



**Piedmont
Natural Gas**

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July 15, 2004

The Honorable Deborah T. Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

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

Dear Chairman Tate:

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, 2003, through April 30, 2004.

As the summary indicates, the accumulated total gains and savings under the plan for this reporting period total \$3,496,826. Under the Plan's sharing formulas, \$1,896,826 of these gains and savings will be allocated to the Company's ratepayers. The remaining \$1,600,000, of the gains and savings is reflected as the Company's share.

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,

David R. Carpenter

Director of Rates

Enclosures

c: Russell Perkins, Deputy Attorney General

Report on Nashville Incentive Plan July 2003 - June 2004

Month	Year	Gas Procurement Incentive Mechanism		Nashville GPI Sharing		Ratepayer GPI Sharing		Capacity Management Incentive Mechanism		Nashville CMI Sharing		Ratepayer CMI Sharing		Total		Total		Total	
		Gain/(Loss)	1/	Gain/(Loss)	2/	Gain/(Loss)	3/	Gain/(Loss)	4/	Gain/(Loss)	3/	Gain/(Loss)	3/	Gain/(Loss)	3/	Gain/(Loss)	4/	Gain/(Loss)	4/
July*	2003	\$	(16,267)	\$	-	\$	(16,267)	\$	-	\$	-	\$	-	\$	(16,267)	\$	-	\$	(16,267)
August*	2003	\$	(23,376)	\$	-	\$	(23,376)	\$	-	\$	-	\$	-	\$	(23,376)	\$	-	\$	(23,376)
September*	2003	\$	(31,606)	\$	-	\$	(31,606)	\$	-	\$	-	\$	-	\$	(31,606)	\$	-	\$	(31,606)
October*	2003	\$	(33,692)	\$	-	\$	(33,692)	\$	1,519,069	\$	648,777	\$	870,293	\$	1,485,378	\$	648,777	\$	836,601
November*	2003	\$	(78,984)	\$	-	\$	(78,984)	\$	40,667	\$	20,334	\$	20,334	\$	(38,317)	\$	20,334	\$	(58,651)
December*	2003	\$	1,778,368	\$	812,990	\$	965,378	\$	168,911	\$	84,455	\$	84,455	\$	1,947,279	\$	897,445	\$	1,049,834
January*	2004	\$	(142,012)	\$	-	\$	(142,012)	\$	(543)	\$	(272)	\$	(272)	\$	(142,555)	\$	(272)	\$	(142,283)
February*	2004	\$	(152,231)	\$	-	\$	(152,231)	\$	-	\$	-	\$	-	\$	(152,231)	\$	-	\$	(152,231)
March*	2004	\$	(62,026)	\$	-	\$	(62,026)	\$	91,784	\$	45,892	\$	45,892	\$	29,759	\$	45,892	\$	(16,134)
April*	2004	\$	(48,673)	\$	-	\$	(48,673)	\$	487,437	\$	243,718	\$	243,718	\$	438,763	\$	243,718	\$	195,045
May	2004	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
June	2004	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
		\$	1,189,501	\$	812,990	\$	376,511	\$	2,307,325	\$	1,042,904	\$	1,264,421	\$	3,496,826	\$	1,600,000	\$	1,896,826

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)

4/ Nashville is subject to a cap on overall gains or losses of \$1.6 million annually Any gains above this cap will be reflected in the Total Ratepayer Gain/(Loss) column

* Purchased Options