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TN REGULATORY AUTHORITY
DOCKET ROOM

August 28, 2002

Ms. Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TM 37243-0505

RECEIVED
AUG 30 2002
SARA KYLE, COMMISSIONER
TN PUBLIC SERVICE COMM.

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

Dear Chairman Kyle:

In accordance with the reporting provisions of Service Schedule No. 14, Performance Incentive Plan, as approved in the above captioned docket, Nashville Gas Company ("Nashville") submits the accompanying report of shared gas cost savings for the plan year ended June 30, 2002.

As the summary indicates, the accumulated total gains and savings under the plan for the plan year total $2,592,578. Of this amount, $1,207,494 has accrued to the Company's ratepayers. The remaining $1,385,084 will be credited to the Company's Incentive Plan Account (IPA).

Detailed calculations supporting the amounts shown on the summary for the period July 2001 through April 2002 have previously been provided to the Tennessee Regulatory Authority Staff and the Consumer Advocate and Protection Division. Supporting calculations for May 2002 and June 2002 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, 2002, to amortize the collection of the June 30, 2002 IPA balance over the 12-month period beginning November 1, 2002 and ending October 31, 2003.

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 BRM

Jerry W. Amos

Enclosures

c: Russell Perkins, Deputy Attorney General
Dan McCormac, Tennessee Regulatory Authority

Report on Nashville Incentive Plan
July 2001 - June 2002

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	2001	$ (11,568)	$ -	$ (11,568)	$ -	$ -	$ -	$ (11,568)	$ -	$ (11,568)
August	2001	$ (49)	$ -	$ (49)	$ -	$ -	$ -	$ (49)	$ -	$ (49)
September	2001	$ (5,199)	$ -	$ (5,199)	$ -	$ -	$ -	$ (3,982)	$ -	$ (3,982)
October	2001	$ 2,000	$ -	$ 2,000	$ 1,217	$ -	$ 1,217	$ 13,437	$ -	$ 13,437
November	2001	$ (59,648)	$ -	$ (59,648)	$ 11,437	$ -	$ 11,437	$ (59,648)	$ -	$ (59,648)
December	2001	$ (48,032)	$ -	$ (48,032)	$ -	$ -	$ -	$ 176,436	$ 21,147	$ 155,288
January	2002	$ (79,724)	$ -	$ (79,724)	$ 224,468	$ 21,147	$ 203,320	$ (79,724)	$ -	$ (79,724)
February	2002	$ (35,661)	$ -	$ (35,661)	$ -	$ -	$ -	$ 214,692	$ 112,957	$ 101,735
March	2002	$ (58,084)	$ -	$ (58,084)	$ 250,352	$ 112,957	$ 137,395	$ (47,423)	$ 5,331	$ (52,754)
April	2002	$ (29,418)	$ -	$ (29,418)	$ 10,661	$ 5,331	$ 5,331	$ (16,500)	$ 6,459	$ (22,959)
May	2002	$ (43,311)	$ -	$ (43,311)	$ 12,918	$ 6,459	$ 6,459	$ 2,456,689	$ 1,250,000	$ 1,206,689
June	2002	$ (55,226)	$ (13,532)	$ (41,694)	$ 2,500,000	$ 1,250,000	$ 1,250,000	$ (49,782)	$ (10,810)	$ (38,972)
					$ 5,444	$ 2,722	$ 2,722			
		$ (423,920)	$ (13,532)	$ (410,388)	$ 3,016,498	$ 1,398,616	$ 1,617,882	$ 2,592,578	$ 1,385,084	$ 1,207,494

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)