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BEIJING, CHINA

REPRESENTATIVE OFFICE

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April 10, 2002

VIA FEDERAL EXPRESS

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

**Re: In re: Petition of United Cities Gas Company for Approval of a Transportation Gas Service Agreement with Superior Industries International, Inc.
Docket No. 00-01022**

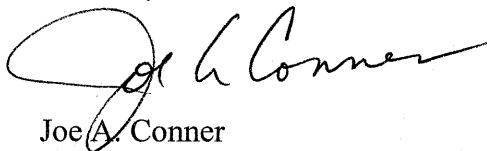
Dear Mr. Waddell:

Enclosed for filing in your office are the original and 14 copies of United Cities' Notice of Settlement Agreement Between United Cities Gas Company and the Consumer Advocate and Protection Division in the above-referenced docket.

Please return a copy stamped "filed" to me in the enclosed postage prepaid envelope.

If you should have any questions, please do not hesitate to contact me.

Sincerely,



Joe A. Conner
For the Firm

JAC:ldg

Enclosures

cc, w/encls.: Mr. Richard Collier
Mr. Timothy C. Phillips

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE: PETITION OF UNITED CITIES GAS)	
COMPANY FOR APPROVAL OF A)	
TRANSPORTATION GAS SERVICE)	
AGREEMENT WITH SUPERIOR)	
INDUSTRIES INTERNATIONAL, INC.)	DOCKET NO. 00-01022
)	
)	

**NOTICE OF SETTLEMENT AGREEMENT BETWEEN
UNITED CITIES GAS COMPANY AND
THE CONSUMER ADVOCATE AND PROTECTION DIVISION**

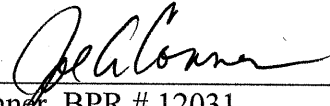
United Cities Gas Company ("United Cities") hereby notifies the Tennessee Regulatory Authority that it has entered a settlement agreement with the Consumer Advocate and Protection Division of the Office of Attorney General concerning United Cities' request for approval of the transportation gas service agreement between it and Superior Industries International, Inc. ("Superior Industries"). A copy of the settlement agreement is attached hereto as Exhibit A and incorporated herein by reference. In accordance with the terms of the settlement agreement, United Cities is hereby restating its request for recovery under the margin loss recovery rider of its tariff to 50% of the margin loss resulting from the reduced-rate structure in the transportation gas service agreement between it and Superior Industries. In turn, the Attorney General has agreed to withdraw his objection to the approval of the transportation gas service agreement at issue.

In light of this settlement agreement with the Attorney General, United Cities requests that this matter be placed before the Directors for approval as restated and provided in the document attached hereto as Exhibit A.

Respectfully submitted,

BAKER, DONELSON, BEARMAN
& CALDWELL, P.C.

By: _____


Joe A. Conner, BPR # 12031

1800 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1800
(423) 756-2010

Counsel for Petitioner

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid, to the following parties of interest this 10th day of April, 2002:

Richard Collier
General Counsel, Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Timothy C. Phillips
Office of Attorney General and Reporter
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202



Joe A. Conner

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE: PETITION OF UNITED CITIES)
GAS COMPANY FOR APPROVAL OF A)
TRANSPORTATION GAS SERVICE)
AGREEMENT WITH SUPERIOR)
INDUSTRIES INTERNATIONAL, INC.) DOCKET NO. 00-01022
)
)

**SETTLEMENT AGREEMENT BETWEEN UNITED CITIES GAS COMPANY
AND THE CONSUMER ADVOCATE AND PROTECTION DIVISION**

United Cities Gas Company ("United Cities") and Paul G. Summers, the Attorney General & Reporter, through the Consumer Advocate and Protection Division of the Office of Attorney General (hereinafter "Attorney General") enter this agreement according to the following terms and conditions.

WHEREAS, on November 13, 2000, United Cities filed a petition for approval of a transportation gas service agreement ("TGSA") between it and Superior Industries International, Inc. ("Superior"). As set forth in the petition, Superior previously informed United Cities of its intent to install a pipeline connection from its Johnson City, Tennessee facilities to the East Tennessee Natural Gas Pipeline in order to bypass United Cities' distribution system. The East Tennessee Natural Gas Pipeline is located approximately one mile from the Superior facilities in Johnson City. United Cities requested information from Superior to evaluate the economic basis of its decision to bypass United Cities' distribution system. Upon review of the information from Superior and discussions with Superior, United Cities determined that the proposed bypass was both an economically feasible and operationally viable option for Superior. After being advised by Superior that it intended to immediately proceed with the proposed bypass, United Cities performed further financial analysis and negotiated a rate structure that would keep Superior as a long-term customer rather than continuing with its imminent plan to install a bypass pipeline. United Cities and Superior entered the TGSA which provided for a reduced rate structure in order to avoid the imminent threat of bypass by Superior. United Cities sought in this proceeding to recover not more than 90% of the gross profit margin loss.

WHEREAS, on or about March 12, 2001, the Attorney General petitioned to intervene pursuant to *Tennessee Code Annotated* § 65-4-118(c)(2)(A).

WHEREAS, the Attorney General sought to intervene in order to obtain information supporting United Cities' petition and to address issues relating to the degree of certainty of the bypass. The petition to intervene was granted and a contested case was initiated.

WHEREAS, during the course of this proceeding, United Cities provided the TRA staff and the Attorney General with detailed economic analysis and additional evidence of the proposed bypass.

WHEREAS, United Cities provided the TRA Staff and the Attorney General with data responses regarding the threat by Superior to bypass the United Cities distribution system.

WHEREAS, after substantive negotiations between the Attorney General and United Cities, the parties have agreed to a resolution of the contested case. The Attorney General has agreed to withdraw his objection to the petition in exchange for United Cities agreeing to reduce its request for margin loss recovery from 90% to 50%. In this particular situation, and limited to this situation, the Attorney General and UCG agree that this percentage break is appropriate.

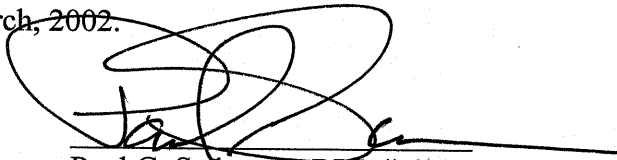
WHEREAS, in consideration of the Attorney General's cooperation and agreement to withdraw his objection to the petition and the circumstances of this matter, United Cities has agreed to modify its request for margin loss recovery from 90% to 50% as of the effective date of the TGSA.

NOW, THEREFORE, in consideration of the respective concessions between the parties and the facts of this matter, United Cities and the Attorney General agree to the following:

1. United Cities will modify its request under the margin loss recovery rider to 50% of the margin loss resulting from the reduced rate structure in the TGSA between United Cities and Superior with United Cities to receive said margin loss recovery as of the effective date of the TGSA.
2. The Attorney General agrees to withdraw its objection to the approval of TGSA between United Cities and Superior.
3. This settlement does not preclude United Cities from seeking the full percentage of margin loss recovery allowed in its tariff in a subsequent case.

4. The parties agree to file a joint notice of this settlement with the TRA.

ENTER this 13th day of March, 2002.



Paul G. Summers, BPR # 6285
TENNESSEE ATTORNEY GENERAL

UNITED CITIES GAS COMPANY

By: Patricia J Childers