



**Piedmont
Natural Gas
Company**

Post Office Box 33068
Charlotte, North Carolina 28233

August 29, 2006

The Honorable Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

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

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T.R.A. DOCKET ROOM

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 annual report of shared gas cost savings for the period July 1, 2005, through June 30, 2006.

As the summary indicates, the accumulated total gains and savings under the plan for this reporting period total \$6,369,918. Under the Plan's sharing formulas, \$4,769,917 of these gains and savings will be allocated to the Company's ratepayers. The remaining \$1,600,000, the maximum allowed under the Plan provisions, of the gains and savings is to be credited to the Company's Incentive Plan Account in accordance with 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,

S. Diane Coley

Sr. Analyst – Regulatory Affairs

Enclosures

c: Russell Perkins, Deputy Attorney General

Summary of Nashville Capacity Incentive Mechanism Gain/Loss July 2005 - June 2006

Total Nashville Demand \$	Sharing % Ranges	Sharing \$ Ranges		Nashville/ Ratepayer Sharing %	Month	Monthly Capacity Release \$	Monthly Offsystem Sales \$	Total \$	Cumulative Total \$	Total Nashville Gain/(Loss)	Total Ratepayer Gain/(Loss)
		From	To								
\$ 9,780,879	0% to 1%	\$ -	\$ 97,809	0% / 100%	Jul-2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1% to 2%	\$ 97,809	\$ 195,618	10% / 90%	Aug-2005	\$ -	\$ 18,290	\$ 18,290	\$ 18,290	\$ -	\$ 18,290
	2% to 3%	\$ 195,618	\$ 293,426	25% / 75%	Sep-2005	\$ -	\$ -	\$ -	\$ 18,290	\$ -	\$ -
	Above 3%	\$ 293,426		50% / 50%	Oct-2005	\$ -	\$ -	\$ -	\$ 18,290	\$ -	\$ -
					Nov-2005	\$ 1,500,000	\$ (8,059)	\$ 1,491,941	\$ 1,510,231	\$ 642,635	\$ 849,305
					Dec-2005	\$ -	\$ 2,818	\$ 2,818	\$ 1,513,048	\$ 1,409	\$ 1,409
					Jan-2006	\$ -	\$ 29,031	\$ 29,031	\$ 1,542,079	\$ 14,515	\$ 14,515
					Feb-2006	\$ -	\$ 28,776	\$ 28,776	\$ 1,570,856	\$ 14,388	\$ 14,388
					Mar-2006	\$ -	\$ 64,036	\$ 64,036	\$ 1,634,892	\$ 32,018	\$ 32,018
					Apr-2006	\$ 381,065	\$ 26,530	\$ 407,596	\$ 2,042,488	\$ 203,798	\$ 203,798
					May-2006	\$ -	\$ -	\$ -	\$ 2,042,488	\$ -	\$ -
					Jun-2006	\$ -	\$ 43,015	\$ 43,015	\$ 2,085,502	\$ 21,507	\$ 21,507
						\$ 1,881,065	\$ 204,437	\$ 2,085,502		\$ 930,271	\$ 1,155,231