

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

July 18, 2000

IN RE:

**APPLICATION OF NASHVILLE GAS COMPANY,
A DIVISION OF PIEDMONT NATURAL GAS
COMPANY, INC. FOR AN ADJUSTMENT OF ITS
RATES AND CHARGES, THE APPROVAL OF
REVISED TARIFFS AND THE APPROVAL OF
REVISED SERVICE REGULATIONS**

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) **DOCKET NO. 99-00994**
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ORDER APPROVING APPLICATION

This matter came before the Tennessee Regulatory Authority (the "Authority") at a Hearing held on June 5, 2000 upon the Application of Nashville Gas Company (the "Company" or "Nashville Gas"), an operating division of Piedmont Natural Gas Company, Inc. ("Piedmont") for a general rate increase, the approval of revised tariffs, and the approval of revised service regulations.

Background

On December 30, 1999, Nashville Gas filed an application for an adjustment of its rates and charges, the approval of revised tariffs, and the approval of revised service regulations. In that filing, Nashville Gas sought an increase in its annual revenues of \$10,687,612. After the discovery of certain errors in the Company's filing, the most notable of which were related to the computation of construction work in progress and accumulated depreciation, Nashville Gas's attrition period revenue deficiency was reduced by \$620,063 to \$10,067,549.

At a regularly scheduled Authority Conference held on January 11, 2000, the Authority voted to suspend the application for ninety (90) days. At a regularly scheduled Authority Conference held on February 1, 2000, the Directors appointed the General Counsel or his designee to act as Pre-Hearing Officer in this proceeding for the purpose of hearing preliminary matters and setting a procedural schedule to completion.

On February 11, 2000, the Consumer Advocate Division of the Office of the Attorney General (the "Consumer Advocate") filed a "Complaint or Petition to Intervene" in this proceeding. On April 6, 2000, the Consumer Advocate's petition for intervention was granted by the Pre-Hearing Officer without objection from Nashville Gas. By letter dated April 6, 2000, Nashville Gas agreed to extend the date at which rates may be placed into effect under bond from June 30, 2000 to July 31, 2000 in order to accommodate the agreed procedural schedule.¹

On April 27, 2000, Associated Valley Industries Group ("AVI") filed a petition for intervention. On May 9, 2000, Ford Motor Company ("Ford") and Visteon Corporation ("Visteon") filed a joint petition for intervention. No objections being raised by the parties, on May 18, 2000, the Pre-Hearing Officer issued an order granting both petitions for intervention.

On May 18, 2000, Nashville Gas and the Consumer Advocate filed a Joint Motion for Approval and Implementation of Stipulation (the "Stipulation") in which they stated that they had resolved all known disputed issues in this case and had agreed to certain specified adjustments to revenues, expenses, net operating income, net operating income for return, rate base, and return on rate base. These adjustments reduce the Company's additional revenue

¹ The Hearing was set for June 5-8 to allow Nashville Gas to respond to Authority data requests and because certain witnesses for Nashville Gas would not be available earlier.

requirements from \$10,687,612² to \$4,944,000. The Company filed supplemental testimony and the Consumer Advocate filed an affidavit in support of the Stipulation.

On May 25, 2000, Ford and Visteon advised the Authority that they were in support of the rate design as to Special Contract customers and did not oppose the stipulation as to other matters. In support of their position, Ford and Visteon filed the affidavit of James Mulholland, Manager of Natural Gas Programs for Ford Motor Land Services Corporation. On June 2, 2000, the acting Pre-Hearing Officer issued an order establishing a schedule for the orderly conduct of the Hearing. All parties agreed to an order, which was entered on June 5, 2000, permitting the Authority Staff to ask questions of witnesses during the Hearing.

Nashville Gas's Hearing

On June 5, 2000, a Hearing was held in this matter. The Company presented the direct and supplemental testimony of Bill R. Morris, Chuck W. Fleenor, Ware F. Schiefer, and Dr. Donald A. Murry. The Consumer Advocate presented the affidavit and testimony of Daniel W. McCormac. Ford and Visteon presented the affidavit and testimony of James Mulholland. A representative of AVI stated that AVI did not wish to offer testimony or cross-examine witnesses and that AVI supported the Stipulation.

After testimony and questions from the Directors and the Authority Staff, the Authority approved the Stipulation except for the provision of the Stipulation relative to a tracking mechanism for "Special Contract Customers." Since the Authority must review and approve all special contracts, it is difficult to determine what benefit would be derived from advance approval of the special contract incentive mechanism. By sharing any revenue deviations from

² As noted above, \$10,687,612 was the amount initially requested by the Company in its Application. After correction of a miscalculation, this figure was reduced to \$10,067,549.

current levels, with ten percent (10%) going to Nashville Gas and ninety percent (90%) to other customers, the mechanism purports to provide an incentive for Nashville Gas to negotiate the highest possible rate for special contracts. In theory, ratepayers benefit from having to make up a smaller contribution loss than would be otherwise required if the special contract customer negotiated a lower rate or went to another supplier. In the past, and in the absence of any such "tracking mechanism," Nashville Gas has claimed to have negotiated the highest possible rate with special contract customers in its efforts to prevent by-pass. This being the case, it is unclear what would be achieved by giving the Company further supposed incentives under the tracking mechanism. Locking Nashville Gas into a 10% sharing of any loss with respect to special contract customers would limit the Authority's ability to allocate responsibility for revenue changes in a manner that is appropriate to the particular circumstances surrounding the consideration of a special contract at the time it is submitted to the Authority for approval. For these reasons, the Authority excluded approval of the incentive mechanism for special contract customers without prejudice.

The Authority also approved the Stipulation with a final proviso. The Authority's decision permitting the amortization of deferred pension costs does not indicate in any way that the Authority is abandoning the rationale for the treatment of pension costs as announced in its Orders of February 19, 1997 and June 9, 1997 in Docket No. 96-00977. In that proceeding, the Authority responded to the fact that the Company's pension plan could drop below a fully funded position before the Company's next rate filing by allowing the establishment of a deferred regulatory asset and future recovery. Nevertheless, the Authority has not abandoned the basic and sound regulatory goal of matching current expenses with current ratepayers. To the extent that the Company's future pension expenses continue to surpass fully funded levels, the

Authority will act appropriately to match current expenses with current ratepayers, notwithstanding its actions here.

All parties agreed to waive the condition of the Stipulation that required the Stipulation to be approved in whole.

Authority Consideration of Rate Increases

The Authority considers petitions seeking adjustments of rates and charges pursuant to Tenn. Code Ann. § 65-5-203, which provides:

- 1) that the Authority shall have the power upon written complaint, or upon its own initiative, to hear and determine whether the increase, change or alteration being sought by a public utility is just and reasonable;
- 2) that the burden of proof to show that the increase, change or alteration is just and reasonable shall be on the public utility making the same; and
- 3) that in determining whether such increase, change or alteration is just and reasonable, the Authority shall take into account the safety, adequacy and efficiency or lack thereof of the service or services furnished by the public utility.

The Stipulation

In the Stipulation, the Company and the Consumer Advocate agreed, and the Authority approved, that the Company should be permitted to:

- (1) increase its rates to produce additional revenues of \$4,944,000 effective July 1, 2000;
- (2) recover 100% of its prudently incurred Liquefied Natural Gas power costs through its periodic Actual Cost Adjustment filings;
- (3) implement the revised rates attached to this Order as Schedule I effective July 1, 2000;
- (4) use the gas costs embedded in the proposed rates and set forth in Schedule II, attached to this Order, in future true-ups of gas costs under the Company's Purchase Gas Adjustment (PGA);

- (5) use the "R" values, base load factors, and heat factors set forth in Schedule III, attached to this Order, in future rate adjustments under the Company's Weather Normalization Adjustment;
- (6) implement the revised tariffs attached to this Order as Schedule IV effective July 1, 2000;
- (7) implement the revised Service Regulations, including the main extension policy contained therein, attached to this Order as Schedule V, effective July 1, 2000; and
- (8) amortize the previously established regulatory asset for deferred pension costs of \$1,016,093 over a period of five years, beginning with the effective date of the rates approved herein.

Rate Increase

Schedule VI, attached to this Order, contains the Rate Base, Operating Income at Present Rates, Earned Rate of Return from Present Rates, Fair Rate of Return, Required Operating Income to Produce the Fair Rate of Return, Operating Income Deficiency, Gross Revenue Conversion Factor and Revenue Deficiency agreed upon by the Company and the Consumer Advocate in the Stipulation. The Authority has carefully reviewed each of these items and, based upon the testimony and supporting documentation, concludes that each is fair and reasonable and should be approved. The Authority further concludes that in order to permit the Company to earn the return determined to be just and reasonable, the Company should be allowed to increase its rates by \$4,944,000. Further, the Authority has determined that this rate increase should become effective beginning with service rendered on and after July 1, 2000.

Rate Design and Tariff Changes

In his pre-filed direct and supplemental direct testimony, Chuck Fleenor testified that he designed the Company's proposed rates using a cost of service study of existing rates along with traditional rate design principles and the desire to provide additional services to the ratepayers.³

³ Pre-Filed Direct Testimony of Chuck Fleenor, December 30, 1999, p. 4.

The traditional rate design principles considered by Mr. Fleenor included value of service, the need to avoid discrimination among classes of service, system load equalization, and revenue stability.⁴ He testified that his main objective was to develop a design and structure that will enable the Company to continue to adapt to the many changes occurring in the natural gas industry and to recommend rate levels that more properly reflect the cost and value of service.⁵

In the Stipulation, the parties agreed to a rate increase of \$4,944,000, or \$5,743,612 less than requested by the Company in the Application. The parties also agreed that approximately 97% of the reduction in the rate increase should be reflected in rates for residential customers and the remainder in rates for small general service customers. As a result, residential rates will increase by 1.91%, small general service rates will increase by 3.97%, and industrial rates will increase by 8.38%.

The Company also filed to reduce the fixed gas costs included in its PGA by \$2,418,299 to reflect a reduction in demand for gas from its suppliers as a result of the Company's renegotiations of its supplier contracts. The Company proposed to place this PGA reduction in effect simultaneously with the margin rate increase. The net effect of the PGA reduction and the margin rate increase approved herein is an increase in residential rates of 0.71%, an increase in small general service rates of 2.84%, and an increase of 2.67% for industrial rates.

The stipulated rates are set forth as Schedule I, attached to this Order, and are supported by Mr. Fleenor in his supplemental direct testimony.⁶ After careful consideration, the Authority concludes that the stipulated rates are fair and reasonable to all classes of customers and will

⁴ Pre-Filed Direct Testimony of Chuck Fleenor, December 30, 1999, p. 5.

⁵ Id., p. 7.

⁶ Pre-Filed Supplemental Direct Testimony of Chuck Fleenor, May 18, 2000, pp. 1-2.

permit the Company a reasonable opportunity to earn the return on the rate base previously found to be fair and reasonable.

The Company also proposed certain changes to its tariff language to permit the Company to respond to existing competitive conditions. Mr. Fleenor testified that market and regulatory changes over the years have caused certain language in the Company's existing tariffs to become outdated and in need of revision.⁷ He testified that existing tariffs were designed for and intended to apply to the provision of monopolistic utility services to customers who have no alternative delivery system for natural gas.⁸ Since competitive gas services are available to customers today, the Company proposes to amend the applicability section of all of its rate schedules to state that they apply only to full requirement natural gas customers.⁹ In addition, the Company proposes to clarify language and correct typographical errors that occur in several rate schedules.¹⁰ The Company also proposes to modernize and strengthen the "Unauthorized Gas" provisions of its tariffs to make them more reflective of the current volatile daily gas market and to provide a greater economic disincentive for abuse.¹¹

No party has objected to the proposed tariff changes, and the Authority finds them to be fair and reasonable.

Service Regulations

Nashville Gas also proposed changes to its Service Regulations. The Company proposed to change its policy to allow main extension investments on those projects that produce a positive net present value (NPV) over the life of the project. The discount rate in the NPV

⁷ Pre-Filed Direct Testimony of Chuck Fleenor, December 30, 1999, p. 9.

⁸ Id.

⁹ Id.

¹⁰ Id.

¹¹ Id.

calculation is equal to the overall allowed rate of return in the Company's last general rate case. Mr. Morris testified¹² that the proposed methodology is the same methodology that has been approved for Piedmont by both the North Carolina Utilities Commission and the Public Service Commission of South Carolina and is similar to the policy approved by the Authority for Chattanooga Gas Company in Docket No. 96-01174.¹³ The Company also proposed to eliminate the current preference given to Company employees under the existing main extension policy.

Because the Company no longer adds gas air conditioning customers, the Company proposed to eliminate the provision for 200 feet of free service line for the installation of gas air conditioning and heating which is currently included in its service line policy. In addition, the Company proposed a change in its service line policy to provide for 100 feet of free service line for the installation of one major gas appliance, where no main extension is required. An additional 50 feet of free service line would be allowed for the installation of each additional minor appliance, such as an outdoor grill or fireplace logs. Finally, the Company proposed to increase its reconnect fee from \$35 to \$50, and to eliminate the entire section pertaining to mobile homes.

The Authority carefully reviewed the proposed changes to the Company's Service Regulations and concluded that they are fair and reasonable.

Special Contract Customers

The Company proposed and the Stipulation provided for the implementation of a tracking mechanism for "Special Contract Customers," as explained in the pre-filed direct testimony of Bill R. Morris.¹⁴ Under this proposal, the Company would share in any difference between

¹² Pre-Filed Direct Testimony of Bill R. Morris, December 30, 1999, p. 12.

¹³ Authority Order of June 2, 1999.

¹⁴ Pre-Filed Direct Testimony of Bill R. Morris, December 30, 1999, pp. 4-5.

annual revenues actually received from the Special Contract Customers and the existing Special Contract revenue on a 90%/10% basis. The Company states that such a mechanism would give it an incentive to maximize increases and minimize reductions in Special Contract revenue because of its potential 10% share in increases or reductions. In support of this tracking mechanism, the Company argued that the mechanism would provide the Company with an incentive to maximize its revenues from the Special Contract Customers to the benefit of all other customers. Nevertheless, in view of the Company's past practice of maximizing these revenues without an incentive, the Authority did not find a need for such a mechanism at this time. Further, the Authority will consider approval of all special contracts on a case-by-case basis, considering all relevant evidence, including the need for any recovery or "sharing" of any revenue changes, at the time the contract is submitted for approval. Prior approval of such a "sharing" or "tracking" arrangement, which may not meet the future needs of the Company or the public, is not necessary in this situation. Therefore, the Authority excluded without prejudice the approval of the incentive mechanism for special contract customers.

IT IS THEREFORE ORDERED THAT:

1. The rates filed by Nashville Gas Company on December 31, 1999 are hereby denied;
2. The rates attached to this Order as Schedule I are hereby approved to be effective July 1, 2000, and the existing rates for the "Special Contract Customers" shall continue in effect until further order of the Authority;

3. The allocation of fixed pipeline demand costs for future changes in rates under the Company's Purchased Gas Adjustment as set forth in Schedule II attached to this Order are hereby approved to be effective July 1, 2000;

4. The Weather Normalization Adjustment factors attached to the Order as Schedule III are hereby approved to be effective July 1, 2000;

5. The tariffs attached to this Order as Schedule IV are hereby approved to be effective July 1, 2000;

6. The Service Regulations attached to this Order as Schedule V are hereby approved, to be effective July 1, 2000;

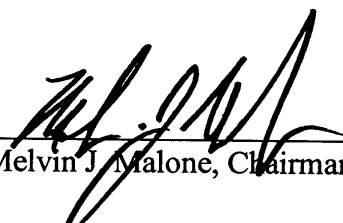
7. The Company is authorized to recover 100% of its prudently incurred Liquefied Natural Gas power costs through its periodic Actual Cost Adjustment filings;

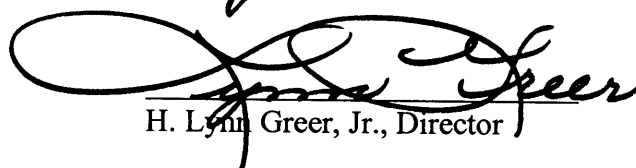
8. The Company is authorized to amortize the regulatory asset for deferred pension costs of \$10,016,093 over a period of five (5) years beginning with the effective date of the rates approved herein;

9. The Company's request to implement a tracking mechanism for "Special Contract Customers" is excluded from approval of the Stipulation without prejudice;

10. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this

11. Any party aggrieved with the Authority's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Division, within sixty (60) days from and after the date of this Order.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary

Nashville Gas Company
Schedule of Proposed Margin Rates
Per Therm

<u>Rate Class</u>	<u>Margin Rates</u>
<u>Residential</u>	
Customer Charge/Per month	\$ 8.00
Winter	0.29884
Summer	0.26255
Air Conditioning	0.22255
Backup Service Demand Charge	0.534506
<u>Small General Service</u>	
Customer Charge/Per month	\$ 22.00
Winter	0.34839
Summer	0.31233
Air Conditioning	0.27266
Backup Service Demand Charge	0.534506
<u>Large General Service</u>	
Demand Charge	\$ 0.80000
First 15,000 Therms	0.08918
Next 25,000 Therms	0.08195
Next 50,000 Therms	0.05904
Over 90,000 Therms	0.02530
<u>Interruptible General Service</u>	
	\$ 300.00
First 15,000 Therms	0.08034
Next 25,000 Therms	0.07382
Next 50,000 Therms	0.05319
Over 90,000 Therms	0.02280
<u>Firm Transportation Service</u>	
Demand Charge	\$ 0.80000
First 15,000 Therms	0.08918
Next 25,000 Therms	0.08195
Next 50,000 Therms	0.05904
Over 90,000 Therms	0.02530
<u>Interruptible Transportation Service</u>	
Customer Charge/Per month	\$ 300.00
First 15,000 Therms	0.08034
Next 25,000 Therms	0.07382
Next 50,000 Therms	0.05319
Over 90,000 Therms	0.02280
<u>Sales For Resale</u>	
Demand Charge	\$ 0.80000
Commodity	0.07000

Nashville Gas Company
Schedule of Fixed Gas Cost Rates
Per Therm

<u>Rate Class</u>	<u>Fixed Cost Rate</u>	<u>Apportionment Percentage</u>
<u>Residential</u>		
Customer Charge/Per month		
Winter	0.04898	49.211%
Summer	0.04898	49.211%
Air Conditioning	0.04898	49.211%
Backup Service Demand Charge		
<u>Small General Service</u>		
Customer Charge/Per month		
Winter	0.04442	30.661%
Summer	0.04442	30.661%
Air Conditioning	0.04442	30.661%
Backup Service Demand Charge		
<u>Large General Service</u>		
Demand Charge	0.63730	8.976%
First 15,000 Therms	0.00292	0.309%
Next 25,000 Therms	0.00240	0.066%
Next 50,000 Therms	0.00169	0.001%
Over 90,000 Therms	0.00000	0.000%
<u>Interruptible General Service</u>		
First 15,000 Therms	0.02992	0.512%
Next 25,000 Therms	0.02940	0.402%
Next 50,000 Therms	0.02869	0.290%
Over 90,000 Therms	0.02700	0.068%
<u>Firm Transportation Service</u>		
Demand Charge	0.63730	7.660%
First 15,000 Therms	0.00292	0.194%
Next 25,000 Therms	0.00240	0.111%
Next 50,000 Therms	0.00169	0.025%
Over 90,000 Therms	0.00000	0.000%
<u>Interruptible Transportation Service</u>		
Customer Charge/Per month		
First 15,000 Therms	0.00292	0.208%
Next 25,000 Therms	0.00240	0.214%
Next 50,000 Therms	0.00169	0.186%
Over 90,000 Therms	0.00000	0.000%
<u>Sales For Resale</u>		
Demand Charge	0.63730	0.900%
Commodity	0.00200	0.006%

Piedmont Natural Gas Company, Inc.
Calculation of "R" Values for WNA Computations
Nashville Gas Rate Case

		Residential	Commercial
Fixed Gas Costs	(\$/therm)	0.04898	0.04442
Commodity	(\$/therm)	0.29209	0.29209
"R" Value	(\$/therm)	0.29884	0.34839
HSF	(therms/DDD)	0.18769	0.79321
BL	(therms/mo.)	13.018	126.066

NASHVILLE GAS COMPANY
665 Mainstream Drive
Nashville, Tennessee 37228
A Division of Piedmont Natural Gas Company
TRA Rate Schedule No.1

Page 1 of 2

RATE SCHEDULE NO. 1

Residential Service

AVAILABILITY

Available within the Company's service area to any full requirements single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered where the Company's distribution mains are suitable for supplying the desired service.

<u>MARGIN RATE</u>	<u>Winter</u> <u>(November-March)</u>	<u>Summer</u> <u>(April-October)</u>
Customer Charge (per month)	\$8.00	\$8.00
Commodity Charge (per therm)	\$.29884	\$.26255
Backup Service Demand Charge (per therm of input per month)	\$.534506	\$.534506

AIR CONDITIONING RIDER

A Residential Customer who uses gas for summer air conditioning shall be billed at a rate of \$.04 per therm less than that listed above for all gas consumed over 50 therms per month. This discount shall apply to all gas used during the billing months of June through October.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request. In the case of temporary discontinuance of service there will be a reconnect charge of \$50.00 to be billed at the time the gas service is reinstated.

BACKUP SERVICE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

ISSUED BY: Ware F. Schiefer
ISSUED ON: June 14, 2000

EFFECTIVE: July 1, 2000
DOCKET NO: 99-00994

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-7 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 6, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 13, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 2

Small General Service

AVAILABILITY

Gas service under this Rate Schedule is available to any full requirements non-residential Customer whose maximum usage during any month of the 12-month period ended the 31st day of March was not more than 15,000 therms. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. A Customer under this Rate Schedule will be eligible to be transferred to Rate Schedules 3, 4, 7F or 7I if the Customers' usage is 110% or more of the minimum required by such rate schedule. Any such transfers will be effective June 1 of each year.

<u>MARGIN RATE</u>	<u>Winter (November-March)</u>	<u>Summer (April-October)</u>
Customer Charge (per month)	\$22.00	\$22.00
Commodity Charge (per therm)	\$.34839	\$.31233
Backup Service Demand Charge (per therm of input per month)	\$.534506	\$.534506

AIR CONDITIONING RIDER

A Small General Service Customer who uses gas for summer air conditioning shall be billed at a rate of \$.04 per therm less than that listed above for all gas consumed over 500 therms per month. This discount shall apply to all gas used during the billing months of June through October.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer charge will be billed from the date of initial service until service is terminated at the Customer's request. In the case of temporary discontinuance of service there will be a reconnect charge of \$50.00 to be billed at the time the gas service is reinstated.

BACKUP RATE

When gas service is being supplied for use as a Backup Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's backup energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Backup Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

Input shall be based upon individual Customer's applicable gas equipment rating in:

$$\frac{\text{BTU/Hour} \times 10 \text{ hours}}{100,000 \text{ BTU}} = \text{TH}$$

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-7 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 6, "Schedule for Limiting and Curtailing Service".

WEATHER NORMALIZATION ADJUSTMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 13, "Weather Normalization Adjustment Rider".

RATE SCHEDULE NO. 3

Large General Sales Service

AVAILABILITY

Gas service under this Rate Schedule is available to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of March was in excess of 15,000 therms. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption. A Customer will be transferred from this Rate Schedule to Rate Schedule No.2 if the Customers' usage is 90% or less of the minimum required by this Rate Schedule. Any such transfers will be effective June 1 of each year.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 9 concurrent with service provided under the Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No.7F by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

MARGIN RATE

Demand Charge (per therm of billing demand)	\$.80000
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.08918
2 nd Step (15,001-40,000 therms)	\$.08195
3 rd Step (40,001-90,000 therms)	\$.05904
4 th Step (Over 90,000 therms)	\$.02530

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the monthly demand charge.

BILLING DEMAND

The billing demand shall be determined as follows:

A Customer's billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinant will become effective May 1 of each year. The per unit demand charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.

For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinant shall be computed by multiplying the month of highest consumption for the period to date by six percent (6%). If a Customer has received gas service from the Company prior to receiving service under this rate schedule, but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based upon the highest monthly level of consumption during the previous winter period multiplied by six percent (6%).

SERVICE AGREEMENTS

All Customers purchasing gas under this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-7 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Rate Schedule No.6, "Schedule for Limiting and Curtailing Service".

RATE SCHEDULE NO. 4

Interruptible General Sales Service

AVAILABILITY

Gas service under this rate schedule is available **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of March was in excess of 15,000 therms when adjusted for curtailment and cycle length. Availability under this rate schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption. A Customer will be transferred from this Rate Schedule to Rate Schedule 2 if the Customers' usage is 90% or less of the minimum required by this Rate Schedule. Any such transfers will be effective June 1 of each year.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 9 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No. 7I by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Customers purchasing gas pursuant to this schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

MARGIN RATE

Customer Charge (per month)	\$300.00
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$0.08034
2 nd Step (15,001-40,000 therms)	\$0.07382
3 rd Step (40,001-90,000 therms)	\$0.05319
4 th Step (Over 90,000 therms)	\$0.02280

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Customer Charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer Charge will be billed from the date of initial service until service is terminated at the Customer's request.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-7 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 6, "Schedule for Limiting and Curtailing Service".

SERVICE SCHEDULE NO. 6

Schedule for Limiting and Curtailing Service

This Service Schedule defines the types of curtailment that the Company may invoke from time to time due to the occurrence of extreme weather conditions, operating conditions or force majeure events, and describes the process and procedures to be followed in the implementation of gas service restrictions.

DISTRIBUTION PRESSURE CURTAILMENTS

Due to extreme weather conditions, operating conditions or force majeure events as defined in the Nashville Gas Company Service Regulations, Rules and Regulations Governing Supply and Consumption of Gas, or the demands of the Company's firm Customers as the same may effect the Company's ability to provide interruptible service, the Company may experience localized pressure deficiencies. During such times and within the areas affected, the Company will curtail service to interruptible Customers served under Rate Schedule No. 4, Rate Schedule No. 9, or Rate Schedule 7I, by priority of their margin contribution to the Company (curtailing Customers with the lowest margin rate first) until the pressure situation can be alleviated. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SUPPLY OR CAPACITY RELATED CURTAILMENTS

In situations when supply and capacity services contracted by the Company are not sufficient to meet the full requirements of Customers desiring sales services from the Company, the Company will first curtail service to interruptible sales Customers receiving service under Rate Schedule No. 4 by priority of their margin contribution to the Company. Customers receiving discounted sales service under Rate Schedule No. 9 will also be curtailed according to the discounted rates. The Company reserves the right at the Company's discretion to purchase quantities being delivered to the Company by Customers under Rate Schedule 7I at market prices in order to serve Customers without operable alternative fuel capability. In the unlikely event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

EMERGENCY SERVICE

The Company will make every reasonable effort to deliver plant protection volumes to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production. All emergency gas service is of a discretionary nature and implies no present or future obligation of the Company to any Customer to provide such service on either a temporary or continuing basis. Deliveries of gas hereunder shall be made pursuant only to advance operating arrangements between the Company's authorized personnel and the Customer and shall be subject to curtailment and interruption at any time should the Company deem it necessary.

RATE FOR EMERGENCY SERVICE

If the Company has authorized the Customer to consume limited quantities of emergency gas as provided in the above paragraph, then all gas consumed by the Customer will be at a rate of \$1.00 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price", until otherwise notified that either (1) further gas sales will be under the Customer's regular rate schedule or (2) complete curtailment is unavoidable and that further gas sales will be considered unauthorized. "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Contract Index" and indicated specifically under "Citygates" for Tenn. Zone 6 (delivered)". "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Tenn. Zone 6 (delivered)", "Midpoint" price. For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily. Revenues realized from emergency service transactions will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

UNAUTHORIZED OVER RUN PENALTY

If at any time a Customer exceeds specified contract entitlements or if during any curtailment period, any affected Customer takes, without the Company's advance written approval, a volume of natural gas in excess of the curtailment period quantity entitlement applicable to such Customer, said volume shall constitute an unauthorized over run volume. For each therm of such unauthorized over run volume taken by such Customer, such Customer shall pay to the Company a rate of \$1.50 per therm plus the higher of two gas commodity indices, "Monthly Contract" and "Daily Price". "Monthly Contract" shall be defined as the monthly contract index price for the applicable calendar month as published in Gas Daily under the designation, "Monthly Contract Index" and indicated specifically under "Citygates" for Tenn. Zone 6 (delivered)". "Daily Price" shall be defined as the daily price for gas defined by Gas Daily as stated in the "Daily Price Survey", "Citygates", "Tenn. Zone 6 (delivered)", "Midpoint" price. For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily. The Customer shall be liable for the above charges together with and in addition to any incremental charges or assessments (including, but not limited to penalties) by the interstate pipeline during the time of the unauthorized usage by such Customer. The payment of a penalty for unauthorized over run volumes shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to the Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Rate Schedule. Revenues realized from unauthorized over run penalties will be credited to the Actual Cost Adjustment (ACA) account as recovery of gas costs.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-7 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

RATE SCHEDULE NO. 7F

Firm Transportation Service

AVAILABILITY

Gas service under this Rate Schedule is available to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of March was in excess of 15,000 therms. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption. A Customer will be transferred from the Rate Schedule to Rate Schedule 2 if the Customers' usage is 90% or less of the minimum required by this Rate Schedule. Any such transfers will be effective June 1 of each year.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 9 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule 3 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

APPLICABILITY AND CHARACTER OF SERVICE

Transportation service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations, subject to such maximum allowable daily deliveries as may be specified in the Gas Service Contract.

The Company reserves the right to suspend service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of service is necessary. The Company reserves the right to limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalance. Any imbalances shall be corrected by the Customer, insofar as practicable, during the month in which they occur. Customer may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance, subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems and to comply with balancing requirements of any pipeline transporting gas hereunder. Customer will be responsible for any imbalance charges assessed by the pipeline in connection with any gas transported by the Company under this Rate Schedule. The Company reserves the right to reduce nominations when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems. Company will use its best efforts to notify the Customer or the Customer's agent before proceeding with a unilateral reduction and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company. The Company reserves the

right to initiate Standby Sales Service, described below, when, in the judgement of the Company, such action is necessary to reduce or eliminate operational problems resulting from the gas imbalances of the Customer. The Company will use its best efforts to notify the Customer or the Customer's agent before initiating Standby Sales Service.

By 10:30am central time four business days prior to the beginning of each month, the Customer shall inform the Company of its a) nomination of the daily quantity of gas to be transported for such month, and b) choice of pipeline for transportation for such month. If the Customer does not provide a timely nomination to transport gas provided by a party other than the Company, the Customer will have requested Standby Sales Service provided herein by default. By 10:30am central time six business days prior to the beginning of each month, the Customer must inform the Company of the nominating agent for gas to be transported. Changes to nominations for gas transportation within the month are due by 10:30am central time on the day prior to gas flow.

BALANCING

It shall be the Customer's responsibility to maintain a daily and monthly balance with its transporting pipelines to avoid any assessment of penalties against the Company. If the Company is assessed a penalty by a Customer's transporting pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer is responsible for causing the Company to be assessed such penalties.

MONTHLY IMBALANCE RESOLUTION

Any differences between the quantities delivered to the Company's city gate facilities for the account of the Customer for the month, and the quantities consumed by the Customer as metered for the month, shall be the monthly imbalance. Unless the Company and Customer agree to correct imbalances in kind, this imbalance shall be resolved monthly by "cashing out" the imbalance as they are known to exist at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and the Company will sell gas to the Customer in an amount equal to the deficiency and at a price equal to the highest Weighted Index Price for any week beginning in the calendar month as published in *Natural Gas Week* plus the Tennessee Gas Pipeline FT-A charges inclusive of all surcharges and fuel times the premium percentage corresponding to the percentage of the deficiency listed in the table below. If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus by paying the Customer a price equal to the lowest Weighted Index Price for any week beginning in the calendar month as published in *Natural Gas*

Week plus the Tennessee Gas Pipeline FT-A charges inclusive of all surcharges and fuel times the discount percentage corresponding to the percentage of the surplus listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Equal to or less than 5%	100%	100%
Over 5% & equal to or less than 10%	115%	85%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

"The Weighted Index Price" shall be derived from the prices published in *Natural Gas Week* in the table Spot Prices on Interstate Pipeline Systems for the following pipeline designations and weighted by the corresponding percentages set forth below:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	19.47% ¹
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	73.69% ¹
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.84% ¹

The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the cash-out of imbalances.

AGENCY AUTHORIZATION FORM

A Customer may authorize an agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this Rate Schedule by executing an Agency Authorization Form in the form attached to this Rate Schedule. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for purposes of administering service to such Agent. Once a Customer has designated an agent, the agent is then authorized to act on behalf of that Customer and as such, the agent can be considered as the Customer in all references contained within this Rate Schedule. The Customer may not change agents within the calendar month without the permission of the Company. All agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover all costs incurred in providing the agent access to the electronic bulletin board.

STANDBY SALES SERVICE

At the option of the Customer, an election may be made monthly to receive Standby Sales Service from the Company under this Rate Schedule for delivery to the Customer at the Company's city gate. The Customer will also receive Standby Sales Service as a default if the Customer or the Customer's agent fails to submit a timely and valid nomination for transportation service. In addition to paying the Monthly Standby Index Price set forth below for Standby Sales Service hereunder, the Customer will utilize the transportation services and incur the charges otherwise applicable under this Rate Schedule to cause such gas supplies to be delivered to the Customer's meter. The price which the Customer shall pay for the gas supplied under this paragraph will be the Monthly Standby Index Price defined as follows: "The weighted average index price for the applicable month as published in the first *Natural Gas Week* for such month in the table Spot Prices on Interstate Pipeline Systems in the column labeled "Bid Week", for:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	19.47% ¹
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	73.69% ¹
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.84% ¹

¹ These percentages are the ratio of actual test period purchases for these two pipelines determined in the Company's most recent general rate case.

If the Customer nominates transportation service hereunder and purchases gas supplies from a third party supplier, and such Customer's consumption exceeds actual deliveries to the Company from such third party supplier to the point where operational problems are created for the Company, then the Company shall have the right, at its sole discretion, to initiate Standby Sales Service to the Customer. The price for such service shall be the same as set forth above except when the Company is required by such imbalance shortfall to purchase incremental volumes of gas supplies. In this case the Customer receiving Standby Sales Service will pay the higher of (on a daily basis) the Monthly Standby Index Price or the Daily Standby Index Price defined as follows:

The midpoint daily index price as published in Gas Daily for the day of consumption as stated in the "Daily Price Survey", for the "Tennessee 500 Leg". For days of consumption when the Gas Daily is not published, the Gas Daily price shall equal the price as published on the nearest subsequent day by Gas Daily.

Applicable firm transportation tariff commodity charges, fuel and any other surcharges as defined in the above transporters' FERC approved tariffs will be added to the above standby index prices. The Company will collect gross receipts tax on the incremental gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index price as defined in the previous paragraph will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the standby index prices.

MARGIN RATE

Demand Charge (per therm of billing demand)	\$.80000
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.08918
2 nd Step (15,001-40,000 therms)	\$.08195
3 rd Step (40,001-90,000 therms)	\$.05904
4 th Step (Over 90,000 therms)	\$.02530

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the monthly demand charge multiplied by the billing demand determined as described below.

BILLING DEMAND

The billing demand shall be determined as follows:

Customer billing demand determinate shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinate will become effective May 1 of each year. The per unit charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company. For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinate shall be based upon a reasonable assumption of usage considering the connected load. If a Customer has received gas service from the Company prior to receiving service under this Rate Schedule but does not have daily telemetered records to

determine peak day usage as described above, the Company shall determine a billing demand based on the highest monthly level of consumption during the previous winter period multiplied by six percent (6%).

SERVICE AGREEMENTS

All Customers receiving service under this Rate Schedule shall be required to execute the Company's standard contracts and/or service applications and shall be subject to the Company's Rules and Regulations as filed with and approved by the Tennessee Regulatory Authority (TRA).

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for transportation service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-7 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the TRA and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the TRA Rules and Regulations, Orders of the TRA, and the Laws of the State of Tennessee.

SERVICE CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 6, "Schedule for Limiting and Curtailing Service".

**AGENCY AUTHORIZATION FORM
RATE SCHEDULE NO.7F**

DATE _____

CUSTOMER _____

NAME OF FACILITY

ACCOUNT NUMBER(S)

AGENT _____

AGENT CONTACT _____ PHONE # _____

This is to advise Nashville Gas Company that _____ (Customer) has authorized
_____ (Agent) to act on its behalf for the following transactions:

_____ nominations, _____ imbalance resolution, _____ billing,

of gas for the above listed account(s). Nashville Gas Company is hereby authorized to deal with the Agent directly, and by signature below, the Customer and the Agent understand that they are responsible, jointly and severally for any amounts due Nashville Gas Company under this Rate Schedule which are not paid by agent on these accounts. Customer will provide Nashville Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least six (6) business days prior to changing Agents of the accounts designated.

AUTHORIZED
SIGNATURE _____
FOR THE CUSTOMER

AUTHORIZED
SIGNATURE _____
FOR THE AGENT

Please Print

AGENT'S NAME _____ TITLE _____

PHONE # _____ FAX # _____

MAILING ADDRESS _____

Please submit to: End User Transportation
Nashville Gas Company
A Division of Piedmont Natural Gas Company
P O Box 33068
Charlotte, NC 28233
Fax # _704 365-8740

RATE SCHEDULE NO. 71

Interruptible Transportation Service

AVAILABILITY

Gas service under this Rate Schedule is available ON AN INTERRUPTIBLE BASIS to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of March was in excess of 15,000 therms. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption. A Customer will be transferred from this Rate Schedule to Rate Schedule 2 if the Customers' usage is 90% or less of the minimum required by this Rate Schedule. Any such transfers will be effective June 1 of each year.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule No. 9 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No. 4 and/or 10 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer may discontinue service under this Rate Schedule effective the first June 1 following the notice.

Customers receiving services under this Rate Schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

APPLICABILITY AND CHARACTER OF SERVICE

Transportation service is available under this Rate Schedule to any qualified Customer connected to the Company's system who has obtained an independent supply of natural gas and has arranged to have this supply delivered to one of the Company's existing delivery points for transportation by the Company to the Customer's facilities.

The Company will deliver ON AN INTERRUPTIBLE BASIS gas previously transported by a connected pipeline for the Customer's account under this Rate Schedule on a day-to-day basis in accordance with the Customer's scheduled and confirmed nominations. The Company reserves the right to suspend service on any day when, in the Company's sole opinion, its operating conditions are such that suspension of service is necessary. The Company reserves the right to

limit, allocate, or direct third party gas nominations among the interstate pipelines serving the Company's distribution system, when, in the Company's sole opinion, such action is necessary to maintain the operational integrity of the system.

Receipts and deliveries of gas hereunder shall be at uniform rates of flow with no significant fluctuations or imbalance. Any imbalances shall be corrected by the Customer, insofar as practicable, during the month in which they occur. Customer may adjust its daily nominations during a month in order to correct any accumulated imbalance and maintain a monthly balance, subject to the operating limitations of the Company. The Company reserves the right to limit the amount of such imbalances to avoid operating problems and to comply with balancing requirements of any pipeline transporting gas hereunder. Customer will be responsible for any imbalance charges assessed by the pipeline in connection with any gas transported by the Company under this Rate Schedule. The Company reserves the right to reduce nominations when, in the judgment of the Company, such action is necessary to reduce or eliminate operational problems. Company will use its best efforts to notify the Customer or the Customer's agent before proceeding with a unilateral reduction and will notify Customer of any reduction to Customer's nomination that has been instituted by the Company.

By 10:30am central time four business days prior to the beginning of each month, the Customer shall inform the Company of its a) nomination of the daily quantity of gas to be transported for such month, and b) choice of pipeline for transportation for such month. If the Customer does not provide a timely nomination to transport gas, the Customer will not be entitled to receive gas service. By 10:30am central time six business days prior to the beginning of each month, the Customer must inform the Company of the nominating agent for gas to be transported.

Changes to nominations for gas transportation within the month are due by 10:30am central time on the day prior to gas flow.

Notwithstanding the above, if a supplier interrupts its sales service to Customer being transported hereunder, and such interruptions by the supplier occur within a month, Customer may reschedule alternative gas supplies which may be available to Customer subject to: a) normal daily nomination and confirmation deadlines and procedures b) any operational limitations of the Company and c) the availability of interruptible transportation service hereunder.

BALANCING

It shall be the Customer's responsibility to maintain a daily and monthly balance with its transporting pipelines to avoid any assessment of penalties against the Company. If the Company is assessed a penalty by a Customer's transporting pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer or Customer's agent is responsible for causing the Company to be assessed such penalties.

MONTHLY IMBALANCE RESOLUTION

Any differences between the quantities delivered to the Company's city gate facilities for the account of the Customer for the month, and the quantities consumed by the Customer as metered for the month, shall be the monthly imbalance. Unless the Company and Customer agree to correct imbalances in kind, this imbalance shall be resolved monthly by "cashing out" the imbalance as they are known to exist at that time. If the Customer consumes more gas than it has

delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, the Company will sell gas to the Customer in an amount equal to the deficiency and at a price equal to the highest Weighted Index Price for any week beginning in the calendar month as published in *Natural Gas Week* plus the Tennessee Gas Pipeline FT-A charges inclusive of all surcharges and fuel times the premium percentage corresponding to the percentage of the deficiency listed in the table below. If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus by paying the Customer a price equal to the lowest Weighted Index Price for any week beginning in the calendar month as published in *Natural Gas Week* plus the Tennessee Gas Pipeline FT-A charges inclusive of all surcharges and fuel times the discount percentage corresponding to the percentage of the surplus listed in the table below.

Percentage of the Imbalance	Short (Premium)	Long (Discount)
Equal to or less than 5%	100%	100%
Over 5% & equal to or less than 10%	115%	85%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

"The Weighted Index Price" shall be derived from the prices published in *Natural Gas Week* in the table Spot Prices on Interstate Pipeline Systems for the following pipeline designations and weighted by the corresponding percentages set forth below:

Tennessee Gas Pipeline Co. Zone 0:South Texas	X	19.47% ¹
+		
Tennessee Gas Pipeline Co. Zone 1: South Louisiana	X	73.69% ¹
+		
Columbia Gulf Transmission Co.: Rayne, La.	X	6.84% ¹

The Company will collect gross receipts tax on the incremental gross gas related charges

Any difference between the actual cost of gas incurred by the Company and the Index prices defined above will be accounted for in the Actual Cost Adjustment account in a manner consistent with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations. Increments or decrements which may result from the PGA adjustments will not apply to the cash-out mechanism.

AGENCY AUTHORIZATION FORM

A Customer may authorize an agent to act on its behalf with respect to the nominations, imbalance resolution, and/or billing under this Rate Schedule by executing an Agency Authorization Form in the form attached to this Rate Schedule. To the extent that the Agent appointed by the Customer is common to other Customers of the Company, the Company will permit such Agent to aggregate all such qualifying Customers' transportation quantities for

¹ These percentages are the ratio of actual test period purchases for these two pipelines determined in the Company's most recent general rate case.

purposes of administering service to such Agent. Once a Customer has designated an agent, the agent is then authorized to act on behalf of that Customer and as such, the agent can be considered as the Customer in all references contained within this Rate Schedule. The Customer may not change agents within the calendar month without the permission of the Company. All agents must utilize the electronic means made available by the Company in order to submit nominations. The Company may recover all costs incurred in providing the agent access to the electronic bulletin board.

MARGIN RATE

Customer Charge (per month)	\$300.00
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.08034
2 nd Step (15,001-40,000 therms)	\$.07382
3 rd Step (40,001-90,000 therms)	\$.05319
4 th Step (Over 90,000 therms)	\$.02280

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the Customer Charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge.

SERVICE AGREEMENTS

All Customers receiving service pursuant to this Rate Schedule shall be required to execute the Company's standard contracts and/or service applications and shall be subject to the Company's Rules and Regulations as filed with and approved by the Tennessee Regulatory Authority (TRA).

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for transportation service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-7 of the TRA Rules and Regulations.

Purchase gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with the Rules, Regulations and Orders of the TRA and the Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, the TRA Rules and Regulations, the Orders of the TRA, and the Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is interruptible and is subject to the provisions contained within TRA Schedule No. 6, "Schedule for Limiting and Curtailing Service".

**AGENCY AUTHORIZATION FORM
RATE SCHEDULE NO.7I**

DATE _____

CUSTOMER _____

NAME OF FACILITY

ACCOUNT NUMBER(S)

AGENT _____

AGENT CONTACT _____ PHONE # _____

This is to advise Nashville Gas Company that _____
(Customer) has authorized _____ (Agent) to act on
its behalf for the following transactions:

_____ nominations, _____ imbalance resolution, _____ billing,

of gas for the above listed account(s). Nashville Gas Company is hereby authorized to deal with the Agent directly, and by signature below, the Customer and the Agent understand that they are responsible, jointly and severally for any amounts due Nashville Gas Company under this Rate Schedule which are not paid by agent on these accounts. Customer will provide Nashville Gas Company with a revised "AGENCY AUTHORIZATION FORM" at least six (6) business days prior to changing Agents of the accounts designated.

AUTHORIZED
SIGNATURE _____
FOR THE CUSTOMER

AUTHORIZED
SIGNATURE _____
FOR THE AGENT

Please Print

AGENT'S NAME _____ TITLE _____
PHONE # _____ FAX # _____
MAILING ADDRESS _____

Please submit to: End User Transportation
Nashville Gas Company
A Division of Piedmont Natural Gas Company
P O Box 33068
Charlotte, NC 28233
Fax # 704-365-8740

RATE SCHEDULE NO. 9

Special Availability Service

AVAILABILITY

Gas service under this rate schedule is available to any TRA Rate Schedule No. 3, 4, 7F, or 7I, Customer when the Company has gas supplies or services that it cannot sell at its established fixed rates where the Company's distribution mains are suitable for supplying the desired service. On such occasions, the opportunity is lost to the Company and its Customers. This Rate Schedule is designed to permit the Company to sell such gas and services at special rates for the purpose of enabling the Company to compete with alternative fuels and services available for use by its Customers.

Gas service under this Rate Schedule is available on a limited term basis to Customers who are connected to the Company's distribution system and would otherwise qualify for commercial and industrial sales or transportation service.. Gas service may be provided under this Rate Schedule only in the event that the Company has available supplies or services that cannot competitively be provided under other rate schedules. Service under this Rate Schedule is temporary and the Company has the right to discontinue such service. Gas service under this rate schedule will be curtailed prior to service under any other rate schedule.

In the event a Customer has zero consumption during any billing month, this tariff will not apply and service shall be rendered pursuant to the Company's regular rate schedules for the class of service indicated for the purpose of determining a minimum bill and qualifying provisions.

BASE RATE

The Customer shall pay the Company for all gas supplied or services provided under this schedule at a predetermined rate negotiated prior to delivery for limited term periods up to seven consecutive months.

SERVICE AGREEMENTS

All Customers purchasing gas pursuant to this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the above stated net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in

accordance with Rule No. 1220-4-1-7 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated base rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 6, "Schedule for Limiting and Curtailing Service."

TREATMENT OF NEGOTIATED MARGIN LOSSES

Margin losses under this rate schedule shall be recovered by the Company through the Company's Actual Cost Adjustment (ACA) as provided in the Company's Purchased Gas Adjustment (PGA) Rider (TRA Service Schedule No. 11).

RATE SCHEDULE NO. 10

Resale Service

AVAILABILITY

Sales for Resale Service is available under this rate schedule to any qualified local distribution company who purchases natural gas for the purpose of reselling same, where the Company's distribution mains are suitable for supplying the desired service.

MARGIN RATE

Demand Charge (per therm of billing demand)	\$.80000
Commodity Charge (per therm)	\$.07000

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the monthly demand charge.

BILLING DEMAND

Demand determinants shall be those agreed to in the contract.

SERVICE AGREEMENTS

All customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with

Rule No. 1220-4-7 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the curtailment provisions contained within TRA Schedule No. 6, "Schedule for Limiting and Curtailing Service".

SERVICE SCHEDULE NO. 13

Weather Normalization Adjustment

(WNA) Rider

I. Provision for Adjustment

The base rates per therm (100,000 Btu) for gas service set forth in any rate schedules utilized by the Authority in determining normalized test period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment".

The Weather Normalization Adjustment will be applicable for bills rendered on and after November 1 and continuing through the final billing cycle in March of each year.

II. Definitions

For the purposes of this Rider:

"Authority" means the Tennessee Regulatory Authority.

"Relevant Rate Order" means the final order of the Authority in the most recent litigated rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

III. Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment shall be computed to the nearest one-hundredth cent per therm by the following formula:

$$WNA_i = R_i \quad * \quad \frac{(HSF_i(NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where:

I = any particular rate schedule or billing classification within any particular rate schedule that contains more than one billing classification.

WNA_i = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per therm.

R_i = weighted average base rate (base rate less any embedded gas cost) of temperature sensitive sales for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

HSF_i = heat sensitive factor for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

NDD = normal billing cycle heating degree days utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

ADD = actual billing cycle heating degree days.

BL_i = base load sales for the i^{th} schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues.

IV. Filing with Authority

The Company will file as directed by the Authority (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

NASHVILLE GAS COMPANY
665 Mainstream Drive
Nashville, Tennessee 37228
A Division of Piedmont Natural Gas Company
TRA Rate Schedule No. 13

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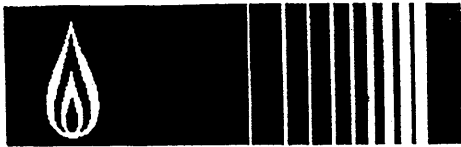
2nd Revised Addendum to TRA Service Schedule No. 13

**NASHVILLE GAS COMPANY
WNA Components**

	<u>Residential</u>	<u>Commercial</u>
"R" Value:	0.29884	0.34839
Heat Sensitivity Factor	0.18769	0.79321
Base Load:	13.018	126.066

ISSUED BY: Ware F. Schiefer
ISSUED ON: June 14, 2000

EFFECTIVE: July 1, 2000
DOCKET NO: 99-00994



**Piedmont
Natural Gas
Company**

Schedule V

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Effective July 1, 2000

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and Consumption of Gas**



Nashville Gas Company Service Regulations

Section 1 – GENERAL SERVICE POLICY OF NASHVILLE GAS

Nashville Gas (hereinafter referred to as “the Company”) will make free service calls, within certain broad guidelines, around-the-clock on customer appliances connected to our mains. Those service requests requiring immediate attention will be answered as soon as possible. Those of less urgent nature will be answered on a scheduled basis according to the workload. In either case, the Company will make every effort to answer each customer's call promptly and to leave all appliances operating at maximum efficiency.

Free Services (1220-4-5-.06(iii))

The Company provides the following services at no charge to the customer during normal working hours (Mon - Fri, 8am - 5pm, excluding Holidays):

- Install gas meters and regulators for new customers
- Turn-on, turn-off, & service gas meters
- Check for gas leaks
- Investigate the possible presence of carbon monoxide
- Cut off pilots
- Disconnect appliances (disconnect & cap existing pipe only)
- Food Service equipment service including leveling, adjusting, or calibrating
- Diagnostic time or time to provide an estimate for jobbing work
- Quotes for appliance installation
- The first light-up and service call of the heating season on central furnaces (a flat charge applies for each additional light-up)
- Gaslight turn-on and re-lighting
- Service leased water heaters
- Service appliances other than central heating systems or gas air conditioners (no parts needed) including:
 - Service calls to diagnose problems
 - Check gas pressure
 - Adjust burners
 - Clean air mixers
 - Light pilots
 - Clean & adjust pilots
 - Examine flue connections & check draft
 - Check and calibrate thermostats & controls
 - Check appliance wiring & other electrical components
- Service central heating systems including floor furnaces and unit heaters

including:

- Service calls to diagnose problems
- Gas and air adjustments on burners and pilot assemblies
- Adjustments of controls and thermostats
- Minor electrical repairs that do not require materials
- Service Arkla, Bryant, and other gas-fired air conditioners including:
 - Service calls to diagnose problems
 - Gas and air adjustments on burners and pilot assemblies
 - Checks of controls and thermostats
 - Pumping of water-cooled units to maintain operation
 - Purging of non-condensables from air-cooled units

Note: When an appliance is not operating, every effort will be made to answer the call without delay, and in most circumstances, on the same day. Should repair work be required, parts needed to complete the repair will be ordered from the manufacturer and installed if the customer so desires. There is, however, a charge for this service.

The company will also provide immediate response to any hazardous situation that might cause threat to life or property after normal working hours (Mon – Fri, 5pm - 8am; Sat; Sun; & Holidays) at no charge, including:

- Fire or explosion
- Gas leak
- Damaged gas main or service (parts & labor may apply)
- Gas appliance that won't cut off
- Carbon monoxide investigation
- Leased water heater service within 24 hours

Services For Which There Are Charges

- Installation or connection of gas appliances
- Reconnects of gas appliances
- Repair of gas appliances where parts are needed (except central systems)
- Repair or replacement parts, electrical equipment, or thermostats on Arkla or Bryant gas air conditioners beyond Service/Warranty Contract
- Cleaning condensers and condensate lines on gas A/C units
- Gaslight repairs and reconditioning
- Miscellaneous pipe work
- Change outs and reconnects of food service equipment
- Repair of gas air conditioning units installed after January 1, 1975; units on which the Warranty/Service Contract has expired; and units or installations not approved by the Company's Service Department
- Work involving replacement of filters and out-of-warranty parts (charged on a "time and materials" basis)

- After hours work that requires a repair including commercial cooking and water heating equipment (the customer may be given the option for jobbing repair at the current overtime rate, if time and workload permits)

Work the Company Does Not Provide

- Replacement of filters in central heating equipment
- Installation, connection, or repair of unit heaters and central heating equipment
- Repair or replacement of unit heaters and other equipment requiring an electrician
- Repair or installation of gas appliances that are not AGA certified or where gas appliances are not used in accordance with manufacturer listing
- Repairs on heating equipment that requires parts will not be made except on those units sold by Nashville Gas prior to May 1, 1974. In addition, the Company does not install furnace filters
- No work will be performed on electrical air conditioning units installed with a gas furnace (this work will be referred to the installer or mechanical contractor)

Termination Policy

Reasons for Termination of Service or Denial of Service (1220-4-5-.18)

Service may be refused or discontinued for any of the reasons listed below. Unless otherwise stated, the customer shall be allowed a reasonable time in which to comply with the rule before service is discontinued.

1. With notice in the event of a condition determined by the utility to be hazardous
2. Without notice in the event of customer use of equipment or the utility's service to others
3. Without notice in the event of tampering with the equipment furnished and owned by the utility
4. Without notice in the event of unauthorized use
5. For violation of and/or non-compliance with the utility's rules on file with and approved by the Tennessee Regulatory Authority
6. For failure of the customer to fulfill his contractual obligations for service and/or facilities subject to regulation by the Tennessee Regulatory Authority
7. For failure of the customer to permit the utility reasonable access to its equipment
8. For non-payment of bill provided that the utility has made a reasonable attempt to effectively collect and has given the customer written notice that he has at least five (5) days, excluding Sundays and holidays, in which to make settlement on his account or have his service denied

9. For failure of the customer to provide the utility with a deposit as authorized by 1220-4-5-.14 of the Tennessee Regulatory Authority Statutes
10. For failure of the customer to furnish such services, equipment, permits, certificates, and/or rights-of-way, as shall have been specified by the utility as a condition to obtaining service, or in the event such equipment or permission are withdrawn or terminated.

Insufficient Reasons for Denying Service (1220-4-5-.19)

The following shall not constitute sufficient cause for refusal of service to a present or prospective customer:

1. Delinquency in payment for service by a previous occupant of the premises to be served
2. Failure to pay for merchandise purchased from the utility
3. Failure to pay for a different type of class of public utility service
4. Failure to pay the bill of another customer as guarantor thereof
5. Failure to pay a back bill rendered in accordance 1220-4-5-.17(a) of Tennessee Regulatory Authority Statutes.

Disconnection

The Company has the right to shut off gas from any consumer who may be in arrears for a longer period than twenty (20) days in paying for gas furnished hereunder or under any other prior or subsequent agreement, or for gas used by the consumer at the consumer's present or any prior subsequent address. The said twenty-day period commences to run from the date the bill was rendered. The Company will not shut off gas for non-payment without first mailing a notice to the consumer giving him seven (7) calendar days to pay the bill in arrears.

Reinstating Service

If natural gas service is disconnected for nonpayment, service will be restored after the customer has paid the total amount past due, paid the reconnection charge and paid a deposit.

Third-Party Notification

At the customer's request, the Company will send a copy of any disconnection notice to a designated third party. However, the designated third party is not responsible for paying the bill.

Medical Emergencies and Life Support Devices

The Company will delay disconnection of gas service for 30 days if a physician, public health officer or social service official certifies in writing that discontinuing gas service will worsen an existing medical emergency for a permanent resident of the premises where services are rendered. A prompt request is important. During the 30-day extension, payment of the bill must be guaranteed by another person or entity that is acceptable to the Company.

The Company will not disconnect service at the service address if there are natural gas appliances that are critical to maintaining the health of one or more permanent residents. The Customer Service Department must be contacted to determine whether a gas appliance is considered a life-support device.

Notice of Rights and Remedies

Should the Customer request help in paying his natural gas bill the Company will provide the customer with a list of community agencies that provide aid in paying their natural gas bill. The company will also, in some cases, make alternative pay arrangements if the customer is temporarily unable to pay his natural gas bill. However, if such an agreement is made the customer gives up their right to dispute the amount due under the agreement. If the customer does not fulfill the terms of the agreement, the Company may disconnect service and a new pay agreement will not be offered before we disconnect service.

If the Customer wants to appeal an unfavorable decision regarding a natural gas bill, they may contact the Tennessee Regulatory Authority's Complaint Division, 460 James Robertson Parkway, Nashville, TN 37219 (615-741-3939 or 800-342-8359). This must be done before the net due date if the dispute involves a disconnection notice. The Company will not disconnect service for nonpayment of the disputed portion of the bill while it is being reviewed. The Customers right to appeal will not expire if delay on the Company's part makes it impossible to contact the TRA within the required time period. The Customer also has the right to suspend payment of the disputed portion of the bill while the dispute procedures mentioned above are in progress.

Customer Classifications

Residential

Residential service applies to single private residences, including separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered. A dwelling shall be considered non-residential which has more than one apartment or condo on the same meter. A duplex, for example, shall be considered residential only if each of the two units is separately metered. A residential dwelling will also be considered commercial if in

the Company's judgment such dwelling and/or usage is identifiable as being used primarily (more than 50%) for business or professional purposes.

Commercial

Commercial service applies to customers engaged in selling, warehousing, or distributing a commodity or service in some business activity or profession or in some other form of economic or social activity. For example, and not by way of limitation, all local, state and federal governmental agencies, any organizations or institutions whether profit or non-profit, with uses other than those involving industrial or residential requirements are classified as commercial customers. Also included are offices, stores, schools, dormitories, hotels, restaurants, apartment houses, religious institutions, orphanages, clubs, boarding and rooming houses, communes, motor courts, camps, and rehabilitation organizations.

Industrial

Industrial service applies to customers primarily engaged in a process that creates or changes raw or unfinished materials into another form of product, including the generation of electric power.

Firm Service

Firm service applies to those schedules or contracts under which the Seller is expressly obligated to deliver specific volumes within a given time period and under which the Seller anticipates no interruptions. This obligation does permit unexpected interruption in those cases where the supply to higher priority customers is threatened.

Interruptible Service

Interruptible (Limited Availability) service refers to those schedules or contracts under which the Seller is not expressly obligated to deliver specific volumes within a given time period. This category of service anticipates and permits interruption on short notice, or service under schedules or contracts that expressly or implicitly require installation of alternate fuel capability.

Priority of Service

The Company has established the following categories of service in order of priority:

1. Residential, small commercial (less than 50 MCF on a peak day), school, hospital, police protection, fire protection, sanitation, or correctional facility requirements
2. Essential agricultural requirements

3. Large commercial requirements (50 MCF or more on a peak day), firm industrial requirements for plant protection, feedstock and process needs, pipeline customer storage injection requirements, and firm industrial sales up to 300 MCF per day
4. All industrial requirements not specified in 2, 3, 5, 6, 7, 8, 9 or 10
5. Firm industrial requirements for boiler fuel use at less than 3,000 MCF per day, but more than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
6. Firm industrial requirements for large volume (3,000 MCF or more per day) boiler fuel use where alternate fuel capabilities can meet such requirements
7. Limited Availability requirements of less than 300 MCF per day, where alternate fuel capabilities can meet such requirements
8. Limited Availability requirements of more than 300 MCF per day but less than 1,500 MCF per day, where alternate fuel capabilities can meet such requirements
9. Limited Availability requirements of intermediate volumes (from 1,500 MCF per day through 3,000 MCF per day), where alternate fuel capabilities can meet such requirements
10. Limited Availability requirements of more than 3,000 MCF per day, but less than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements
11. Limited Availability requirements of more than 10,000 MCF per day, where alternate fuel capabilities can meet such requirements.

Meter Turn On

There is no charge for meter turn on for a new customer. There will be a flat charge for meter turn on for an existing customer or member of same family or household. For turning on meters shut off for non-payment of bills there will be a flat charge for meter turn on plus payment of all past due bills. The Company may also secure an additional customer deposit. If an existing customer requests that his/her meter be turned off for the summer to avoid minimum bills during the summer period and then requests the Company to turn the meter back on, the flat charge for meter turn on will apply.

Gas Wastage (1220-4-5-.06(iv))

Excessive gas consumption without knowledge by the customer may possibly be the result of gas leakage or appliance malfunction. Gas bill adjustments generally will not be permitted for improper and/or inefficient operation of gas appliances or for gas leaks. Adjustments for all special cases will be based upon individual merit dependent upon such factors as prompt action by the customer, the nature of the problem, maintenance of facilities by the customer, the time period involved, etc. An example might possibly be a

hot water relief valve stuck open or a broken hot water line on a gas water heater. All such special adjustments shall not exceed 35% of the wastage and shall be approved by the Director of Customer Service (residential) or the General Manager of Marketing (commercial). Wastage shall be based on Service Department inspection or Customer Service Department researches. The Director of Customer Service shall determine consumption rates. Duration of the adjustment shall not exceed 30 days. Where such gas appliance malfunction or gas leakage was directly caused by actions of Company personnel or occurred within 30 days of the date the work was performed by Company personnel, the Company will grant 100% credit of wastage to the customer. The amount of wastage will be approved by the Service Superintendent and not exceed a period of 30 days.

Title to Facilities

The title to all facilities including mains, gas service lines, meters, and accessory equipment up to and including the outlet of the meter assembly shall be vested in the Company, notwithstanding any charge which may be made to the customer for extending service.

Appliance Classifications

Major appliances

- central heating systems
- circulating heater*
- floor furnaces
- gas air conditioners
- water heaters

* A circulating heater will be considered as a major appliance when it has all of the following features:

1. Has an input rating of 40,000 BTU per hour or greater (two or more smaller vented circulating heaters having a combined output of 40,000 BTU or more will be considered as one major appliance)
2. Is used for heating throughout the heating season
3. Is the major source of space heating in the building

Minor appliances

- clothes dryers
- gas fireplaces
- gaslights
- grills

- incinerators
- log starters
- logs
- ranges
- swimming pool gas water heaters

General Installation / Connection & Repair Policy

The following regulations are applicable for residential natural gas appliance connections on Nashville Gas lines. The delivery and uncrating of the appliance is the responsibility of the customer/dealer. The connection/installation of commercial and/or industrial gas appliances is the responsibility of dealer. All natural gas appliance installations on Nashville Gas lines shall comply with the provisions of the Southern Gas Code (SBCCI), as updated. All appliances must also be AGA approved. The Company reserves the right to refuse to connect those appliances which, in its judgment, do not conform to appropriate safety requirements.

Space Heaters and Central Heating

The Company will provide free of charge: a service call to diagnose the problem, gas and air adjustments on burners and pilot assemblies, adjustments to controls and thermostats, and minor electrical repairs not requiring material. The Company shall not make repairs to gas furnaces other than pilots, thermocouples, or other parts we normally stock. A heating contractor, preferably the one who installed the equipment, will perform such repairs. The Company does not install air filters. The Company will make repairs to gas heating equipment that was installed by the Company. Such repairs will be charged to the customer on a "Time and Material" basis or at a flat charge if so provided for herein.

A Gas Furnace Safety Inspection is provided without charge by the Company and covers the following:

1. Check for gas leaks at the meter and on the customers' gas fuel lines.
2. Check furnace vent.
3. Safety inspection of the gas fired equipment to ascertain that safety and other limit controls are operating correctly.
4. Safety inspection of the furnace combustion chamber to determine if cracked or unsafe.

A Gas Furnace Operational Inspection is provided at the request of the Federal Housing Authority, Veteran's Administration, HUD, real estate/mortgage firms, or other parties interested in a more thorough operational inspection of the gas fired heating equipment. Such requests should be initially referred to the Marketing Department. There is a charge for this inspection that includes the following:

1. Check for gas leaks at the meter and on the customers' gas fuel lines.
2. Check furnace vent.
3. Safety inspection of the gas fired equipment to ascertain that safety inspection and other limit controls are operating correctly.
4. Inspection of the combustion chamber for safety (check for cracked chamber) and for operational purposes to determine the condition of furnace.
5. Calculate actual equipment input rate (Btu/h) to determine if the burner is operating in accordance with the manufacturers' instructions and rating plate.
6. Make an inspection of the air delivery system to check for the condition of ductwork and delivery of reasonable air volumes.
7. Provide a written report to the client on findings of Operational Inspection.

Automatic Vent Dampers

Automatic vent dampers that are AGA certified and UL listed are acceptable. Dampers must be installed in accordance with the manufacturer's instructions. The name of the qualified installing agency must be affixed to the damper. The vent damper must be so installed and wired so that upon failure it will "fail safe" in the open position. If not, the damper and the associated gas appliance will be red-tagged and turned off. The Company will not install, repair, or provide service on the damper installation. In the instance of a malfunction or a retrofit damper installation, the Company will secure the damper in a "make safe" position and advise the customer to secure repair through the distributor, manufacturer, or installing dealer. The Company does not endorse any specific brand unit and does not endorse or guarantee any claimed energy savings.

Unvented Gas Heaters

The use of UL listed unvented natural gas space heaters is permitted in accordance with the Southern Gas Association Code. However, they may not be located in bedroom areas or sleeping quarters, nor in confined areas where the listed total input rating of such heaters is greater than 30 BTU/HR/CF of space volume (confined space definition).

Further, the gas meter will not be turned on in the following cases:

- Where unvented heaters are the primary source of heat in a residence
- Where unvented heaters are the primary source of heat in commercial or industrial structures unless specifically approved by the Service Superintendent or General Superintendent as being unconfined space and adequately ventilated

Gas Air Conditioning

On Arkla, Bryant, and other gas-fired air conditioning units connected to our lines, the Company will provide the following services without charge to the customer:

1. Make service call to diagnose the problem.
2. Perform gas and air adjustments to all burners and pilot assemblies.
3. Check thermostats and controls.
4. Pumping of water-cooled units in order to maintain operations.
5. Purging of non-condensables from air-cooled units.

Other than that described above, and unless specifically covered under appropriate customer Warranty/Service Contract, service work involving repair or parts replacement will be charged to the customer on a "Time and Material" basis. The General Manager of Marketing or the Service Superintendent will determine any exceptions. On request by customer, the Company will replace air filters on gas air conditioning system on our lines for a flat charge, regardless of the number of filters required per job. This will apply to plain flat filters only, not bag or other types.

Water Heaters

All installations of and repairs on water heaters purchased from Nashville Gas will be charged on a "Time & Material" basis. The Company will provide dip tube replacement, thermostat control, and other repairs to the residential customer for a charge based on "Time & Material". For repairs of commercial gas water heaters, the customer is to be referred to local dealer or plumber.

Dryers

Installations of and repairs on residential gas clothes dryers will be charged on a "Time & Material" basis. Repair requests on commercial gas clothes dryers, other thermocouples or other parts normally stocked by our storeroom, will be referred to the appropriate dealer for servicing.

Gas Grills

The Company, as part of its free service program, will make burner air and gas adjustments, check controls, and assist in problem diagnosis on a no-charge basis. Installations of and repairs on gas grills will be charged on a "Time & Material" basis. Cleaning and painting of the grill will be the responsibility of customer. The Company may also perform the following:

1. **Post Replacement:** Gas grill posts will be replaced for "Time and Material." If a special post must be fabricated, the cost of the installation and post will be "Time and Material."
2. **Repairs to Cut or Damaged Tubing:** If repair to tubing is performed by the Company, the charge will be "Time and Material". A service representative can sometimes perform this work, but generally a three-man fitting crew is required.
3. **All Other Repairs –** All other repairs will be performed at "Time and Material".

Gaslights

With regard to gaslights, the Company will turn on, re-light and replace mantles without charge to the residential customer. Should the residential customer wish to replace the mantles himself, the Company will, upon request, mail to him replacement mantles for residential use in his gaslights without charge. Residential customers may also pick up free replacement mantles for use only in their gaslights at the Company's storeroom. The same gaslight service policies apply to commercial/industrial customers except they will be charged for the mantles. Subdivision entrances and multi-family developments do not qualify for residential use. Services do not include the painting of gaslights or glass cleaning; these are considered the owner's responsibilities.

The Company will recondition the customer's gaslight, including replacement of mantles, cleaning and/or replacement of glass panes as required, and painting repair of gaslight as necessary, for a flat labor charge plus cost of replacement parts (other than mantles). In the case of multiple gaslights on the same piece of property, the labor charge shall apply only to the first light. For each additional light on the same property, an additional charge plus parts (other than mantles) will apply. The same policy applies to commercial customers except they will also be charged for mantles. Installation of and repairs on gaslights will be charged on a "Time & Materials" basis. The Company may also perform the following:

1. **Post and/or Light Head Replacement:** Post only replacement will be performed by the company on a "Time & Material" basis. All customers needing to purchase a gaslight head will be referred to the Home Energy Center.
2. **Repairs to Cut or Damaged Tubing:** If repair to tubing is performed by the Company, the charge will be "Time & Material". A service representative can sometimes perform this work, but generally a three-man fitting crew is required.
3. **Complete Replacement:** The customer shall be referred to the Company's Home Energy Center. If the customer provides a replacement light head and post of the same basic type, the Company will connect the replacement, charging the customer on a "Time & Material" basis.

4. All Other Repairs: Other repairs will be performed on a "Time & Material" basis.

Gas Logs & Log Starters

All installations of or repairs on gas logs and log starters will be charged on a "Time & Material" basis.

Other Miscellaneous Residential Gas Appliances

All installations of or repairs on other approved gas appliances will be charged on a "Time & Material" basis.

Customer Options

In those instances where a flat charge for connection/repair is listed, the customer may elect prior to our performing the work involved to be charged on a "Time & Material" basis rather than the flat charge. However, having elected to take the T&M option, after the work is completed that decision cannot be reversed and customer will be charged on the "Time & Material" basis. All customer charges described herein are subject to change by the Company.

Appliance Parts Broken by Company Personnel

From time to time when our service personnel are repairing a customer's gas appliance, other adjacent parts become broken during the course of the repair. Such instances leave a question as to whether the customer should be charged for that additional part. Such decisions shall be at the discretion of the supervisor involved. The following guidelines should be of assistance.

No Charge to Customer

1. Breakage caused by negligence on part of our personnel. In such cases, the employee will be counseled to avoid repetition.
2. Accidental breakage of part considered "relatively new" and our representative was using care and attention to work procedures.

Charge to Customer

1. Parts that may be broken after customer first being warned that we will use care in repair but the customer will be responsible for all parts involved. If the service representative has doubts about the condition of the appliance, he should so warn the customer initially.
2. Any parts broken which are not "relatively new" and in process of normal repair with our representative using reasonable care in work procedures. Where we

make a mistake we'll stand behind it, but we will not unilaterally absorb the cost of other parts broken, they will be considered part of the job.

Sales to Employees

The following is applicable for active permanent employees, retired employees and retiree's surviving wife or husband until such time as survivor remarries:

1. Employees may purchase Natural Gas Appliances and accessories at cost from the Home Energy Center. Appliances must be purchased for use only in the employee's own home.
2. Pipe, pipe fittings and similar material carried in stock by the Company may be purchased by employees at warehouse cost, but these also must be used in the employee's own home. The employee's department head must approve purchases exceeding \$15.00. Each month, a list of employee purchases will be supplied to the employee's department head. Each purchase must be released to personnel for documentation and approved by the Customer Service Department if financing is requested.
3. Central gas HVAC systems purchased through Qualified Gas contractors and financed through the Nashville Gas Financing Program will be financed at the lowest rate available to customers. (Presently 8.9%) The units must be installed in the employee's own home.

There is no intent in these rules for employees to unfairly benefit from Company discounts. The giving of false information to obtain a discount from the Company will be considered a cause for discipline.

When an employee purchases a qualifying residential natural gas appliance from the Home Energy Center for connection on Company gas lines for use in his own home, the Company will provide normal installation at cost with no mark up to the employee. Qualifying residential natural gas appliances are as follows:

- Gas Dryer
- Gas Range, Cooktop, or Walloven
- Gas Grill
- Gas Water Heater
- Gas Space Heaters
- Gas Logs or Log Starter
- Gaslight

Appliances purchased elsewhere will be installed at the normal installation charges as set forth in the service Rules and Regulations Manual. Floor furnaces, central heating and cooling equipment, including pre-vent heaters and wall furnaces, commercial appliances, and pool heater installations are also not qualifying and should be referred to plumbing or

mechanical contractors. Relocation of the above listed applicable natural gas appliances, within an employee's own home, will be performed at cost of labor and materials, but no overhead will be charged.

Residential appliance repair on natural gas appliances in use by employee in his own home on Company lines will be performed by the Company with the employee being charged only for the cost of materials with no overhead. Replacement of furnace combustion chambers is not included in this program. Warranty repair work for an appliance obtained from a dealer and still in warranty will be performed by the dealer. The Vice President of Tennessee Operations and the Superintendent of the Service Department will resolve any questions or interpretations of the above policies.

Liquid Propane Conversion to Natural Gas

Any new conversion customer converting from liquid propane (LP) to natural gas will receive gas service line and meter installation on the same basis as any other residential or commercial customer. The fuel lines and any other required conversion labor and materials from the meter to the gas equipment will be the responsibility of the customer. Contractors other than Nashville Gas must perform these conversions.

Residential

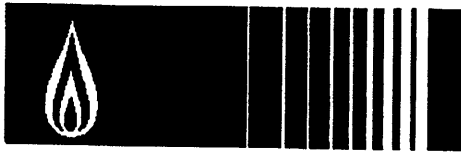
Conversion of AGA approved residential gas dryers, grills, logs, and ranges from LP to natural gas is available for a flat charge for each appliance. This charge is to include change of burner orifices and addition or modification of gas appliance pressure regulator. Where a burner cannot be converted and new burner is required, the conversion charge will be "Time and Material." The charge for conversion of more than one of these appliances at the same time, shall be "Time and Material". Conversion of furnaces or other appliances will be done on "Time and Material" basis.

Commercial

Conversion of AGA approved residential gas appliances or commercial gas appliances in a commercial structure will be performed on a "Time and Material" basis. Service line and meter installation will be on the same basis as any other new customer. Any necessary fuel line, house piping and appliance connection will be done on a "Time and Material" basis.

Temporary Conversions to Liquid Propane

When deemed necessary by Nashville Gas, new construction and conversion customers will be temporarily converted to liquid propane at no charge. The conversion back to natural gas will also be performed by Nashville Gas at no charge.



Nashville Gas Company Service Regulations

Section 2 – METERS

Installation & Location

The Company performs standard meter installation at no charge to the customer. However, a customer desiring an underground meter installation will be charged for the additional cost. The most desirable and serviceable location for a new residential meter installation is on the outside of the structure, approximately four feet past the front wall, where it is not subject to damage from automobiles. The new meter shall be so located unless it is physically impractical or it interferes with customer's use of his property. If a problem arises, the Service Superintendent and General Manager of Marketing will make a decision on a location after consulting with the Construction Superintendent. Underground meter locations will not be used except as approved by the Vice President of Tennessee Operations.

The proper meter location for large outside commercial or industrial meters, especially those having multiple structures, is at the property line wherever possible. Under no circumstances shall a meter be located within 10 feet of a combustion air intake. Further, meters shall not be located within 3 feet of an ignition source such as heating or air conditioning equipment, water heaters, electric meters, switch gear, electric panels, etc.

The customer or owner must at all times provide a proper and accessible location for all meters and regulators. The following rules apply as well:

1. All meters installed on high-pressure services must be installed outdoors.
2. All "farm tap" meters shall be located at the main.
3. All meters served from standard and medium pressure mains shall be installed outdoors, except in those instances in which it is extremely difficult to do so or is very undesirable from the customer's viewpoint. In such cases, the meter may be installed indoors, at the discretion of the Company, if the installation conforms to applicable codes.
4. If a customer desires to use gas solely for swimming pool water heating, the meter shall be located at the house and the fuel line run from this point to the pool heater.
5. If located indoors, the meter shall not be located:
 - a. Above the ground floor
 - b. Less than 3 feet from a hot air furnace or boiler
 - c. Less than 3 feet from a gas oven or hot water heater
 - d. On or under stairways
 - e. In bathrooms or adjoining clothes closets
 - f. In small, unvented, or confined spaces

- g. Where subject to damage, extreme high temperature, or corrosion
- h. In entrances or exits so as to obstruct passage in any way
- i. Less than 10 feet from boilers or other sources of heat, if the meter capacity is 80B or larger

Meter Relocation

Outside meters will be relocated when requested by the customer, however, the customer will be charged Time and Material.

Meter Testing

The Company maintains a regular program of meter testing and change-out to insure metering accuracy. Upon written request from the customer for a special test of his meter, the Company will inspect the meter at a reasonable time in accordance with provisions of Rules, Regulations and Statutes Governing Public Utilities as issued by the Tennessee Regulatory Authority. Such meters will be considered to register correctly if the error is not greater than plus or minus two percent (2%). If the meter is found to be registering incorrectly, the meter will be repaired or adjusted to conform to standards with no charge to the customer for testing or repair. If the meter is registering correctly, there will be a meter testing charge to the customer.

Meter Tampering or By-pass

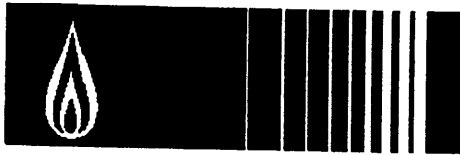
The term "metered gas" is defined as "all gas that has passed through the customer's meter." It is Company policy to prosecute those persons involved where the Company finds evidence of meter tampering or by-pass. Such acts are illegal, as well as extremely dangerous, and Tennessee State Law provides for substantial punishment. In such cases, the customer or party involved will be charged for all gas used and the cost of meter repair including travel time and all other related expenses on a "Time and Materials" basis. At the Company's option, gas service may also be terminated. The Regional Customer Service Manager, the Manager of Meter Reading, and the Service Superintendent will handle such investigations.

Meter Damage

The customer has a responsibility to provide reasonable protection for the Company's metering facilities from damage by his employees, customers, and the general public. It is not, however, his equipment and he cannot be expected to provide security such as guards, surveillance, enclosures, etc. to protect the Company's meters from acts of vandalism or from the general public. The Company selects and approves meter locations.

If a location is in a drive, parking lot, alley, etc. where damage is likely, then it is the Company's responsibility to provide adequate protection such as posts, etc. In cases where the Company's metering facilities are damaged, the Service Department shall conduct investigations of the incidents. The Chief Engineer will approve all proposed meter damage bills after consultation with the General Manager of Marketing and the Service Superintendent. With regard to actual damage responsibility, the following applies:

1. If the customer or his employees cause damage (accidentally or purposely), then the customer should be billed for damages.
2. If a visitor, commercial vehicle, or general public vehicle damages a meter, damage relief should come from that person or firm causing the damage. Damage relief shall not come from the customer, unless it can be proven that the damage by a third party resulted from negligence on the customer's part.



Nashville Gas Company Service Regulations

Section 3 – FUEL LINES

Customer gas fuel lines installed on Company mains shall comply with provisions of the Southern Gas Code (SBCCI), the appropriate gas code recognized by the Metropolitan Government of Nashville and Davidson County, Nashville Gas, or other county regulations. The care and maintenance of all customer-owned underground fuel lines is the responsibility of the customer. All piping carrying metered gas is considered a fuel line. When in place in a finished building, hidden from view and not easily accessible, the piping is considered a concealed fuel line. All fuel lines will be (a) standard threaded and coupled or welded steel minimum schedule 40 pipe (depending on operating pressure), or (b) plastic pipe or tubing of the following types: TR-418 PE 2306 – orange color, Drisco 7000 or 8000 PE 3406 – black color, or approved equal.

Fuel Lines May

- Be installed underground in accordance with applicable codes to include corrosion protection.
- Be installed to serve any number of buildings if all the buildings are located on a single or continuous tract of land with common ownership.
- Be concealed if installed in accordance with applicable codes.

Fuel Lines May Not

- Be smaller than 1-1/4" coated steel or 1-1/8" x.090 wt Polyethylene (PE) tubing if installed underground (unless serving only gaslights, grills, or logs). Fuel lines to remote heating units may be smaller as approved by the Service Department. The Service Department will determine the size of fuel lines for mobile homes.
- Extend to or across property under different ownership.
- Cross any public street, alley, or highway. Fuel lines shall be sized to have a minimum pressure drop between the meter outlet and any appliance of 0.3-inch water column. Those fuel lines served from standard pressure distribution systems will be sized on 0.2-inch water column pressure drop.

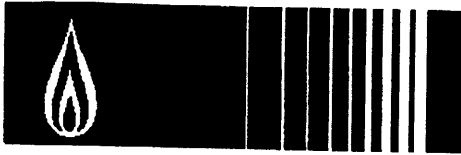
Installation Charges

All fuel lines will be installed at the customer's expense with one exception: when determined necessary, the Company may choose to install a fuel line instead of a service line. In this event, ownership with maintenance responsibility shall remain with the customer. In such cases, footage of fuel line installed shall be equal to the footage of

service line that would be "free service" if the customer were served in the usual manner (a "farm tap" customer is an example). Charges for residential underground fuel lines will be "Time & Material." Pre-installation estimates may be obtained from the Service Department (for plastic tubing) or the Construction Department (for all other underground fuel lines). The customer at his expense will replace any sidewalk or pavement cut. The customer will be charged "Time and Materials" for all fuel line repairs (excluding tubing to gaslights and grills) made by the Company.

Commercial or Industrial Fuel Lines

Commercial or Industrial fuel line piping work requests shall be referred to local plumbing contractors, except in special cases as approved by the Superintendent of Construction and the General Manager of Marketing. If the Company installs a customer's underground fuel line, the charge will be "Time and Materials."



Nashville Gas Company Service Regulations

Section 4 – SERVICE LINES

Service lines are pipes used to carry unmetered gas from the main to the customer's meter. The preferred route of the service line will be from the nearest adequate main to four (4) feet beyond the customer's nearest building wall. Service lines, service relocations, and extensions may be installed in accordance with applicable codes by either the Company or by a contractor approved by the Company. The complete installation must be inspected and approved, prior to being backfilled, by the appropriate Company representative. In general, service lines should not be laid on vacant property adjoining the building to be served if there is likelihood that a building will be constructed on the vacant property. Service line installation policies are subject to conditions of gas supply and the Company's limited service attachment programs.

Customer Types

Residential

The Company will install free of charge 100 feet of service line for one major appliance where no main extension is required. An additional 50 feet of service line shall be installed free of charge for each additional appliance. These footages refer to the service line between the customer's property line and four (4) feet past the nearest outside building wall. The customer shall replace any sidewalk or pavement on his property that is cut.

For service lines to supply appliances not included as major appliances, the customer shall be charged the Company's actual cost for the entire length of the service line from the main to the meter. However, this rule shall not be construed as prohibiting the Company from installing service lines for certain groups of minor appliances as long as the installation is made under more favorable terms to the customer and no discrimination is practiced between customers whose service requirements are similar.

Commercial or Industrial

For permanent use and where revenues justify, the Company will install free of charge 100 feet of service line measured from customer's property line or four feet past the nearest building wall, whichever is less.

Charges

The facilities to be installed by the Company as described above will be at no cost to the customer if (1) at a minimum the customer will be installing central gas heating or gas water heating, (2) the gas service line extends along the route selected by the Company and (3) the length of the gas service line is no greater than allowed, as shown above. In the event that the above conditions are not met, the service line installed for the customer must provide a reasonable return to the Company. If the customer wishes the facilities to be constructed along a route other than the route selected by the Company and/or if the gas service line is more than the length allowed above and/or the service to be rendered to the customer will not produce a reasonable return to the Company, the Company may require the customer to pay the excess cost of constructing the facilities along the alternate route or in excess of the footage allowed and/or to make a contribution which will permit the Company to earn a reasonable return. In all cases any pavement or sidewalk cut will be replaced by and at the customer's expense.

Exceptions

In cases where there is exceptional cost due to length of service, paving (such as crossing major street), rock, etc., these service orders shall be reviewed by the Engineering Department on a case-by-case basis to determine if they meet the main extension policy provided in Section 5. The Chief Engineer and the General Manager of Marketing must approve these exceptions.

Excess Service

Excess service refers to that portion of the total cost of a service line installed for a customer that is in excess of the Company's justifiable investment and is that portion of service line cost paid for by the customer. A customer may pay the excess service charge with cash or credit with approval, and may spread the cost over three years on a monthly installment payment basis.

Repairs

Repairs to service lines damaged by others shall be charged at the Company's actual repair costs.

Service Extensions

A service extension includes all piping carrying unmetered gas from the termination of the previous service line to the inlet of the meter. Service extensions and relocations shall be installed at the customer's expense.

Branch Services

Branch services will be permitted only when the point of junction of the two services is either in the public right-of-way or on a customer's property. In the latter case, written and notarized permission of the property owner must be obtained and filed with the Register of Deeds of the appropriate county. In the case of services requiring in-line valves, the service must be branched in the public right-of-way, and the Construction Department must confirm presence of a valve in each branch.

Multiple Buildings on Same Lot

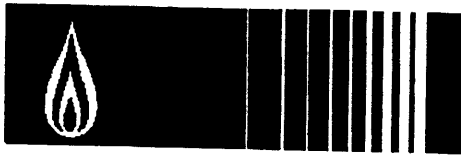
In those cases where two or more buildings are located on the same lot in such a manner as to be reasonably suited to subdividing, the Company will, if requested, run separate service lines to these buildings. However, if the buildings are not so situated (e.g. garage apartments or combination commercial and residential buildings), the Company will not run separate services except where the full cost of the additional service from main to meter, including paving, is borne by the customer.

Service Line Enlargements

If the load through an existing service is so increased as to require a larger service line, the Company will enlarge the existing service to a point four (4) feet beyond the customer's nearest outside building wall without charge. Any enlargement of the service line beyond this point will be at the customer's expense. Any fuel line changes will be at the customer's expense.

Shopping Centers

A shopping center shall be considered as a single structure containing a minimum of 7,500 square feet of floor space and a minimum of four (4) tenants or business stores operating within the structure. The Company shall install one service line and one bank of gas meters for each 12,000 square feet of floor space. The final number of meter banks shall be at the discretion of the General Manager of Marketing, based upon the size and layout of the particular shopping center under consideration.



Nashville Gas Company Service Regulations

Section 5 – MAINS

The Company has a policy of extending its main(s) to serve a new customer (or customers) provided such main extension is determined to be economically feasible. The criteria for economic feasibility shall be met when the total annual net revenue to be obtained from the customer (or customers) provides a rate of return that is equal to or greater than the overall cost of capital established in the Company's last general rate case.

The determination of the anticipated rate of return on the main extension will be based on a net present value (NPV) computation utilizing the following parameters:

1. Net revenues will be calculated by applying the applicable tariff margin rate to the estimated annual total usage and, where applicable, potential for future growth may be considered.
2. Estimated annual total usage shall be based on those appliances that will be in use during the first five (5) years of service, except as provided in paragraph 3 under "Main Extension Contract".
3. The required investment will be based upon engineering cost estimates as determined by the Company and will include the costs of all facilities required for providing service including material and labor costs associated with the installation of mains, service lines, metering and regulating equipment, easements, rights of way, street crossings, and all other required equipment or facilities.
4. The discount rate shall be equal to the overall cost of capital allowed in the Company's last general rate case adjusted for taxes and depreciation.
5. The discount period shall be equal to the economic useful life of the investment in the mains and services.
6. Main extensions producing a positive net present value at the end of the discount period shall be considered economically feasible.

Main Extension Contract

To the extent the net present value computation produces a negative result:

1. The customer shall pay to the Company an amount equal to the negative net present value at the end of the discount period, plus any additional funds required to provide for the payment of resulting taxes. This payment may be made in a lump sum or in periodic payments (without interest) – annual, monthly, etc.
2. If within three (3) years after the original installation, the customer making the payment adds additional major or minor appliances, the Company will refund to the customer (if

paid in advance or credit his account if on extended terms), upon written request, an amount equal to the net annual revenues anticipated to be realized from the usage of the additional appliance(s).

3. If within three years after the original installation additional customers are connected to the main then the Company shall refund (or credit his account) to customers making the payment, upon written request, an amount equal to the net annual revenues anticipated to be realized from the additional customer(s).
4. In no case shall the customer making the payment be refunded more than he paid.

The above provisions assume that only one customer will make the payments. If two or more customers make the payments, the contract will be adjusted to reflect this fact; for example, if two customers made equal payments and a refund is due because one of the two has added an additional appliance, then the entire refund shall be paid to him.

Exceptions

The Company may make exceptions to the main extension rule when system improvements are realized by the extension.

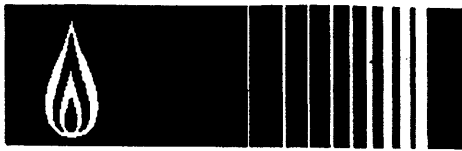
Main Relocation

If a customer requests a re-routing or relocation of a main located on a public right-of-way, the customer will be charged for this work. If the main is located on private property, such as an easement, railroad right-of-way, the case will be referred to the Engineering Department for determination as to whether a charge shall be made. The same will apply to relocations or re-routings requested by a contractor. Repairs to mains damaged by a contractor will be charged to the contractor on a "Time and Materials" basis.

Aboveground Facilities

If the above-ground facilities (such as post regulators, vent pipe, etc.) are so located that they seriously interfere with, or make impracticable, the owner's use of this property, the relocation of such facility will be done at no cost to the customer. An example of serious interference would be when the aboveground facility was located in front of a proposed narrow driveway. In all other cases, the cost of relocation will be charged to the customer. In those cases where it is difficult to determine whether the customer is to be charged for the relocation, the decision shall be made by the Vice President of Tennessee Operations. The charge, unless specified for any of the above items, will be either of the following, at the customer's option, prior to commencement of work:

1. Estimated cost as determined by the Construction Department
2. Actual cost



Nashville Gas Company Service Regulations

Section 6 - Rules and Regulations Governing Supply & Consumption of Gas

The consumer agrees to the following rules and regulations, having made proper application and deposit for service with Nashville Gas Company.

1. Consumer is responsible for damage to any gas meter or equipment belonging to the Company placed on the premises occupied by the consumer and will immediately reimburse the Company for all costs of repairing or replacing same. In accordance with Item (1), Section 1220-4-5-. 18, Reasons for Denial of Service of the Tennessee Regulatory Authority's Rules and Regulations, a consumer may be refused service if consumer has damaged the Company's equipment or tampered with the lock on a meter. The Company will charge \$45.00 for a broken meter lock.
2. Consumer will use gas supplied through Company's meter only. Use of other metering devices or bypassing equipment and tampering or adjustments on company-owned metering facilities by consumer are prohibited. The Company will not permit secondary meter billing.
3. In case the meter has failed to register the quantity of gas consumed, in whole or in part, the consumer will pay such reasonable sum as is ascertained to be due for the period involved.
4. The Company's authorized agents shall have access to consumer's premises at all reasonable times for the purpose of checking, reading, servicing, and disconnecting the meter; shutting off gas; and for such other purposes as the Company may deem advisable to protect its interests.
5. The Company shall be under no duty to inspect, repair, or maintain the service of other pipes, connections, equipment, or appliances located beyond the meter outlet on the premises of the consumer.
6. The consumer shall be liable and shall pay for all gas passing through the meter until it is turned off. When termination of service is requested, consumer must ensure that the Company receives either written or verbal notice at least two days prior to the desired date of termination. Access to the meter must be provided.
7. The consumer is entitled to the usual discount allowed by the Company if bills are paid within the first twelve days following the date bills are rendered. All gas bills are due when rendered and they will be considered as rendered when mailed to the address specified by the consumer. A residential, head of household consumer dependent on social security or other retirement check may request a net to gross

- discount waiver. Qualified consumers will be granted a net to gross discount waiver and the account will be monitored for continuing compliance.
8. The Company shall have the right to shut off gas from any consumer who may be in arrears for a longer period than twenty days in paying for gas furnished hereunder or under any other prior or subsequent agreement, or for gas used by consumer at consumer's present or any prior or subsequent address, it being understood hereby that said twenty day period commences to run from date the bill is rendered as above defined. The Company will not shut off gas for non-payment without first mailing a notice to the consumer giving him seven days to pay for the bill in arrears.
 9. The Company is authorized to require the consumer to make a deposit, or increase any existing deposit, in such amount as the Company deems proper for its protection before restoring gas service. The deposit amount will not exceed two consecutive billing periods or ninety (90) days, whichever is less.
 10. If a consumer is found using gas service without having made proper application and deposit, a notice to the consumer will be delivered to the premises and the consumer will be allowed four days in which to make proper application before the service is discontinued.
 11. All consumer deposits will accrue simple interest on the principal at the rate of six (6) percent per annum.
 12. The Company will charge \$50.00 for turning on a meter for an existing consumer or member of the same family or household at same address. This charge applies only to those consumers who have previously elected to have the meter turned off without discontinuing service or whose account has been closed because of non-payment of a bill.
 13. In the event gas is shut off because of consumer's failure to pay, a charge will be made for each restoration. The Company will charge \$50.00 plus payment of past due gas bills for turning on meters shut off for non-payment of bill. The Company will not be liable for damages for shutting off gas or for delay in restoring service. An additional deposit may also be required.
 14. The consumer agrees to notify Company in advance of any planned change in physical premise or environment around meter or service to determine impact on safety cases, meter reading, and meter maintenance.
 15. In the event the Company is unable, wholly or in part, by reason of force majeure to carry out its obligations to provide service, the obligations of the Company so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall as far as possible be remedied with all reasonable dispatch. The term "force majeure" as employed above shall mean acts of God; extreme weather conditions; strikes, lockouts, or other industrial disturbances; acts of the public enemy; war; blockades;

insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage of or accidents to machinery, lines of pipe, or the Company's peak shaving plants; freezing of wells or lines of reduction in gas pressure by its suppliers; inability to obtain rights-of-way, permits, materials, equipment, or supplies for use in the Company's peak shaving plants; and any other causes whether of the kind herein enumerated or otherwise, not within control of the Company, and which by the exercise of due diligence the Company is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Company, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts when such course is inadvisable in the discretion of the Company.

16. When the Company in its discretion determines that it is necessary to curtail service to maintain the integrity of its distribution system or to provide for its or the public's safety, the Company shall have the right to curtail delivery of gas to any consumer.
17. In the event of a failure or interruption of service, the Company shall use all reasonable diligence to remove the cause or causes thereof, but the Company shall not be liable for any loss or damage resulting from such failure or interruption due to accidents, force majeure, extreme weather conditions, or causes beyond its control.

Schedule VI

**Nashville Gas Company
Results of Operations
For the 12 Months Ending May 31, 2001**

<u>Line No.</u>			
1	Rate Base	\$	235,725,376
2	Operating Income at Present Rates		19,502,031
3	Earned Rate of Return		8.27%
4	Fair Rate of Return		9.56%
5	Required Operating Income		22,535,346
6	Operating Income Deficiency		3,033,315
7	Gross Revenue Conversion Factor		<u>1.629900</u>
8	Revenue Deficiency	\$	<u><u>4,944,000</u></u>