Schedule A

COST RATE BASE		**Capital**	**Percentage of Capital**	**Cost Rate**	**Weighted Cost Rate**
Purchase Price of Tumlinson Engineering, Inc. through Debt (Parent of Counce Natural Gas Company)		$1,250,000			
% Allocated to Counce Natural Gas		21.69%			
Purchase Price Allocated to Counce		$ 271,125	95.59%	6.00%	5.74%
Original Cost of Additional Assets since the Purchase of the Corporation	$ 10,634				
Accumulated Depreciation @ 9/30/03	$ (4,111)				
Legal & Accounting Fees of Rate Case	$ 6,000				
Net Plant in Service		$ 12,523	4.41%	10.00%	0.44%
Total Investment		**$ 283,648**	**100.00%**		**6.18%**

TOTAL INVESTMENT	**$ 283,648**
RATE OF RETURN	**6.18%**
RETURN	**$ 17,529**

1. Management assumed that the legal and accounting fees associated with this rate case will be $6,000.
2. Management assumed a 6% cost rate associated with the purchase of Tumlinson Engineering, Inc. since that is the interest rate associated with the debt used in the purchase.
3. Management assumed a 10% cost rate for the net carrying value for all of the assets placed in service since the purchase. The 10% cost rate was determined by assuming an additional 4% risk factor due to the fact that the company has two industrial customers that account for 43% of the total MCF usage for the test year ended September 30, 2003. If the Company was to lose either one of those customers, the Company would be severly impacted financially.

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Gas Sales
Year Ended September 30, 2003
Supplemental Schedule B

		COUNCE								BURNSVILLE							
		Residential		Commercial		Industrial				Residential		Commercial		Industrial			
Month	Year	# of Customers	Mcf	# of Customers	Mcf	# of Customers	Mcf	Total Customers	Total Mcf	# of Customers	Mcf	# of Customers	Mcf	# of Customers	Mcf	Total Customers	Total Mcf
October	2002	110	157	34	288	2	309	146	754	169	186	42	163	1	1,184	212	1,533
November	2002	111	587	34	446	2	1,094	147	2,127	173	773	42	640	1	1,762	216	3,175
December	2002	114	1,240	35	1,071	2	1,423	151	3,734	179	1,632	43	1,749	1	436	223	3,817
January	2003	116	1,508	35	1,455	2	2,241	153	5,204	178	1,956	44	2,133	1	26	223	4,115
February	2003	115	1,165	34	1,136	2	1,465	151	3,766	181	1,410	43	1,676	1	583	225	3,669
March	2003	114	599	34	532	2	954	150	2,085	177	733	43	798	1	2,135	221	3,666
April	2003	113	337	34	341	2	617	149	1,295	169	408	43	418	1	1,619	213	2,445
May	2003	113	83	34	263	2	431	149	777	164	109	43	209	1	1,532	208	1,850
June	2003	112	73	34	255	2	331	148	659	160	89	43	154	1	1,585	204	1,828
July	2003	111	89	34	263	2	238	147	590	155	82	42	155	1	1,715	198	1,952
August	2003	111	62	34	259	2	210	147	531	152	65	41	151	1	1,115	194	1,331
September	2003	111	77	34	282	2	290	147	649	154	83	41	151	1	1,265	196	1,499
Averages		**113**		**34**		**2**		**149**		**168**		**43**		**1**		**211**	
Totals			**5,977**		**6,591**		**9,603**		**22,171**		**7,526**		**8,397**		**14,957**		**30,880**

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Revenue Deficiency Schedule
Supplmental Schedule C

Line		Amount	
1	Investment (Rate Base)	$ 283,648	
2	Net Operating Income (After Tax, Before Interest)	$ (48,529)	
3	Earned Rate of Return	-17 11%	(line 2 / line 1)
4	Fair Rate of Return	6 18%	
5	Required Net Operating Income	$ 17,529	
6	Net Operating Income Deficiency	$ 66,058	(line 5 - line 2)
7	Revenue Conversion Factor (1/1-tax rate)	1 5152	
8	**Revenue Deficiency for the Year**	**$ 100,091**	(line 6 x line 7)
9	Factor to Adjust Net Operating Income Not Taxed	(31,594)	
10	**Adjusted Revenue Deficiency for the Year**	**$ 68,497**	(line 8 - line 9)

Calculated Requested Base Rate as a result of the Revenue Deficiency

Revenue Deficiency / MCF usage (test year)	$ 68,497 / 22,171	=	3 0896
	Current Base Rate		2 1304
	Proposed Base Rate		5 2200

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Calculation of Income Taxes
Supplemental Schedule D

Line		Amount
1	Fair Return (Net Operating Income)	$ 17,529
2	Interest Expense	$ 12,818
3	**Net Income**	**$ 4,711**
4	Required Taxable Income (line 3/(1- 34))	$ 7,138
5	Tax Rate	34%
6	**Income Tax**	**$ 2,427**

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Allocation of Purchase Price to Calculate Cost Rate Base
Supplemental Schedule E

FIXED ASSETS		**Original Cost**	**% of Total**	
Tumlinson Engineering	$	285,071 21	78 16%	
Counce Natural Gas		79,634 40	21 84%	21 84%
	$	364,705 61	100 00%	

REVENUES (Test Year Ended September 30, 2003)		**Revenues**	**% of Total**	
Tumlinson Engineering	$	690,189 75	78 47%	
Counce Natural Gas		189,334 76	21 53%	21 53%
	$	879,524 51	100 00%	
Average % to Allocate to Calculate the Cost Rate Base		21 69%		

This schedule above provides support for allocating 21 69% of the $1,250,000 purchase price to the Counce Natural Gas Company to arrive at the Rate Base reported on the Cost of Capital Supplementary Schedule A

The contract and note agreements of the purchase of Tumlinson Engineering are included with this Proposed Rate Increase Application

COUNCE NATURAL GAS COMPANY
DETAIL OF FIXED ASSETS

Description		**Original Cost**	**Allocation %**	**Counce Original Cost**
1 Ton Truck	$	3,500 00	100%	3,500 00
ATV (40% Cost)		4,090 00	40%	1,636 00
Ford 4000 Tractor (40% Cost)		4,000 00	40%	1,600 00
Canon Copier (40% Cost)		661 00	40%	264 40
Compressor (40% Cost)		4,500 00	40%	1,800 00
Mower & Bush Hog (40% Cost)		1,031 00	40%	412 40
Meters (40% Cost)		3,554 00	40%	1,421 60
Meters 150@$100 each		15,000 00	100%	15,000 00
Pipelines		54,000 00	100%	54,000 00
	$	90,336 00		79,634 40

The percentage of the cost of the fixed assets allocated to Counce Gas Company is based on the time that the specific asset is used in the operations of Counce Gas Company according to Management

See accountants' report

Book Asset Detail 10/01/02 - 9/30/03

Supplemental Schedule F

Asset	*	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	c	Book Sal Value	Book Prior Deprec	Book Current Depreciation	Book End Depreciation	Book Net Book Value	Book Method	Book Period
Group: AUTOS & TRUCKS													
1		1 TON TRUCK	12/10/00	3,500 00	0 00		0 00	1,283 33	700 00	1,983 33	1,516 67	S/L	5 0
		AUTOS & TRUCKS		3,500 00	0 00	c	0 00	1,283 33	700 00	1,983 33	1,516 67		
Group: EQUIPMENT													
2		ATV 40% COST	9/21/01	1,636 00	0 00		0 00	327 20	327 20	654 40	981 60	S/L	5 0
4		FORD 4000 TRACTOR 40% COST	8/29/01	1,600 00	0 00		0 00	346 67	320 00	666 67	933 33	S/L	5 0
8		CANON COPIER 40% COST	2/27/02	264 40	0 00		0 00	30 85	52 88	83 73	180 67	S/L	5 0
9		COMPRESSOR 40% COST	12/05/01	1,800 00	0 00		0 00	150 00	180 00	330 00	1,470 00	S/L	10 0
10		MOWER & BUSH HOG 40% COS	9/08/01	412 40	0 00		0 00	89 35	82 48	171 83	240 57	S/L	5 0
		EQUIPMENT		5,712 80	0 00	c	0 00	944 07	962 56	1,906 63	3,806 17		
Group: LAND IMPROVEMENTS													
5		METERS 40% COST	6/01/01	1,421 60	0 00		0 00	126 36	94 77	221 13	1,200 47	S/L	15 0
6		METERS 150@$100	2/01/96	15,000 00	0 00		0 00	6,666 67	1,000 00	7,666 67	7,333 33	S/L	15 0
7		PIPELINES	2/01/96	54,000 00	0 00		0 00	24,000 00	3,600 00	27,600 00	26,400 00	S/L	15 0
		LAND IMPROVEMENTS		70,421 60	0 00	c	0 00	30,793 03	4,694 77	35,487 80	34,933 80		
		Grand Total		79,634 40	0 00	c	0 00	33,020 43	6,357 33	39,377 76	40,256 64		

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Request for Natural Gas Rate Increase
Schedule of Salaries
Supplemental Schedule G

	ACTUAL Year Ended 9/30/03	FORECASTED Current Rate Year Ending 5/31/05		PROJECTED Proposed Rate Year Ending 5/31/05
Plant Manager				
$906 40/biweekly	$ 21,210	21,846	3% raise next year	$ 21,846
90% time devoted to Counce				
Secretary				
$664 35/biweekly	10,364	10,675	3% raise next year	10,675
60% time devoted to Counce				
Total Wages	$ 31,574	32,521		32,521
Officer Salaries				
Mike Horton				
$500/biweekly	$ 9,100	9,373	3% raise next year	9,373
60% time devoted to Counce				
Candy Horton				
$721/biweekly	11,248	11,585	3% raise next year	11,585
60% time devoted to Counce				
Total Officer Salaries	$ 20,348	20,958		$ 20,958

See accountants' report

COUNCE NATURAL GAS COMPANY
Subsidiary of a Corporation
Reconciliation of General Ledger Totals to the Balance Sheet
September 30, 2003
Supplemental Schedule H

		General Ledger	Adjustments	Balance Sheet
ASSETS				
CURRENT ASSETS				
Cash	$	69,055	-	69,055
Accounts Receivable		8,737	-	8,737
Meter Deposits		2,437	-	2,437
Intercompany Receivables		650,066	(349,922)	300,144
TOTAL CURRENT ASSETS		730,295		380,373
PROPERTY AND EQUIPMENT				
Machinery & Equipment (at cost)		69,000	10,634	79,634
Less Accumulated Depreciation		(69,000)	29,622	(39,378)
TOTAL PROPERTY AND EQUIPMENT		-		40,256
TOTAL ASSETS	$	730,295		420,629
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts Payable	$	19,233	-	19,233
Payroll Tax Liabilities		674	-	674
Sales Tax Payable		227	-	227
Meter Deposits		3,781	-	3,781
Current Portion of Notes Payable-Tumlinson & O'Leary		14,494	(8,206)	6,288
Due to Burnesville		136,553	35,409	171,962
TOTAL CURRENT LIABILITIES		174,962		202,165
LONG-TERM LIABILITIES				
Note Payable - Tumlinson & O'Leary				
Less Current Portion		484,315	(274,219)	210,096
Note Payable - Tumlinson & O'Leary				
Less Current Portion		119,210	(67,497)	51,713
		603,525		261,809
TOTAL LONG-TERM LIABILITIES		778,487		463,974
STOCKHOLDERS' EQUITY				
Capital stock		1,000	-	1,000
Paid-in capital		68,000	-	68,000
Retained Earnings		(117,192)	4,847	(112,345)
TOTAL STOCKHOLDERS' EQUITY		(48,192)		(43,345)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	730,295		420,629

The balances on the general ledger had to be adjusted to allocate 21 7% of total debt used to purchase Tumlinson Engineering to Counce Gas Company and to report fixed assets that were used in the operations of both Tumlinson Engineering and Counce Gas Company The calculations of the 21 7% allocation figure and the list of fixed assets used in both operations are detailed in Supplemental Schedule E

See accountants' report