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May 23, 2000

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

Re: Docket No. 99-00994

Dear Mr. Waddell:

I am enclosing for filing six copies of the following responses to the Staff's Data Request: 118, 119, 120.

Sincerely,

Jerry W. Amos

JWA:lh
Encl.

NASHVILLE GAS COMPANY
DOCKET NO. 99-00994
TENNESSEE REGULATORY AUTHORITY
STAFF DATA REQUEST # 1

118. Are there any exhibits or documents that provide backup for the numbers presented on your Schedule VI located in Exhibit A to Stipulation? If so, please provide us with this documentation.

Answer: Since the numbers shown on Schedule VI were the result of a "black box" settlement, there are no such exhibits or documents. Each of the parties to the stipulation made its own determination as to how it arrived at those numbers. Nevertheless, from a Company standpoint, the numbers agreed to on Schedule VI can generally be explained as follows:

1. Rate Base - $235,725,376. This number represents a $4,878,413 reduction in rate base from the rate base included in the Company's filing. Substantially all of the reduction in rate base relates to the correction of the CWIP and Accumulated Depreciation errors discussed in the testimony of Ware Schiefer.

2. Operating Income at Present Rates - $19,502,031. This number represents a $797,089 increase in operating income at present rates from the amount included in the Company's filing. The vast majority of this difference relates to adjustments to various operation and maintenance expenses. In its consideration of the appropriate adjustments to operating income at present rates, the Company recognized adjustments proposed by the CAD to the following O&M expenses: salaries and wages, allocated salaries & wages, distribution – operations, distribution – CIE, distribution – maintenance, distribution – customer accounting, customer service, sales expense, injuries and damages, employee benefits – insurance, property insurance, A&G office supply expense, outside service, miscellaneous general, miscellaneous expense, rents, training and corporate office allocation. Most of the differences in these various expenses were due to the use of a different test period (see response to DR 120 below), and the net effect of these adjustments was less than $20,000. The remaining items that were considered by the Company were certain LNG expenses (which under the settlement will be recovered in the ACA rather than through base rates), pension expenses (which were reduced to reflect the amortization of deferred pension expenses over five years rather than over two years as proposed in the Company's filing), advertising expenses (which were reduced from the Company's filing) and an adjustment to the transferred credit account. It should be recognized that the CAD may have derived these numbers differently; however, both parties agree that the net effect of all of these adjustments is appropriate for the purposes of setting fair and reasonable rates in this proceeding.

3. Earned Rate of Return – 8.27%. This number is derived by dividing the Operating Income at Present Rates (shown in 2 above) by Rate Base (shown in 1 above).

4. Fair Rate of Return – 9.56%. This number was agreed to by the parties. Each of the parties relied upon the advice of its cost of capital expert and with the understanding that this

number would not be precedent for any future proceeding. Both parties agree that this rate of return when considered in the context of the entire stipulation results in rates that are fair and reasonable to ratepayers.

5. Required Operating Income – $22,535,346. This number was calculated to produce the additional operating income required to produce the agreed upon fair rate of return.

6. Operating Income Deficiency – $3,033,315. This number is derived by subtracting the Operating Income at Present Rates (as shown in 2 above) from the Required Operating Income (shown in 5 above).

7. Gross Revenue Conversion Factor – 1.629900. This number is computed to permit the Company to recovery its Operating Income Deficiency after the payment of taxes, etc. This number was not controverted by any party.

8. Revenue Deficiency – $4,944,000. This number is the product of items 6 and 7 above.

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119. Do you have schedules that provide backup for the $1.0 million adjustment that appears in Mr. Schiefer's supplemental testimony, page 2, lines 23 and 24, in Exhibit B to Joint Motion? If so, please provide us with these schedules.

Answer. No such schedules exist; however, the $1.0 million number was calculated by subtracting the agreed upon revenue deficiency of approximately $4.9 million from the $5.9 million number shown on page 2, line 23 of Mr. Schiefer's testimony. It should be noted that the vast majority of the $1.0 million relates to the adjustments discussed in response to Item 2 in response to data request 118, and to the tax effect of the various adjustments discussed in Mr. Schiefer's testimony and in response to data request 118.

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120. What test period did the CAD use in arriving at these adjustments?

Answer. It should be noted that all of the numbers on Schedule VI are May 31, 2001 attrition period numbers and not test period numbers. It is the Company's understanding that the CAD used a test period of December 31, 1999 as its starting point for developing its attrition period numbers. Although the Company used a different test period as the starting point for developing its numbers, both parties agree to the attrition period numbers set forth in the stipulation.