TENNESSEE REGULATORY AUTHORITY

Deborah Taylor Tate, Chairman
Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

March 19, 2004

Mr. Archie Hickerson, Manager-Rates
AGL Resources, Inc.
Location 1686, P. O. Box 4569
Atlanta, Georgia 30307

Re: Petition of Chattanooga Gas Company for Approval of Adjustment of Its Rates and Charges and Revised Tariff
Our Docket No. 04-00034

Dear Mr. Hickerson,

In order to more properly review the above mentioned Petition, the Advisory Staff would like to submit this data request. Please provide your data responses with an original and thirteen (13) copies to:

Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

This data response will be called Econ # 1. We also would ask that your response be received by April 5, 2004. If you have any questions please call David McClanahan at 615-741-2904, ext. 177.

1. Data Response No. 79 states that there is no debt on the books and records of Chattanooga Gas Company or AGL Services Company. Data Response No. 80 provides the Reconciliation of Capital Structure, Parts A & B. Explain why the Company did not allocate debt to Chattanooga for rate purposes.

2. You provide your Capital Structure and Cost of Capital Statement in Data Response No. 80 on a consolidated basis. Provide this same schedule for the year ended December 31, 2003.

3. Data Response No. 85-1 provides the Debt & Equity Analysis for the twelve months ended December 31, 2003. Provide this same schedule for twelve months ended December 31, 2002 and also the test period ending September 30, 2002

4. Provide an explanation for the increase in preferred stock the year 2001. Why was the preferred stock issued? You state on FG-Item No. 81 that your preferred stock has an average rate of 8 70% in 2002 and 8.67% in 2003. That is more expensive than either short-term debt or long-term debt listed on that schedule. Why was preferred stock chosen over common stock or debt?

5. In 2001 according to your FG-Item No. 80, schedule 3, on page 1, long-term debt climbed by 46% and short-term debt more than doubled. Please explain. What utility purpose was this used for?

6. On the same schedule interest expense dropped from 2002 to 2003. Interest rates are shown dropping which will account for some of it. Is that the only reason, or was there some refinancing occurring? Preferred stock expense of course remained the same. Please provide explanations.

7. In FG Item No. 87, please provide the same schedule of capital surplus for the year ended December 31, 2002 and for the test year.

8. On response FG-Item No. 92, the Company states that all amounts billed to Chattanooga Gas Company through the AGL Services is at cost including interest. Provide a worksheet showing how total interest expense is calculated and allocated among the distribution companies.

9. The Company provided in FG-Item No. 56 a listing of all expenses allocated to Chattanooga Gas Company. This was provided by month for the test year as well as the attrition year. Provide the same information for the 12 months ended September 30, 2000 and 2001 and 2002.

10. Provide the allocation percentage of distribution expenses for Chattanooga Gas Company, Virginia Gas Company and AGL. This can be done on an aggregate basis by subsidiary except for interest expense on short-term and long-term debt.

11. Provide worksheet of how debt costs and/or premium on stock issues are allocated if they are, to the distribution companies.

12. Provide worksheet describing how retirement of debt gains or losses is allocated if they are, to the distribution companies.

Sincerely,

Aster Adams

Aster Adams, Chief
Economic Analysis and Market Monitoring Division