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March 31, 2003

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SARA KYLE, COMMISSIONER
TN PUBLIC SERVICE COMM.

Office of the Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

TN REGULATORY AUTHORITY
DOCKET ROOM

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 quarterly report of shared gas cost savings for the period July 1, 2002 through January 31, 2003.

As the summary indicates, the accumulated total gains and savings under the plan for this reporting period total \$1,970,837. Under the Plan's sharing formulas, \$1,268,291 of these gains and savings will be allocated to the Company's ratepayers. The remaining \$702,546 of the gains and savings is to be credited to the Company's Incentive Plan Account under the terms of the Plan.

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

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

Sincerely,

Bill R. Morris

Director of Corporate Planning and Development Services

Enclosures

c: Russell Perkins, Deputy Attorney General

Report on Nashville Incentive Plan July 2002 - June 2003

Month	Year	Gas Procurement Incentive Mechanism	Nashville GPI Sharing	Ratepayer GPI Sharing	Capacity Management Incentive Mechanism	Nashville CMI Sharing	Ratepayer CMI Sharing	Total Gain/(Loss)	Nashville Gain/(Loss)	Total Ratepayer Gain/(Loss)
July	2002	\$ (3,754)	\$ -	\$ (3,754)	\$ -	\$ -	\$ -	\$ (3,754)	\$ -	\$ (3,754)
August	2002	\$ (1,844)	\$ -	\$ (1,844)	\$ -	\$ -	\$ -	\$ (1,844)	\$ -	\$ (1,844)
September	2002	\$ 11,399	\$ -	\$ 11,399	\$ 16,205	\$ -	\$ 16,205	\$ 27,604	\$ -	\$ 27,604
October	2002	\$ 55,097	\$ 9,213	\$ 45,884	\$ 32,887	\$ -	\$ 32,887	\$ 87,984	\$ 9,213	\$ 78,771
November	2002	\$ 6,103	\$ -	\$ 6,103	\$ 11,250	\$ -	\$ 11,250	\$ 17,353	\$ -	\$ 17,353
December	2002	\$ 1,183,399	\$ 524,736	\$ 658,664	\$ 75,173	\$ 4,146	\$ 71,027	\$ 1,258,573	\$ 528,882	\$ 729,691
January	2003	\$ 407,007	\$ 120,043	\$ 286,964	\$ 177,915	\$ 44,408	\$ 133,507	\$ 584,922	\$ 164,451	\$ 420,471
February	2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
March	2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
April	2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
May	2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
June	2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ 1,657,407	\$ 653,992	\$ 1,003,415	\$ 313,430	\$ 48,554	\$ 264,876	\$ 1,970,837	\$ 702,546	\$ 1,268,291

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)