

Tennessee Gas Pipeline Company
300 Line Project - Market Component
Revenue compared to Cost of Service
(\$ in 000'S)

<u>Line No.</u>	<u>Description</u> (Col. 1)	<u>Year 1</u> (Col. 2)	<u>Year 2</u> (Col. 3)	<u>Year 3</u> (Col. 4)
1	Revenue (Page 6)	\$ 100,923	\$ 100,923	\$ 100,923
2	Cost of Service (Page 2)	<u>113,148</u>	<u>109,534</u>	<u>105,345</u>
3	Difference	<u>\$ (12,226)</u>	<u>\$ (8,612)</u>	<u>\$ (4,423)</u>

Tennessee Gas Pipeline Company
300 Line Project - Market Component
Cost of Service
(\$ in 000's)

Line No.	Description (Col. 1)	Year 1 (Col. 2)	Year 2 (Col. 3)	Year 3 (Col. 4)
1	Operation and Maintenance Expense	\$ 7,673	\$ 7,849	\$ 8,030
2	Depreciation Expense at 2.5%	14,624	14,624	14,624
3	Taxes:			
4	Income Taxes (Page 3)	22,227	21,295	20,220
5	Other Taxes	1,931	1,931	1,931
6	Return (Page 4)	66,693	63,835	60,541
7	Total Cost of Service	<u>\$ 113,148</u>	<u>\$ 109,534</u>	<u>\$ 105,345</u>

**Tennessee Gas Pipeline Company
 300 Line Project - Market Component
 Income Taxes
 (\$ in 000's)**

Line No.	Description (Col. 1)	Year 1 (Col. 2)	Year 2 (Col. 3)	Year 3 (Col. 4)
1	Return (Page 4)	\$ 66,693	\$ 63,835	\$ 60,541
2	Less: Interest Expense	<u>31,801</u>	<u>30,439</u>	<u>28,868</u>
3	Subtotal	\$ 34,892	\$ 33,397	\$ 31,673
4	Add: Amortization of AFUDC Equity	<u>746</u>	<u>746</u>	<u>746</u>
5	Income Tax Base	<u>\$ 35,638</u>	<u>\$ 34,143</u>	<u>\$ 32,419</u>
6	Federal, State and Local Taxes @ 38.41%	<u>1/ \$22,227</u>	<u>\$21,295</u>	<u>\$20,220</u>

1/ Reflects the income tax rates in Tennessee's settlement in Docket No. RP95-112.

Tennessee Gas Pipeline Company
300 Line Project - Market Component
Rate Base and Return
(\$ in 000's)

Line No.	Description (Col. 1)	Year 1 (Col. 2)	Year 2 (Col. 3)	Year 3 (Col. 4)
1	Plant	1/ \$ 584,965	\$ 584,965	\$ 584,965
2	Less: Average Reserve for Depreciation	7,312	21,936	36,560
3	Net Plant	\$577,653	\$563,029	\$548,405
4	Working Capital	2,691	2,691	2,691
5	Less: Average Accumulated Deferred Taxes (Page 5)	2,665	12,793	26,706
6	Rate Base	\$577,679	\$552,927	\$524,390
7	Return at 11.55%	2/ \$66,693	\$63,835	\$60,541

1/ Reflects costs for the Market Component of the Project only as detailed in Exhibit K of this application.
 2/ Reflects the capital structure and rate of return in Tennessee's settlement in Docket No. RP95-112.

Tennessee Gas Pipeline Company
300 Line Project - Market Component
Deferred Income Taxes
(\$ in 000's)

Line No.	Description (Col. 1)	Year 1 (Col. 2)	Year 2 (Col. 3)	Year 3 (Col. 4)
1	Plant excluding Equity AFUDC	\$ 555,124	\$ 555,124	\$ 555,124
2	Book Rate	2.50%	2.50%	2.50%
3	Tax Rate	5.00%	9.50%	8.55%
4	Current Year Book to Tax Difference	\$ 13,878	\$ 38,859	\$ 33,585
5	Beginning Balance	\$ -	\$ 5,331	\$ 20,256
6	Current Deferred Taxes @ 38.41%	1/ 5,331	14,926	12,900
7	Ending Balance	5,331	20,256	33,156
8	Average Accumulated Deferred Taxes	<u>\$ 2,665</u>	<u>\$ 12,793</u>	<u>\$ 26,706</u>

1/ Reflects the income tax rates in Tennessee's settlement in Docket No. RP95-112.

Tennessee Gas Pipeline Company
300 Line Project - Market Component
Revenue
(\$ in 000's)

Line No.	Description (Col. 1)	Year 1 (Col. 2)	Year 2 (Col. 3)	Year 3 (Col. 4)
1	MDQ , Dth/d	350,000	350,000	350,000
2	Contract Rates			
3	Demand Rate	\$ 24.0292	\$ 24.0292	\$ 24.0292
4	Commodity Rate	\$ -	\$ -	\$ -
5	Revenue, \$000			
6	Demand	\$ 100,923	\$ 100,923	\$ 100,923
7	Commodity @ 100% LF	\$ -	\$ -	\$ -
8	Total Revenue	<u>\$ 100,923</u>	<u>\$ 100,923</u>	<u>\$ 100,923</u>

**Tennessee Gas Pipeline Company
 300 Line Project - Market Component
 Calculation of Incremental FT-A Recourse Rates**

Line No.	Particulars (Col. 1)	Commodity (Col. 2)	Demand (Col. 3)	Total (Col. 4)
1	First Year Cost of Service, \$000	\$ -	\$ 113,148	\$ 113,148
2	Billing Determinants - Dth	127,750,000	350,000	
3	Proposed Incremental Recourse Rate, \$/Dth	\$ -	\$ 26.940	\$ 26.940