BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 10, 2005

PETITION OF NASHVILLE GAS COMPANY FOR APPROVAL OF EXTENSION OF NEGOTIATED GAS REDELIVERY AGREEMENT WITH VISTEON CORPORATION	)))))	**DOCKET NO. 04-00174**

ORDER APPROVING EXTENSION OF NEGOTIATED GAS REDELIVERY AGREEMENT

This matter came before Chairman Pat Miller, Director Deborah Taylor Tate, and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on February 28, 2005, for consideration of the request of Nashville Gas Company, a Division of Piedmont Natural Gas Company ("Nashville Gas"), for approval of an agreement between Nashville Gas and Visteon Corporation ("Visteon") (the "Extension Agreement") to extend the term of a previously-approved negotiated gas redelivery agreement (the " Original Agreement").

Background

By Order dated April 23, 1993, in Docket No. 90-07401, the Tennessee Public Service Commission (the "TPSC") approved the Original Agreement which allowed Nashville Gas to transport natural gas to Ford Motor Company ("Ford") at its Nashville, Tennessee manufacturing plant for a five-year period beginning March 1, 1993, and expiring on February 28, 1998.

The Original Agreement charged Ford a monthly reservation fee of $35,000 and a volumetric charge of $0.20 per dekatherm for each dekatherm in excess of 166,667 dekatherms per month. Since these rates were less than the existing tariff rates of Nashville Gas, the TPSC allowed Nashville Gas recovery of its margin loss related to this contract.[1]

The Authority approved the first extension of the Original Agreement by Order dated March 12, 1999, in Docket No. 98-00128.[2] The conditions warranting approval of the first extension of the Original agreement were noted in the Authority's March 12, 1999 Order as follows:

a. Ford has notified Nashville Gas Company that it must reduce its delivered natural gas costs in order to keep its Nashville facility competitive with other glass operations. If Ford were to reduce its operations in Nashville, it could result in layoffs. Any such action would adversely affect the Nashville economy and tax base.

b. Ford has already significantly reduced its gas consumption and has indicated that it may have to make further reductions if the delivered cost of gas does not become more competitive. If this were to occur, the fixed cost currently being realized from Ford would be shifted to other Nashville Gas Company customers.

c. Ford has advised Nashville Gas Company that if its rates are not reduced to a competitive level, Ford may be forced to seek permanent alternative sources of gas supplies, including direct service from an interstate pipeline. If this were to occur, the shift in costs referred to in the foregoing paragraph would be permanent.

The Authority noted in its March 12, 1999 Order that the above-referenced conditions also existed at the time of the negotiation of the original contract between Nashville Gas and Ford in 1991.[3]

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[1] *See In re Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for Approval of a Negotiated Redelivery Agreement with Ford Motor Company*, Docket No 98-00128, *Order Approving the Negotiated Gas Redelivery Agreement*, p 2 (March 12, 1999)

[2] *Id*, p. 4 (March 12, 1999)

[3] *See In re Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for Approval of a Negotiated Redelivery Agreement with Ford Motor Company*, Docket No 98-00128, *Order Approving the Negotiated Gas Redelivery Agreement*, pp 2-3 (March 12, 1999). The March 12, 1999 Order also noted that the record in the docket in which the Original Agreement was approved indicated that the possibility of Ford by-passing the Nashville Gas system was, in fact, economically feasible. *See id*, p. 3 n. 3 citing Docket No. 91-02636, Direct Testimony of Douglas L Burton of Acarus Group, Inc , p 4 (July 1991)

On September 11, 2000, Nashville Gas filed a request for approval of an amendment to the Original Agreement to assign the agreement to Visteon Corporation ("Visteon"), a wholly-owned subsidiary of Ford, and to approve the second extension to the term of the Original Agreement until March 31, 2001, and on a month-to-month basis thereafter.[4] The Authority approved the second extension of the Original Agreement by Order dated January 24, 2001, on condition that any continuation of the Original Agreement on a month-to-month basis after its scheduled expiration not extend beyond June 30, 2001.[5]

On June 18, 2001, Nashville Gas filed an application seeking approval for the third extension of the term of the Original Agreement extending the agreement until July 1, 2004. The June 18, 2001 application also sought approval for several minor revisions to the Original Agreement.[6] The Authority approved the June 18, 2001 application by Order of November 28, 2001 based upon a determination that the conditions supporting approval of extensions of the Original Agreement in the Authority's Orders of March 12, 1999 and January 24, 2001 were still present, upon a determination that these circumstances continued to support a finding that a bypass by Visteon remained feasible, and upon a determination that a special contract between the Company and Visteon continued to be appropriate.[7]

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[4] *See In re Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for Approval of a Negotiated Redelivery Agreement with Ford Motor Company*, Docket No. 98-00128, Amendment No. 1 to Gas Redelivery Agreement (September 11, 2000) Amendment No. 1 was thereafter filed in Docket No. 00-00824 for further consideration by the Authority.

[5] *See In re Filing to Amend the Gas Redelivery Agreement between Ford Motor Company and Piedmont Natural Gas*, Docket No 00-00824, *Order Approving Amendment to Gas Redelivery Agreement*, pp. 3-4 (January 24, 2001).

[6] *See In re Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for Approval of a Negotiated Gas Redelivery Agreement with Visteon Corporation*, Docket No 01-00530, *Order Approving Negotiated Gas Redelivery Agreement*, p. 2 (November 28, 2001) According to the June 18, 2001 application, revisions to the Original Agreement included provision for a slightly lower reservation fee combined with a slightly reduced amount of gas included within the reservation fee resulting in a nearly identical per unit cost Another revision to the Original Agreement was a provision that any resulting margin loss would be shared with the Company's other ratepayers on a ninety percent-ten percent (90%-10%) basis representing a change from the Original Agreement where one hundred percent (100%) of any margin loss was borne by the Company's other ratepayers. *See id.*, pp. 2-4

[7] *See id*, pp. 2-5.

The Extension Agreement

Nashville Gas filed its latest request to extend the Original Agreement on June 15, 2004.[8] Nashville Gas stated in its request that it "has been informed by Visteon that the same economic conditions that prompted the Authority to approve the existing Agreement continue in effect and that, specifically, it is critical for Visteon to keep its gas redelivery costs at the levels set forth in the Agreement in order to ensure that Visteon remains both economically viable and a continuing customer of Nashville's natural gas services."[9] Nashville Gas stated in its request that Nashville Gas and Visteon had negotiated an amendment to the Original Agreement providing for an extension of the term of the Original Agreement until April 1, 2008, and a modification of the date upon which the parties would begin contract renewal negotiations to September 30, 2007.[10] The amendment, titled *First Amendment to Gas Redelivery Agreement Dated May 15, 2001 By and Between Piedmont Natural Gas Company, Inc and Visteon Corporation*, was attached to the Company's June 15, 2004 request. Nashville Gas stated further that "[t]he net effect of these changes will be to continue service to Visteon under the same terms and conditions as are currently in effect. All other provisions of the previously approved Agreement remain unchanged."[11]

Authority Staff submitted data requests to Nashville Gas and filed the same in this docket on June 18, 2004. Nashville Gas filed responses to the Authority Staff's requests on July 2, 2004. Authority Staff submitted a second set of data requests to Nashville Gas and filed the same in this docket on December 13, 2004. Nashville Gas filed responses to the Authority Staff's second set of data requests on December 23, 2004.

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[8] Letter dated June 14, 2004 from James H Jeffries IV, Attorney, Nelson, Mullins, Riley & Scarborough, L.L.P. to Deborah Taylor Tate, Chairman, Tennessee Regulatory Authority (June 15, 2004)
[9] *Id.* p 1
[10] *Id* p 2. A copy of the proposed amendment to the existing agreement was attached
[11] *Id*

Findings and Conclusions

The Original Agreement, as modified by previously-approved amendments and by the amendment filed in this docket on June 14, 2004, is nearly identical to the Original Agreement approved by the TPSC and extended by the Authority's Orders of March 12, 1999, January 24, 2001, and November 28, 2001. The June 15, 2004, request for an extension of the term of the Original Agreement to April 1, 2008, together with the Company's responses to the Authority Staff's data requests, indicate that the rationale for approval stated in the Authority's March 12, 1999 Order in Docket No. 98-00128 continues to apply.

Upon careful consideration of the Extension Agreement between Nashville Gas and Visteon and of the entire record in this matter, the Panel voted unanimously to approve the Extension Agreement.

IT IS THEREFORE ORDERED THAT:

1. The request of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for approval of an agreement between Nashville Gas and Visteon Corporation to extend the term of the previously-approved negotiated gas redelivery agreement between the parties, as reflected in the *First Amendment to Gas Redelivery Agreement Dated May 15, 2001 By and Between Piedmont Natural Gas Company, Inc. and Visteon Corporation* which was filed in this docket on June 15, 2004 is approved.

2. The term of the Original Agreement previously extended by the Authority's Orders of March 12, 1999 in Docket No. 98-00128, January 24, 2001 in Docket No. 00-00824, and

November 28, 2001 in Docket No. 01-00530 is extended through April 1, 2008.

Pat Miller, Chairman

Deborah Taylor Tate, Director

Sara Kyle, Director