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August 30, 1999

REC'D TN REGULATORY AUTH.
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OFFICE OF THE EXECUTIVE SECRETARY

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

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

Dear Mr. Waddell:

In accordance with the reporting provisions of Service Schedule No. 14, Performance Incentive Plan, as approved in the above captioned docket, Nashville Gas Company (the "Company") submits the accompanying annual report of shared gas cost savings for the period ended June 30, 1999.

As the summary indicates, the accumulated gains and savings under the plan for the plan year total $629,489. Of this amount, $459,665 have accrued to the Company's ratepayers. The remaining $169,824 will be credited to the Company's Incentive Plan Account IPA).

Detailed calculations supporting the amounts shown in the summary for the period July 1998 through April 1999 have been previously provided to the Tennessee Regulatory Authority Staff and the Consumer Advocate. Supporting calculations for May 1999 and June 1999 are provided in this filing subject to the execution of non-disclosure agreements. As permitted by the provisions of the approved tariff, the Company will file a rate adjustment on or about October 1, 1999, to amortize the collection of the June 30, 1999, IPA balance over the 12 month period beginning November 1, 1999, and ending October 31, 2000.

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

Sincerely,

Jerry W. Amos by BKM

Jerry W. Amos

JWA/lh

Enclosures

c: Vincent Williams, Consumer Advocate
Laura Foreman, Tennessee Regulatory Authority

Report on Nashville Incentive Plan
July 1998 - June 1999

Month	Year	Gas Procurement Incentive Mechanism Gain/(Loss) 1/	Nashville GPI Sharing Gain/(Loss) 2/	Ratepayer GPI Sharing Gain/(Loss)	Capacity Management Incentive Mechanism Gain/(Loss)	Nashville CMI Sharing Gain/(Loss) 3/	Ratepayer CMI Sharing Gain/(Loss) 3/	Total Gain/(Loss)	Total Nashville Gain/(Loss)	Total Ratepayer Gain/(Loss)
July	1998	$ 1,613	$ -	$ 1,613	$ 4,960	$ -	$ 4,960	$ 6,573	$ -	$ 6,573
August	1998	$ (23,063)	$ (67)	$ (22,996)	$ 1,416	$ -	$ 1,416	$ (21,647)	$ (67)	$ (21,580)
September	1998	$ 253,873	$ 121,009	$ 132,864	$ 33,298	$ -	$ 33,298	$ 287,171	$ 121,009	$ 166,162
October	1998	$ 641	$ -	$ 641	$ 22,198	$ -	$ 22,198	$ 22,839	$ -	$ 22,839
November	1998	$ 89	$ -	$ 89	$ 27,195	$ -	$ 27,195	$ 27,284	$ -	$ 27,284
December	1998	$ 8,322	$ -	$ 8,322	$ -	$ -	$ -	$ 8,322	$ -	$ 8,322
January	1999	$ 18,799	$ -	$ 18,799	$ 21,111	$ -	$ 21,111	$ 39,910	$ -	$ 39,910
February	1999	$ 1,921	$ -	$ 1,921	$ 880	$ -	$ 880	$ 2,801	$ -	$ 2,801
March	1999	$ (5,524)	$ -	$ (5,524)	$ 162,905	$ 13,363	$ 149,542	$ 157,381	$ 13,363	$ 144,018
April	1999	$ (8,838)	$ -	$ (8,838)	$ 120,016	$ 28,999	$ 91,017	$ 111,178	$ 28,999	$ 82,179
May	1999	$ (19,743)	$ -	$ (19,743)	$ 2,678	$ 670	$ 2,009	$ (17,065)	$ 670	$ (17,734)
June	1999	$ (18,660)	$ -	$ (18,660)	$ 23,401	$ 5,850	$ 17,551	$ 4,741	$ 5,850	$ (1,109)
		$ 209,430	$ 120,942	$ 88,488	$ 420,059	$ 48,882	$ 371,177	$ 629,489	$ 169,824	$ 459,665

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

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

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