BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D TN REGULATORY AUTH.

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OFFICE OF THE EXECUTIVE SECRETARY

IN RE:)
)
PETITION OF UNITED CITIES GAS COMPANY FOR APPROVAL OF A TRANSPORTATION GAS SERVICE AGREEMENT WITH MOUNTAIN HOME ENERGY CENTER, LLC) Docket No. 01-00138

PETITIONER'S RESPONSE TO TENNESSEE REGULATORY AUTHORITY DATA REQUEST NO. 1

Comes now the Petitioner, United Cities Gas Company, and submits this response to TRA Data Request No. 1 dated February 16, 2001.

1. Provide a statement from United Cities Gas Company stating that they will not ask for a 90% recovery of margin loss pertaining to this customer.

RESPONSE: Due to the increase in natural gas consumption under the Agreement, United Cities is not seeking a 90% recovery of margin loss pertaining to this customer.

2. Will United Cities Gas Company provide a backup gas service should Mountain Home fail to contract for enough gas? If so, at what price? If conditions change during the 5-year contract period and more gas is required, will Mountain Home Energy contract for the excess gas for United Cities gas to deliver? It states in the agreement that United Cities has no obligation to deliver in excess of 35,000 Ccf's a day. What are the contractual arrangements should an excess occur? Is there a provision to allow Mountain Home to buy gas from United Cities Gas for any reason?

RESPONSE: No, United Cities will not provide backup gas service should Mountain Home fail to contract for enough gas. Mountain Home's marketer will be delivering all of its gas needs.

It is the understanding of United Cities that 35,000 Ccf of gas per day is the maximum capacity of the planned facilities. However, if conditions change during any 5 year contract period and more than 35,000 Ccf of gas per day is needed, Mountain Home has the option to contract with its marketer for excess gas.

There are no contractual arrangements in the pending Agreement for delivery in excess of 35,000 Ccf per day.

United Cities is not selling, but transporting gas to Mountain Home. The only gas transported and delivered to Mountain Home will be through unused released capacity. As such, the only charge United Cities will bill Mountain Home is the negotiated transportation/delivery (margin) rate on all volumes metered to their facility. The only scenario in which Mountain Home would buy gas from United Cities would be if during a critical or peak day (under an operational flow order), United Cities could not confirm Mountain Home's marketer's delivery of gas to United Cities City Gate. If Mountain Home then used more than the confirmed quantity amount, United Cities would bill Mountain Home the negotiated rate times all volumes metered plus $2.50/Ccf for the unauthorized overrun and the cash out rate on all overrun values.

3. Provide the last 12-month's volumes, rates, and revenue from Mountain Home by month.

RESPONSE: The responsive document is attached hereto and filed under seal

4. Provide projections for the first year, by month under this contract, of volumes, transportation rates and revenues.

RESPONSE: The responsive document is attached hereto and filed under seal.

5. Provide a map or drawing detailing the distance from the pipeline to the delivery point at Mountain Home.

RESPONSE: The responsive document is attached hereto as Exhibit A.

6. Provide the analysis of Mountain Home Energy Center that illustrates the costs of the bypass and savings realized from a bypass compared to the current tariffed rates and to the proposed transaction rate.

RESPONSE: United Cities timely requested this information from Mountain Home. United Cities expects to receive a response by March 9, 2001. As soon as the requested information is received from Mountain Home, United Cities will supplement this Response.

7. **Provide an analysis of how United Cities came up with the transportation rate of .042 cents per CCF.**

RESPONSE: The responsive document is attached hereto and filed under seal.

8. **The Agreement may be renewed for 30 years in five-year increments. Confirm the contract will need to be renegotiated at the end of each five-year period, and the TRA will need to approve the renegotiated contract.**

RESPONSE: The Agreement provides that it "may be renewed for up to six terms of five (5) years each by Customer upon written notice to United Cities." (Agrmt. p. 3.) If the Agreement is renewed pursuant to this provision, it would be renewed on the same terms and conditions and thus, not require further TRA approval. If at the expiration of any of the 5 year terms, Mountain Home does not exercise its right to renew, the Agreement would terminate. At that time, it would be possible for the parties to negotiate a new Agreement, which would then be submitted to the TRA for approval.

Respectfully submitted,

BAKER, DONELSON,
BEARMAN & CALDWELL
A Professional Corporation

By: Joe A. Conner Jennifer G. Cook with permission

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Attorneys for Petitioner United Cities
Gas Company

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 record, this 5th day of March, 2001.

Richard Collier
General Counsel, Tennessee Regulatory Authority
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Timothy C. Phillips
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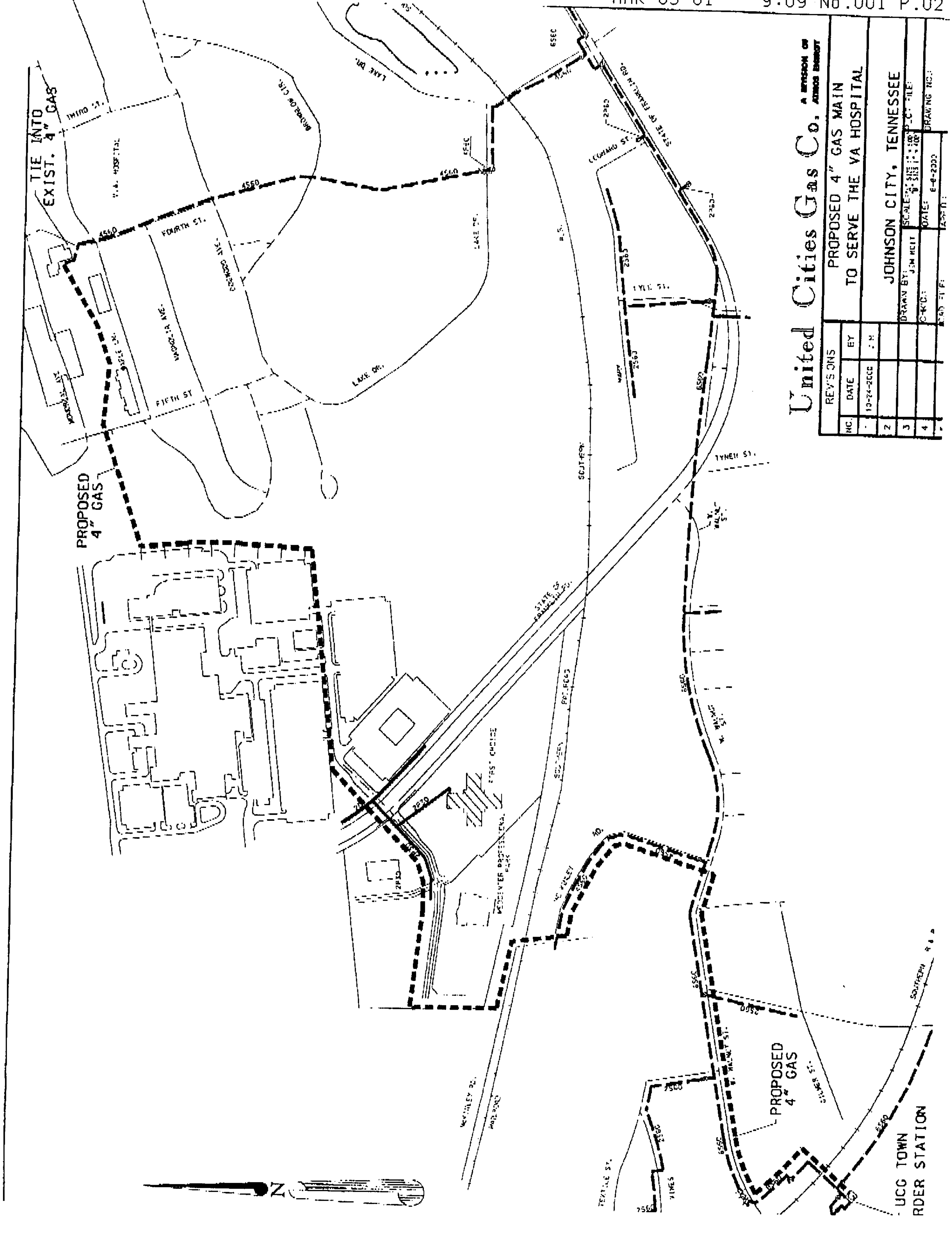
By: Jennifer J. Cook


TIE INTO EXIST. 4" GAS
PROPOSED 4" GAS
PROPOSED 4" GAS
4560
FOURTH ST.
FIFTH ST.
LAKE DR.
LEONARD ST.
TYLER ST.
TYNER ST.
STATE OF FRANKLIN RD.
FIRST CHOICE
SOUTHERN R.R.
UCG TOWN
RDER STATION
United Cities Gas Co.
A DIVISION OF ATMOS ENERGY
PROPOSED 4" GAS MAIN
TO SERVE THE VA HOSPITAL
JOHNSON CITY, TENNESSEE
REVISIONS
NO.
DATE
BY
10-24-2000
DRAWN BY:
JIM HOLT
CHK'D:
SCALE:
DATE:
DRAWING NO.:

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NASHVILLE, TENNESSEE

IN RE:	)	
	)	
PETITION OF UNITED CITIES GAS	)	
COMPANY FOR APPROVAL OF A	)	Docket No. 01-00138
TRANSPORTATION GAS SERVICE	)	
AGREEMENT WITH MOUNTAIN HOME	)	
ENERGY CENTER, LLC	)	
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PETITIONER'S RESPONSE TO TENNESSEE REGULATORY AUTHORITY DATA REQUEST NO. 1

CONFIDENTIAL

"FILED UNDER SEAL"