Chattanooga Gas Company

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Chattanooga, TN 37421
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April 29, 2004

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

Re: Chattanooga Gas Company
Responses to TRA Staff's Data Requests
Docket No. 04-00034 – Petition of Chattanooga Gas Company for Approval of Adjustment of its Rates and Charges and Revised Tariff

Dear Chairman Tate,

Enclosed please find an original and 13 copies of Chattanooga Gas Company's responses to the following data requests issued by the TRA Staff:

Sixth Set of Data Requests Dated March 12, 2004 - 94

Eighth Set of Data Requests dated April 15, 2004 - 112 and 114

Tenth Set of Data Requests dated April 21, 2004 - 127 and 128

Eleventh Set of Data Requests Dated April 22, 2004 - 129, 132 and 133

Also enclosed are supplemental responses for TRA Minimum Filing Guidelines Numbers 46 and 81.

The Company is currently gathering and compiling information for the remaining data requests and will file its responses as soon as the data requests are complete.

If there are any additional questions, I can be reached at 404-584-4263.

Sincerely,

Michael J. Morley
AGL Resources
Rates & Regulatory

FG-46

Providê a description of each type of service that employees of the Parent, Multi-state-utility or Affiliated Utility Service Company perform for the Tennessee operations.

Supplemental Response:

The initial response inadvertently excluded services provided for business support – other, which has been incorporated in number 14 of the supplemental response.

AGL Services Company (AGSC) serves as the affiliated utility and non-utility services company for affiliated companies of AGL Resources Inc. (AGLR). AGSC provides the following services to Chattanooga Gas Company (CGC):

1. Rates and Regulatory.

AGSC assists CGC in the analysis of their rate structures and in the formulation of rate policies and advises and assists CGC in proceedings before regulatory bodies involving the rates and operations of CGC and of other competitors where such rates and operations directly or indirectly affect CGC.

2. Internal Auditing.

AGSC conducts periodic audits of administration and accounting processes. Audits would include examinations of CGC service agreements, accounting systems, source documents, allocation methods and billings to assure proper authorization and accounting for services.

3. External Relations.

AGSC maintains relationships with government policy makers, conducts lobbying activities and provides community relations support.

4. Gas Supply and Capacity Management.

AGSC assists CGC in coordinating the management of their gas supply and in coordinating gas transmission and storage services to ensure the most efficient use of services and to capture economies of scale as a larger purchaser in the market. Individually, CGC may, however, remain as the contract party under any agreement.

5. Legal Services and Risk Management.

AGSC provides various legal services and general legal oversight. In addition, AGSC provides insurance, claims, security, environmental and safety related services.

6. Marketing.

AGSC assists CGC by providing customer service surveys to improve customer service and efficiency, by providing analysis, implementation and maintenance of line extension policies, by providing analysis of tariff rates in response to customer needs and by developing marketing strategies and programs. Individually, CGC may maintain independent marketing personnel to handle the day-to-day details of marketing campaigns.

7. Financial Services.

AGSC provides various services to CGC including corporate tax, treasury, corporate accounting and reporting, general ledger maintenance and all accounting recordkeeping, processing certain accounts such as accounts payable, cash management, and others as may be deemed necessary, financial planning and rates and regulatory compliance.

8. Information Systems and Technology.

AGSC provides CGC with electronic data processing and telecommunication network services.

9. Executive.

AGSC utilizes the executive staff of AGLR in order to assist CGC in formulating and executing general plans and policies, including operations, appointment of executive personnel, budgets and financing plans, expansion of services, acquisitions and dispositions of property, public relationships and other related matters.

10. Investor Relations.

AGSC maintains relationships with the financial community, provides shareholder services, and performs corporate secretarial functions for the benefit of the AGLR System as a whole, which includes CGC.

11. Customer Services.

AGSC provides billing, mailing, remittance processing, call center and customer communication services for customers.

12. Employee Services.

AGSC assists CGC in developing employee relations policies and programs, and training personnel in a coordinated manner. AGSC also provides payroll services, management of the employee benefit plans, employee communications and mail services.

13. Engineering.

AGSC provides engineering services for CGC. These services include infrastructure expansion and improvements, corrosion control, right-of-way maintenance and acquisition, leak surveys, mapping, laboratory, and environmental services.

14. Business Support.

i. Purchasing.

AGSC provides procurement services to CGC.

ii. Facilities Management.

AGSC provides facilities management services for offices owned or leased by CGC.

iii. Fleet.

AGSC provides fleet management services for vehicles owned or leased by CGC and/or AGSC.

iv. Other

AGL Services Company provides other services to AGL System companies such as records management, media & visual services, business process innovation.

15. Other.

AGSC provides other services, such as business development, as identified in this document or requested by CGC.

FG-81

Provide a calculation of the average composite interest cost for the long-term debt and short-term debt for **the last two (2) years**.

Supplemental Response:

The following schedule for the average composite interest cost for 2002 and 2003 for AGL Resources Inc. and Subsidiaries has been revised. The initial response inadvertently excluded the impact of interest rate swaps on preferred stock. The interest rate swaps on long term debt were included in the initial response.

YTD 2002 DEBT BALANCES	2002 Average	2002 Int. Exp	Avg. Rate
Short Term Debt	325,109,218	8,913,119	2 74%
Long Term Debt	791,305,547	63,059,617	7 97%
Preferred Stock	220,684,357	15,555,981	7 05%
YTD 2003 DEBT BALANCES	**2003 Average (net)**	**2003 Int. Exp (includes amort.)**	**Avg. Rate**
Short Term Debt	173,764,248	4,398,311	2 53%
Long Term Debt	840,957,774	56,957,720	6 77%
Preferred Stock	221,353,249	15,202,361	6 87%

Chattanooga Gas Company
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Discovery Request No. 94
Docket Number 04-00034
4/28/2004

Data Request No. 94

Explain how the Company separates its books relative to gas inventory owned by its asset manager.

Response:

Before the beginning of each injection season (February/March), Chattanooga Gas Company (CGC) or a designated representative from AGL Services Company, provides to its asset manager a target level of inventory for CGC's storage facilities at the end of the injection season (October 31st).

The asset manager provides to CGC a monthly nomination schedule detailing the injections and withdrawals made by CGC and the asset manager into and out of CGC's storage facilities. This is used to reconcile to the pipeline storage report to insure that all injections and withdrawals have been included. This process insures that CGC's asset manager has an accurate record of all gas transactions.

CGC injections on the nomination schedule are reconciled to the asset manager's monthly invoice to CGC. Additionally, CGC's withdrawals are reconciled to the pipeline's gas delivered statement, which provides the volume of gas delivered to CGC's City Gate. These reconciliation processes are used to determine the amount of gas owned by CGC in its storage facilities.

The remaining balance of gas volumes in the storage facilities is owned by the asset manager. A park and loan schedule is maintained by CGC to track the volumes injected or withdrawn by its asset manager as well as the amount of gas volumes owned by the asset manager. All costs associated with gas owned by CGC's asset manager are accounted for on the books and records of the asset manager.

Data Request No. 112

Refer to TRA MFR #66 and CGC Schedule 66-3 titled "2005 CGC Capital Forecast of Special Additions." Provide a detailed description of the nature and purpose of each project classified as "Other" that totals to $2,842,000. What is the total cost for each of these projects? Also, have these individual projects been approved by the Company's Board of Directors at these amounts?

Response:

The following projects have not been presented or approved by the Board of Directors.

- The **Met-Fit machine** is a replacement for CGC's current Met-Fit main repair machine. The total cost estimated January – June 2005 is $1,000.
- The **8" Plastic Cutters** are replacement tools for repairs of mains. The total cost estimated January – June 2005 is $1,000.

Work Management System (WMS) Project

The WMS project is to develop an integrated asset and resource management solution to optimize financial and operational performance of the entire asset life cycle. This project will be across AGL Resources Inc.'s three utilities – CGC, Atlanta Gas Light Company and Virginia Natural Gas. The project is currently in the assessment phase to develop a business case and determine the benefits of the project. The project is scheduled to begin in 2004. The CGC portion of the project is estimated to be $90,000 for January – June 2005 and has not been presented or approved by the Board of Directors..

Refrigerant Turbine

The existing refrigerant turbine is thirty years old and is obsolete. Risk of this turbine being inoperable would mean the inability to fill the tank for peaking needs. The new unit will also emit lower nitrogen oxide emissions and provide better fuel efficiency. The forecast for the project is $2.75M for January – June 2005.

The Board of Directors of AGL Resources Inc. reviews and approves capital budgets on an AGL Resources consolidated level. The capital budget for 2004 has been approved by the Board of Directors. The refrigerant turbine project included in the 2005 Capital Forecast for Chattanooga Gas Company (CGC) begins in 2004 and continues into 2005. While the 2005 expenditures have not been presented and approved by the Board of Directors, the project has been approved by the CEO of AGL Resources Inc. Additionally, since the 2004 capital expenditures for the refrigerant turbine project have been approved by the Board of Directors, it is reasonable to assume that the project will continue until completion and that the expenditures for 2005 will also be approved by the Board of Directors.

Data Request No. 114

Refer to the Company's response to TRA Data Request Item 86, Schedule 86-2. We are unable to consistently tie the amounts in column b of Schedule 86-2 to Schedule 86-3. Provide appropriate reference labels between these schedules along with any further narrative that may assist in navigating between all schedules in Item 86.

Response:

Please see attached amended response and related attachments to TRA Data Request Item 86. Most of the changes are included in the response. Due to the complexity of the attachments, please read the response carefully as it provides a road map for navigating among the schedules.

Data Request No. 127

Provide detailed schedules showing the Company's calculation of the attrition period payroll taxes, breaking the calculations down by hourly and salaried employees and between FICA, FUTA and SUTA

Response:

Please see attached CGC Schedule 43-5, page 5 of 9, which was also provided with the original filing of TRA Minimum Filing Guideline No 43 Payroll tax expense is budgeted and forecasted at a flat rate of 7 65% (FICA tax rate) of total payroll. Use of this flat rate does not take into account employees that may earn more than the social security wage base nor does it take into account FUTA and SUTA A payroll tax analysis was included in CGC Schedule 43-5, page 5 of 9 This analysis compares the payroll tax expense as a percentage of total payroll, including capital, for both the attrition period and test period Based on this analysis, payroll tax expense for the attrition period is 7 65% as compared to 8 28% for the test period

Chattanooga Gas Company
Franchise and Payroll Tax Expense
Attrition Period July 2004 - June 2005

Franchise Tax Analysis

	2002	2003	2004	2005	Reference
Georgia	10	10	10	10	
Louisiana	6,000	6,000	6,000	6,000	Fg 43, schedule 43-5, pg 7 (rounded)
Mississippi	7,000	7,000	7,000	7,000	Fg 43, schedule 43-5, pg 8 (rounded)
Pennsylvania	-	-	-	-	
Tennessee	266,000	273,000	280,000	288,000	Fg 43, schedule 43-5, pg 9 (rounded)
West Virginia	50	50	50	50	
Total Expected Expense	279,060	286,060	293,060	301,060	
Expense Previously Recorded		(191,200)			
Required Accrual		94,860	293,060	301,060	
Months remaining in year		4	12	12	
Monthly Accrual		23,800	24 500	25,100	
Actual Annual Accrual		**286,500**	**294,000**	**301,200**	Monthly Accrual x 12
Total 2004-2005 Expense				595,200	2004 + 2005 accrual
Estimate for Attrition Period				297,600	Above amount / 2
Per Attrition period bdgt/frcst				298,800	

Payroll Tax Analysis

	Attrition Period	Test Period
Total Base Payroll - including capital	3,057,397	2,668,890
Payroll Tax expense	233,891	221,060
Percent of total Payroll	7 65%	8 28%

Reasonable based on above analysis

Chattanooga Gas Company
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Data Request No. 128
April 26, 2004

Data Request No. 128

Provide a schedule showing the categories, and the amount for each, included in the total attrition period Taxes Other Than Income amount of $3,425,744 shown on CGC Schedule 25-1, page 1 of 26

Response:

The taxes other than income of $3,425,744 are broken down by category in MJM-2, Schedule 2 of the prepared direct testimony of Michael J Morley, a copy of which is attached to this response

Docket No. ______
Exhibit MJM-2
Schedule 2

Chattanooga Gas Company
Comparative Statements of Operations and Maintenance Expense and Taxes Other than Income
Twelve Months Ended September 30, 2003 (Test Period) and Twelve Months Ended June 30, 2005 (Attrition Period)
(with Pro-Forma Adjustments)

Line No	Description	Test Period	Attrition Period	Increase (Decrease)
	Operation and Maintenance Expenses			
1	Payroll Expenses	$2,559,581	$2,971,585	$412,004
2	LNG Storage Expense	558,714	521,352	(37,362)
3	Distribution Expenses	881,493	1,153,546	272,053
4	Customer Account Expenses	37,254	48,447	11,193
5	Bad Debt Expenses	587,390	963,225	375,835
6	Sales Promotion Expense	198,328	209,654	11,326
7	Administrative and General Expenses	1,424,701	1,434,139	9,438
8	AGL Services Company Allocations	6,936,287	7,136,452	200,165
9	**Total Operation and Maintenance Expenses**	**$13,183,748**	**$14,438,400**	**$1,254,652**
10	Taxes Other than Income			
11	Property	$1,947,702	$1,911,201	($36,501)
12	Gross Receipts	505,992	672,239	166,247
13	Franchise Fees	308,121	321,246	13,125
14	Net Worth	308,610	298,800	(9,810)
15	Payroll	221,060	233,891	12,831
16	Payroll taxes capitalized	(18,191)	(11,633)	6,558
17	**Total Taxes Other than Income**	**$3,273,294**	**$3,425,744**	**$152,450**

Chattanooga Gas Company
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Discovery Request No. 129
Docket Number 04-00034
4/28/2004

Data Request No. 129

The following questions refer to the test year balances in certain O&M accounts

a Acct 670570 – Provide a detailed list of transactions (amounts and descriptions) for the months of July 2003 and September 2003

b Acct 670201 - Provide a detailed list of transactions (amounts and descriptions) for the month of July 2003

c Acct 670850 - Explain why the monthly charges for January 2003 and February 2003 are so dramatically higher than other months in the test period

d Acct 670805 - Explain why the monthly charge for July 2003 is so dramatically higher than other months in the test period Provide a list of the transactions (amounts and descriptions) for this month

e Acct 670300 – What is “General Business Insurance?” Did Chattanooga carry this type of insurance prior to December 2002? If so, what account was it charged to?

f Acct 670840 - Provide a detailed list of transactions (amounts and descriptions) for the months of February 2003 through April 2003

g Acct 675100 – Explain why the expense for August 2003 was significantly higher than other months of the test period Provide a detailed list of transactions (amounts and descriptions) for this month

h Acct 625200 – Explain why there is expense in only one month of the test period (December 2002)

Response:

a.

Unit	Journal	Date	Acct	DeptID	Amount	Line Description
GL8	POCD075946	2003-07-30	670570	8000	284 95	Procurement Card Expenses
GL8	0000076601	2003-07-31	670570	8000	55,000 00	Employee Relocation
GL8	0000079425	2003-09-30	670570	8000	64,894 00	Employee Relocation

b.

Unit	Journal	Date	Acct	DeptID	Amount	Line Description
GL8	AP00075590	2003-07-22	670201	8000	456 89	PRINTING TIPS BROCHURES
GL8	GLSJ000345	2003-07-31	670201	8000	1,427 19	Outside Svc -Printing

c.

DeptID	Date	Description	Acct	DeptID	Amount	Line Description
8000	2003-01-31	Move and install Pipe Rack from old facility to new facility	670850	8000	6,014 00	Outside Services -Facilities
8000	2003-02-13	Move and install Pipe Rack from old facility to new facility	670850	8000	6,014 03	Vouchers Payable
8040	2003-02-28	Dillard Partnership - Feb rent	670850	8040	13,584 19	Outside Services -Facilities
8000	2003-02-28	Move and install Pipe Rack from old facility to new facility	670850	8000	-6,014 00	Outside Services -Facilities

Note: The rent payment to Dillard Partnership was coded to the wrong account in February It should have been charged to the rent account (670900) The costs associated with moving and installing pipe rack from CGC's old facility to its new facility was accrued in January and paid in February The above two transactions are why the charges in January and February were so much higher than the remainder of the test period

d.

Acct	DeptID	Amount	Description	Year	Period	Short Name
670805	8100	535 00	MEMBERSHIP FEE	2003	2	HAMILTON C-006
670805	8100	-535 00	MEMBERSHIP FEE	2003	2	HAMILTON C-006
670805	8100	500 00	MEMBERSHIP FEE	2003	2	HAMILTON C-006
670805	8000	85 00	MEMBERSHIP DUES	2003	9	WALDEN CLUB
670805	8000	115 00	RESIDENT MEMBERSHIP DUES	2003	8	MOUNTAIN C-001
670805	8000	2,615 00	MEMBERSHIP DUES	2003	7	MOUNTAIN C-001

Note: Membership dues for the Mountain City Club caused the monthly charge to be higher than the other months in the test period "Hamilton C-006" is the Hamilton County Local Emergency Planning

e. "General Business Insurance" refers to Workers' Compensation Insurance Chattanooga did carry this type of insurance prior to December, 2002, but it was paid through AGL Services Company (in account 670300) and charged back to CGC as an allocation

f.

Unit	Journal	Date	Acct	DeptID	Amount	Line Description
GL8	GLSJ000345	2003-02-28	670840	8000	33,000 00	Miscellaneous Expense
GL8	GLSJ000345	2003-03-31	670840	8000	43,000 00	Miscellaneous Expense
GL8	GLSJ000345	2003-03-31	670840	8000	33,000 00	Miscellaneous Expense
GL8	GLSJ00345R	2003-03-31	670840	8000	-33,000 00	Miscellaneous Expense
GL8	POCD070368	2003-04-28	670840	8000	-10 95	Procurement Card Expenses
GL8	GLSJ000345	2003-04-30	670840	8000	33,000 00	Miscellaneous Expense
GL8	GLSJ000345	2003-04-30	670840	8000	43,000 00	Miscellaneous Expense
GL8	GLSJ000345	2003-04-30	670840	8000	20,000 00	Miscellaneous Expense
GL8	GLSJ00345R	2003-04-30	670840	8000	-43,000 00	Miscellaneous Expense
GL8	GLSJ00345R	2003-04-30	670840	8000	-33,000 00	Miscellaneous Expense

Note: The above transactions relate to expense accruals for software It was determined that the software had not been purchased, and, therefore, an accrual was not required Additionally, if the software is purchased at a later date, such costs would be capitalized as general plant The net amount of the transactions $96,000, was reversed after the test period

g.

The below transactions for $7,647 50 and $2,513 88 are why August was significantly higher than other months of the test period

Acct	DeptID	Amount	Description	Year	Period	Short Name
675100	8100	7,647 50	Trench & backfill ditch, Furnish & install PVC conduit, Remove & replace 30 amp lighting contactor, Furnish & install three copper conductors & terminate at pole light bases – LNG Facility	2003	8	PLAYER AND COMPANY
675100	8100	7,647 50	Accrual per above	2003	8	PLAYER AND COMPANY
675100	8100	-7,647 50	Reversal of accrual per above	2003	8	PLAYER AND COMPANY
675100	8100	2,513 88	Provide & install gas furnace and condensation pump (incl mechanical & electrical work) at the LNG Facility	2003	8	PLAYER AND COMPANY

h.

Pressure washing expense incurred in December as part of periodic tank maintenance

Acct	DeptID	Amount	Description	Year	Period	Short Name
625200	8100	400 00	Added for Painting Repairs	2002	12	PRO-COAT, INC
625200	8100	35,552 00	Pressure wash LNG tank As part of regular maintenance, the tank should be pressure washed periodically – normally every 3-4 years	2002	12	PRO-COAT, INC

Data Request No. 132

Refer to account 671012 (AGLR Alloc Other Benefits) Please descrıbe what benefits are ıncluded ın thıs account

Response:

Account 671012 ıs an allocatıon account used to record benefits allocatıons from AGL Services Company (AGSC) Benefits allocated from AGSC to affilıates through thıs account are prımarıly related to AGL Resources Inc 's performance based compensatıon plan, also referred to as the "Annual Team Performance Incentıve (ATPI) Plan" The ATPI Plan ıs a performance based compensatıon program based on corporate and ındıvıdual performance goals and objectıves ATPI ıs accrued quarterly on the books and records of AGSC ıf the annual corporate and ındıvıdual performance goals and objectıves are forecasted or expected to be achıeved by the end of AGLR's fiscal year The expense assocıated wıth ATPI ıs allocated to affilıates based on the percentage of payroll as compared to the total payroll of affilıates partıcıpatıng ın the plan

The remaınıng benefits allocated to affilıates through account 671012 ınclude lıfe and dental ınsurance, physıcal and other mıscellaneous benefits expenses These remaınıng costs account for approxımately 10% of the total costs allocated to affilıates through thıs account

Data Request No. 133

For the following "chargeback" accounts, explain the term "chargeback" and describe the charges included in each account

671400 (Info Svcs Lights On Chargeback)
671402 (Direct Chg OM Project Chgback)
671403 (Direct Assigned Chargeback)
671404 (Allocated-Distributed Chargebk)
671406 (Sequent Chargeback-CHAT)

Response:

The term "chargeback" is commonly used by AGL Services Company (AGSC) as another term for "allocation" Both are used interchangeably and refer to the shared services costs charged to affiliates by AGSC The above accounts are used to record a portion of the allocations from AGSC to its affiliates

- 671400 (Info Svcs Lights On Chargeback) – Direct charge allocations associated with services provided by AGSC's IS&T service provider based on drivers and standard rates
- 671402 (Direct Chg OM Project Chgback) – Direct assigned allocations associated with specific projects, primarily IS&T, based on employee time
- 671403 (Direct Assigned Chargeback) – Direct assigned allocations for AGSC support and services based on service provider employee time
- 671404 (Allocated-Distributed Chargebk) – Costs of a general nature that are not direct charged or direct assigned These costs are allocated based on certain allocation drivers Beginning April 2003, these costs are being charged to accounts 671412 - 671430 to provide more detail by service provider
- 671406 (Sequent Chargeback-CHAT) – Costs associated with gas supply and management services contracted by AGL Services Company from Sequent Energy Management and subsequently charged by AGL Services Company to the regulated utilities

Data Request No. 86

Examine Company Account 279200 – ADFIT Other Timing Differences for the past four years. Describe the nature of this account. Also, explain why the account cycles between positive and negative amounts over the last four years. Explain the Company's process of posting activity to this account (monthly, quarterly, etc.). Provide the supporting Schedule M adjustments on the Company's tax documents that support the entries to this account.

Response

Please see attached schedule 86-1, which provides the activity in account 279200 – ADFIT Other Timing Differences for the period 10/01/1999 through 12/31/2003. This account tracks accumulated deferred federal income tax on all timing items that do not directly relate to depreciable assets. Items not included in this account include, but are not limited to, depreciation, CIAC, removal costs and AFUDC. The period presented corresponds to tax years 1999 through 2003. Accruals are generally made quarterly and are trued-up when the associated tax return is filed.

Non-property ADFIT is a very small percentage of the total ADFIT of CGC and has been close to zero for the past four years. The primary reasons for the fluctuations in the account are as follows:

- True-up between quarterly accruals and tax returns
- Recording of non-property and property ADFIT accruals to the wrong account. Account 279100 is the ADFIT account for property related deferreds. There have been instances in which the total ADFIT accrual (both property and non-property) were all made to account 279100 or 279200 as opposed to each account based on the type of ADFIT.

Please see attached schedule 86-2, which provides a summary of the differences between the detailed ADFIT calculation and the accounts (279100 – property and 279200 – non-property) to which they were recorded. Column (a) of schedule 86-2 shows the actual balance in account 279200 at the end of each quarter. Column (b) shows the expected balance at the end of each quarter.

The attached schedule 86-3 reconciles the tax returns to the general ledger for tax years 2002, 2001, 2000 and 1999. The top portion (1) contains the non-property timing differences, and (2) (near the bottom) has the calculated ADFIT on other timing differences and corresponds to column (b) on schedule 86-2. (3) Provides the general ledger activity in account 279200 and corresponds to column (a) on schedule 86-2. The columns labeled "FAS 109 Unadjusted Balance" are cumulative at the date listed. Below each item in (3) is a letter which corresponds to each journal entry on attachment 86-1 and which also has been used to reference schedule 86-2. Each number in column (a) of schedule 86-2 can be obtained by adding the numbers which are found at the intersection of the row labeled (3) and the column with the corresponding letter(s). For example, the balance of account 279200 at 3/31/2000 is reported on schedule 86-2 as 1,770,477. This number can be obtained on schedule 86-3 by adding the numbers in row (3) which are labeled A, B, C and D (1,456,908 – 1,492,445 + 624,676 + 1,181,338 = 1,770,477) The numbers in column (b) can be obtained by the same method, using the numbers in row (2). Column (e) likewise corresponds with row (4) on schedule 86-3.

A summary of each tax return is contained at the end of the worksheet, and each item is referenced to schedules of the following tax returns:

- 86-4 – Tax Year 2002
- 86-5 – Tax Year 2001
- 86-6 – Tax Year 2000
- 86-7 – Tax Year 1999

Chattanooga Gas Company
Docket No. 04-00034
TRA Data Request 5-86
Schedule 86-1

Activity in account 279200 from 10/01/1999 - 12/31/2003

Unit	Journal	Year	Descr	Journal	Date	Acct	Amount		Deferred Inventory Reference	
			Balance @ 09/30/1999				**1,456,907.73**		A	
GL8	0000011563	2,000	Prior Period Correction	0000011563	1999-12-31	279200	-1,492,445 00		B	
GL8	0000011710	2,000	1999 tax return accrual	0000011710	1999-12-31	279200	624,676 00		C	
			Balance @ 12/31/1999				**589,138.73**			
GL8	0000013472	2,000	1999 tax return accrual	0000013472	2000-03-31	279200	1,181,338 00		D	
			Balance @ 03/31/2000				**1,770,476.73**			
GL8	0000014711	2,000	1998 tax return true-up	0000014711	2000-06-30	279200	2,542 00		F	
GL8	0000014946	2,000	1999 tax return accrual	0000014946	2000-06-30	279200	-1,786,814 00		E	
GL8	0000014950	2,000	1999 tax return accrual	0000014950	2000-06-30	279200	-8,661 00		E	
			Balance @ 06/30/2000				**-22,456 27**	Sum of E		-1,795,475 00
GL8	0000016613	2,000	1999 tax return accrual	0000016613	2000-09-30	279200	-1,195,889 00		G	
			Balance @ 09/30/2000				**-1,218,345.27**		H	
GL8	0000018054	2,001	2000 tax return accrual	0000018054	2000-12-31	279200	1,373,726 00		I	
			Balance @ 12/31/2000				**155,380 73**			
GL8	0000022481	2,001	2000 tax return accrual	0000022481	2001-03-31	279200	-292,043 00		J	
			Balance @ 03/31/2001				**-136,662.27**			
GL8	0000025091	2,001	True-Up property/non property deferred	0000025091	2001-05-31	279200	689,079 00		K	
GL8	0000025091	2,001	1999 tax return true-up	0000025091	2001-05-31	279200	-730,062 00		K	
								Sum of K		-40,983 00
GL8	0000027677	2,001	2000 tax return accrual	0000027677	2001-06-30	279200	-629,427 00		L	
			Balance @ 06/30/2001				**-807,072.27**			
GL8	0000031482	2,001	2000 tax return accrual	0000031482	2001-08-31	279200	181,062 00		M	
GL8	0000033275	2,001	2000 tax return accrual	0000033275	2001-09-30	279200	-229,157 00		M	
								Sum of M		-48,095 00
			Balance @ 09/30/2001				**-855,167.27**		N	
GL8	0000039381	2,001	2001 tax return accrual	0000039381	2001-12-31	279200	655,771 00		O	
			Balance @ 12/31/2001				**-199,396 27**		P	
GL8	0000045184	2,002	2002 tax return accrual	0000045184	2002-03-31	279200	-1,485,304 00		Q	
			Balance @ 03/31/2002				**-1,684,700.27**			
GL8	0000058162	2,002	True-Up property/non property deferred	0000058162	2002-09-30	279200	628,939 00		U	
GL8	0000057472	2,002	Prior Period Correction	0000057472	2002-09-30	279200	-387,763 00		U	
								Sum of U		234,595 00
GL8	0000057472	2,002	2000 tax return true-up	0000057472	2002-09-30	279200	-465,263 00		S	
GL8	0000058162	2,002	True-Up property/non property deferred	0000058162	2002-09-30	279200	303,022 00		S	
								Sum of S		-162,241 00
GL8	0000058161	2,002	Prior Period Correction	0000058161	2002-09-30	279200	-6,581 00		U	
GL8	0000057472	2,002	2001 tax return true-up	0000057472	2002-09-30	279200	-937,547 00		T	
GL8	0000058162	2,002	True-Up property/non property deferred	0000058162	2002-09-30	279200	342,313 00		T	
								Sum of T		-595,234 00
GL8	0000058158	2,002	2002 tax return accrual	0000058158	2002-09-30	279200	1,211,325 00		R	
			Balance @ 09/30/2002				**-996,256 27**			
GL8	0000064199	2,002	2002 tax return accrual	0000064199	2002-12-31	279200	-1,211,325 00		V	
GL8	0000063449	2,002	2002 tax return accrual	0000063449	2002-12-31	279200	1,009,153 00		V	
								Sum of V		-202,172 00
			Balance @ 12/31/2002				**-1,198,427.27**		W	
GL8	PROV080303	2,003	2003 tax return accrual	PROV080303	2003-03-31	279200	-60,279 00		X	
			Balance @ 03/31/2003				**-1,258,706 27**			
GL8	PROV080603	2,003	2003 tax return accrual	PROV080603	2003-06-29	279200	-76,839 00		Y	
			Balance @ 06/30/2003				**-1,335,545.27**			
GL8	TRUEUP	2,003	2002 tax return true-up	TRUEUP	2003-09-29	279200	-437,031 00		Z	
GL8	TRUE080903	2,003	True-Up property/non property deferred	TRUE080903	2003-09-30	279200	-3,645 00		Z	
								Sum of Z		-433,386 00
GL8	PROV080903	2,003	2003 tax return accrual	PROV080903	2003-09-30	279200	2,121,174 00		AA	
			Balance @ 09/30/2003				**352,242.73**			
GL8	PROV081203	2,003	2003 tax return accrual	PROV081203	2003-12-30	279200	99,719 52		AB	
			Balance @ 12/31/2003				**451,962 25**		AC	

Chattanooga Gas Company
Docket No. 04-00034
TRA Data Request 5-86
Schedule 86-2

Date	Reference	(a) Account 279200 Balance	(b) Calculated ADFIT Non-Property Items (Per Schedule 86-3)	(c) (a) - (b) Difference	(d) (e) - (c) Difference in Property ADFIT Account - 279100	(e) (c) + (d) ADFIT Out of Balance	
9/30/1999	A	1,456,908	1,273,524	183,384	(1,309,061)	(1,492,445)	(1)
12/31/1999	A+B+C	589,139	1,864,231	(1,275,092)	1,275,092	0	
3/31/2000	A+B+C+D	1,770,477	3,035,791	(1,265,314)	1,265,314	0	
6/30/2000	A+B+C+D+E+F	(22,456)	1,235,405	(1,257,861)	1,257,861	0	
9/30/2000	H	(1,218,345)	23,858	(1,242,203)	1,242,203	0	
12/31/2000	H+I	155,381	1,397,584	(1,242,203)	1,242,203	0	
3/31/2001	H+I+J	(136,662)	1,105,541	(1,242,203)	1,242,203	0	
6/30/2001	H+I+J+K+L	(807,072)	(187,485)	(619,587)	619,192	(395)	
9/30/2001	N	(855,167)	(235,580)	(619,587)	619,192	(395)	
12/31/2001	P	(199,396)	420,191	(619,587)	619,192	(395)	
3/31/2002	P+Q	(1,684,700)	(1,181,896)	(502,804)	385,630	(117,174)	
6/30/2002	P+Q	(1,684,700)	(1,181,896)	(502,804)	385,630	(117,174)	
9/30/2002	P+Q+R+S+T+U	(996,255)	(946,327)	(49,928)	99,858	49,930	
12/31/2002	W	(1,198,427)	(1,020,731)	(177,696)	177,696	0	
3/31/2003	W+X	(1,258,706)	(1,081,016)	(177,690)	177,673	(17)	
6/30/2003	W+X+Y	(1,335,545)	(1,157,862)	(177,683)	177,646	(37)	
9/30/2003	W+X+Y+Z+AA	352,243	339,644	12,599	(12,976)	(377)	
12/31/2003	AC	451,962	439,537	12,425	(12,425)	0	
Reference			(2)			(4)	

(1) - Journal entry was made in December 1999 to reconcile general ledget to subsidiary ledger.

Note - The letter and number references refer to the corresponding amounts in schedule 86-3. The letter references in the "reference"column are referencing column (A) of this schedule.

Chattanooga Gas Company
FAS 109 Workpaper - Inventory of Deferreds
For FYE
Period Ended

DESCRIPTION		FAS 109 Unadjusted Balance 09 30 1999	Prior Year Corrections 12 31 1999	Accrual 12 31 1999	Accrual 03 31 2000	Accrual 06 30 2000	True-Up 1998 return 06 30 2000	Accrual 09 30 2000	FAS 109 Unadjusted Balance 09 30 2000	Accrual 12 31 2000	Accrual 03 31 2001	True-Up 1999 return 05 31 2001	Prior Year Corrections 05 31 2001	Accrual 06 30 2001	Accrual 09 30 2001	FAS 109 Unadjusted Balance 9 30 2001
Temporary Differences																
Non-Property																
NSP	I	751					1,108	2,232	4,091							4,091
Bad Debt Reserve	I	233,272		116,884	(17,054)	(76,265)		(131,421)	125,416	35,505	124,002			732,418	(372,701)	644,640
Restricted Stock	I	16,106							16,106							16,106
Pension	I	903,401		(87,464)	(40,717)	(493,114)	(121,975)	392,000	552,131					(370,867)	-	181,264
Medical Benefits - Retirees	I	276,092					3,160	102,979	382,231			58,953			468,710	909,894
Sales Promotion Accrual	I	7,200							7,200			(7,200)				-
Taxes - Ad Valorem	I	985,139					195,311	(380,592)	799,858			(40,343)		(420,935)	1,891,062	2,229,642
Accrued Vacation	I								-							-
Pension SERP	I								-			500,000		(140,585)	-	359,415
Taxes - Miscellaneous	I					(24,746)	493,519	-	468,773	(340,010)	-	(11,008)		340,010	-	457,765
Miscellaneous Accrued Liabilities	I								-							-
Deferred Comp	I	4,067	-			(421,903)		421,903	4,067				-			4,067
Over/Under - Collections - PGA	I	(2,835,669)		1,743,209	3,303,593	(4,009,997)		(3,725,382)	(5,524,246)	4,517,598	(1,068,539)			(1,992,949)	(2,155,419)	(6,223,555)
Over/Under - Collections - Other	I								-							-
Deferred Rate Case Expense	I	(186,706)		24,353	24,353	24,353	1	24,353	(89,293)	24,353	16,235			32,472	16,233	-
LNG Maintenance Reserve	I	388,824		105,000	35,000	(41,452)		(411,965)	75,407	(75,407)	-			(18,877)	-	(18,877)
Postretirement Benefits - Accrued Liability	I	1,561,321		6,937	(53,260)	32,494		(20,665)	1,526,827	30,157	(9,577)			(40,365)	5,929	1,512,971
UNICAP	I	1,968,257		95,401	95,400	(140,592)	(315,603)	16,736	1,719,599	(16,736)	50,209	(2,395,271)		(33,473)	-	(675,672)
Accrued Severance	I	316,586		(316,586)	-	-	(248,258)	248,258	-							
Other Deferred Debits	I								-							
Accrued Relocation	I								-							
State Income Tax	I								-							
Total - Temporary Differences	(I)	3,638,641	-	1,687,734	3,347,315	(5,151,222)	7,263	(3,461,564)	68,167	4,175,460	(887,670)	(1,894,869)	-	(1,913,151)	(146,186)	(598,249)
Property																
Property - Federal		(24,788,744)		(473,343)	(484,439)	(778,737)	(1,702,398)	(1,909,440)	(30,137,101)	(587,562)	(583,943)	1,777,775		(82,001)	(309,401)	(29,922,233)
CIAC & Customer Advances		2,176,068		97,055	27,938	21,291	(22,242)	44,741	2,344,851	65,723	(2,138)			5,497	25,014	2,438,947
Total Federal Property		(22,612,676)	-	(376,288)	(456,501)	(757,446)	(1,724,640)	(1,864,699)	(27,792,250)	(521,839)	(586,081)	1,777,775	-	(76,504)	(284,387)	(27,483,286)
Total Federal Deferreds		(18,974,035)	-	1,311,446	2,890,814	(5,908,668)	(1,717,377)	(5,326,263)	(27,724,083)	3,653,621	(1,473,751)	(117,094)	-	(1,989,655)	(430,573)	(28,081,535)
less Property - Federal		24,788,744	-	473,343	484,439	778,737	1,702,398	1,909,440	30,137,101	587,562	583,943	(1,777,775)	-	82,001	309,401	29,922,233
plus Property - State		(24,788,744)		(473,343)	(484,439)	(778,737)	(1,702,398)	(1,909,440)	(30,137,101)	(587,562)	(583,943)	1,777,775		(82,001)	(309,401)	(29,922,233)
Total State Deferreds		(18,974,035)	-	1,311,446	2,890,814	(5,908,668)	(1,717,377)	(5,326,263)	(27,724,083)	3,653,621	(1,473,751)	(117,094)	-	(1,989,655)	(430,573)	(28,081,535)
Total Timing Differences-State																
Property		(22,612,676)	-	(376,288)	(456,501)	(757,446)	(1,724,640)	(1,864,699)	(27,792,250)	(521,839)	(586,081)	1,777,775	-	(76,504)	(284,387)	(27,483,286)
Non-Property		3,638,641	-	1,687,734	3,347,315	(5,151,222)	7,263	(3,461,564)	68,167	4,175,460	(887,670)	(1,894,869)	-	(1,913,151)	(146,186)	(598,249)
less Timing Differences Not Previously Included in State Deferreds																
Property									(27,792,250)			1,777,775				(26,014,475)
Non-Property				-	-	-		-	68,167	-	-	(1,894,869)	(18,804)	-	-	(1,845,506)
Adjusted Timing Differences																
Property		(22,612,676)	-	(376,288)	(456,501)	(757,446)	(1,724,640)	(1,864,699)	-	(521,839)	(586,081)	-	-	(76,504)	(284,387)	(1,468,811)
Non-Property		3,638,641	-	1,687,734	3,347,315	(5,151,222)	7,263	(3,461,564)		4,175,460	(887,670)	-	18,804	(1,913,151)	(146,186)	1,247,257
State Tax Rate		0 00000%	6 00000%	0 00000%	0 00000%	0 00000%	0 00000%	0 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%
State Deferred Tax Balance																
Property		-	-	-	-	-	-	-	-	(31,310)	(35,165)	-	-	(4,590)	(17,063)	(88,129)
Non-Property		-	-	-	-	-	-	-	-	250,528	(53,260)	-	1,128	(114,789)	(8,771)	74,835
Regulatory Asset/Liability																
Property																
Non-Property																
Total Calculated Deferreds																
Property		-	-	-	-	-	-	-	-	(31,310)	(35,165)	-	-	(4,590)	(17,063)	(88,129)

Chattanooga Gas Company
FAS 109 Workpaper - Inventory of Deferreds
For FYE
Period Ended

DESCRIPTION	FAS 109 Unadjusted Balance 09 30 1999	Prior Year Corrections 12 31 1999	Accrual 12 31 1999	Accrual 03 31 2000	Accrual 06 30 2000	True-Up 1998 return 06 30 2000	Accrual 09 30 2000	FAS 109 Unadjusted Balance 09 30 2000	Accrual 12 31 2000	Accrual 03 31 2001	True-Up 1999 return 05 31 2001	Prior Year Corrections 05 31 2001	Accrual 06 30 2001	Accrual 09 30 2001	FAS 109 Unadjusted Balance 9.30 2001
Temporary Differences															
Non-Property	-	-	-	-	-	-	-	-	250,528	(53,260)	-	1,128	(114,789)	(8,771)	74,835
State Deferred Tax Balance - per G/L															
279150 (Property)	-							-							-
279250 (Non-Property)	-	-	-	-	-		-	-	219,218	(88,426)		-	(119,379)	(25,835)	(14,422)
Difference															
Property	-	-	-	-	-	-	-	-	(31,310)	(35,165)	-	-	(4,590)	(17,063)	(88,129)
Non-Property	-	-	-	-	-	-	-	-	31,310	35,166	-	1,128	4,590	17,064	89,257
Total Difference	-	-	-	-	-	-	-	-	(1)	1	-	1,128	(0)	1	1,129
Total Timing Differences-Federal															
Property	(22,612,676)	-	(376,288)	(456,501)	(757,446)	(1,724,640)	(1,864,699)	(27,792,250)	(521,839)	(586,081)	1,777,775	-	(76,504)	(284,387)	(27,483,286)
Non-Property	3,638,641	-	1,687,734	3,347,315	(5,151,222)	7,263	(3,461,564)	68,167	4,175,460	(887,670)	(1,894,869)	-	(1,913,151)	(146,186)	(598,249)
less State Deferred Tax Balance															
Property	-	-	-	-	-	-	-	-	(31,310)	(35,165)	-	-	(4,590)	(17,063)	(88,129)
Non-Property	-	-	-	-	-	-	-	-	250,528	(53,260)	-	1,128	(114,789)	(8,771)	74,835
Net Timing Differences															
Property	(22,612,676)	-	(376,288)	(456,501)	(757,446)	(1,724,640)	(1,864,699)	(27,792,250)	(490,529)	(550,916)	1,777,775	-	(71,914)	(267,324)	(27,395,157)
Non-Property	3,638,641	-	1,687,734	3,347,315	(5,151,222)	7,263	(3,461,564)	68,167	3,924,932	(834,410)	(1,894,869)	(1,128)	(1,798,362)	(137,415)	(673,084)
Federal Tax Rate	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35.00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%
Federal Deferred Tax Balance															
Property	(7,914,437)	-	(131,701)	(159,775)	(265,106)	(603,624)	(652,645)	(9,727,288)	(171,685)	(192,821)	622,221	-	(25,170)	(93,563)	(9,588,305)
Non-Property	1,273,524	-	590,707	1,171,560	(1,802,928)	2,542	(1,211,547)	23,858	1,373,726	(292,043)	(663,204)	(395)	(629,427)	(48,095)	(235,580)
Regulatory Asset/Liability															
Property	1,708,624		(15,821)	(15,821)	(15,821)		(15,821)	1,645,342	(15,821)	(15,821)			(15,821)	(15,821)	1,582,060
Non-Property	-		-	-	-		-	-	-	-			-	-	-
Total Calculated Deferreds															
Property	(6,205,813)	-	(147,521)	(175,596)	(280,927)	(603,624)	(668,465)	(8,081,946)	(187,506)	(208,641)	622,221	-	(40,990)	(109,384)	(8,006,245)
Non-Property (2)	1,273,524	-	590,707	1,171,560	(1,802,928)	2,542	(1,211,547)	23,858	1,373,726	(292,043)	(663,204)	(395)	(629,427)	(48,095)	(235,580)
Federal Deferred Tax Balance - per G/L															
279100	(4,896,752)		(181,491)	(185,374)	(288,379)	(603,624)	(684,124)	(6,839,744)	(187,505)	(208,642)			(40,990)	(109,385)	(7,386,265)
279200 (3)	1,456,908	(1,492,445)	624,676	1,181,338	(1,795,475)	2,542	(1,195,889)	(1,218,345)	1,373,726	(292,043)	(40,983)	-	(629,427)	(48,095)	(855,167)
	A	B	C	D	E	F	G	H	I	J	K		L	M	N
Difference															
Property	(1,309,061)	-	33,970	9,778	7,452	-	15,659	(1,242,202)	(1)	1	622,221	-	(0)	1	(619,980)
Non-Property	(183,384)	1,492,445	(33,969)	(9,778)	(7,453)	0	(15,658)	1,242,203	0	(0)	(622,221)	(395)	0	(0)	619,587
Total Difference (4)	(1,492,445)	1,492,445	1	0	(0)	0	0	2	(0)	0	0	(395)	0	1	(393)
Combined Calculated Deferred	(6,640,912)	-	459,006	1,011,785	(2,068,034)	(601,082)	(1,864,192)	(9,703,429)	1,421,259	(573,289)	(40,983)	733	(773,976)	(167,493)	(9,837,178)
Provision for Regulatory Liability	1,708,624	-	(15,821)	(15,821)	(15,821)	-	(15,821)	1,645,342	(15,821)	(15,821)	-	-	(15,821)	(15,821)	1,582,060
Total Calculated Deferred	(4,932,288)	-	443,186	995,964	(2,083,854)	(601,082)	(1,880,013)	(8,058,087)	1,405,438	(589,110)	(40,983)	733	(789,796)	(183,313)	(8,255,118)
Combined Deferred from G/L (incl Reg Liab)	(3,439,844)	(1,492,445)	443,185	995,964	(2,083,854)	(601,082)	(1,880,013)	(8,058,089)	1,405,439	(589,111)	(40,983)	-	(789,796)	(183,315)	(8,255,854)
Difference	(1,492,445)	1,492,445	1	0	(0)	0	0	2	(1)	1	0	733	(0)	2	736

Chattanooga Gas Company
FAS 109 Workpaper - Inventory of Deferreds
For FYE
Period Ended

DESCRIPTION		Accrual 12 31 2001	FAS 109 Unadjusted Balance 12 31 2001	Accrual 03 31 2002	Accrual 09 30 2002	True-Up 2000 return 09 30 2002	Prior Year Corrections 09 30 2002	True-Up 2001 return 09 30 2002	Prior Year Corrections 09 30 2002	Accrual 12 31 2002	FAS 109 Ending Balance 12.31.2002	Accrual 03 31 2003	Accrual 06 30 2003	True-Up 2002 return 09 30 2003	State Tax Rate Adjustment 09 30 2003	Accrual 09 30 2003	Accrual 12 31 2003
Temporary Differences																	
Non-Property																	
NSP	I		4,091			-		(9,226)			(5,135)						
Bad Debt Reserve	I	(5,873)	638,767	548	(364,730)	-				65,013	339,598	334,629	(75,747)			(288,888)	48,151
Restricted Stock	I		16,106			-					16,106						
Pension	I	(108,635)	72,629		(320,644)	-		14,924	(1,176,391)	(106,881)	(1,516,363)	(182,250)	(182,250)			(115,200)	17,249
Medical Benefits - Retirees	I	42,412	952,306			(397,766)		(535,736)	(18,804)		-						
Sales Promotion Accrual	I		-								-						
Taxes - Ad Valorem	I	1,810,137	4,039,779	(200,368)	200,368	(1,736,338)		(2,303,441)		-	-						
Accrued Vacation	I	37,433	37,433	(39,833)	39,833	2,219		(37,433)	(2,219)	-	-						
Pension SERP	I		359,415		(40,510)	1		(55,435)		(14,924)	248,547	(12,316)	9,188			(7,210)	10,338
Taxes - Miscellaneous	I		457,765		182,057	(52,243)		287,711		126,497	1,001,787	160,657	144,272			(448,180)	142,647
Miscellaneous Accrued Liabilities	I		-								-						(450,000)
Deferred Comp	I	-	4,067			-		-	-		4,067						
Over/Under - Collections - PGA	I	176,020	(6,047,535)	(4,707,414)	4,707,414	902,685		(176,020)		-	(5,320,870)			(2,123,315)		6,187,100	541,115
Over/Under - Collections - Other	I		-								-					(8,792)	(1)
Deferred Rate Case Expense	I	-	-			-		-			-						
LNG Maintenance Reserve	I		(18,877)	18,876	-	-				0	(1)						
Postretirement Benefits - Accrued Liability	I	36,482	1,549,453	50,753	(31,406)	-				(22,475)	1,546,325	(83,447)	(103,848)			(75,348)	48,084
UNICAP	I		(675,672)		(148,725)	783,150		1,015,841		(273,384)	701,210	(401,491)	(26,440)	227,621		1,238,378	(52,867)
Accrued Severance	I		-			-					-						
Other Deferred Debits	I	5,249	5,249	7,874	(7,874)	-		(5,249)		-	-						
Accrued Relocation	I		-			23,308		(23,308)			-						
State Income Tax	I		-			(17,062)		17,062			-						
Total - Temporary Differences	(1)	1,993,225	1,394,976	(4,869,564)	4,215,783	(492,046)	-	(1,810,310)	(1,197,414)	(226,153)	(2,984,728)	(184,218)	(234,825)	(1,895,694)		6,481,860	304,716
Property																	
Property - Federal		(660,487)	(30,582,720)	(1,348,619)	(87,734)	(963,893)		(925,519)		(777,416)	(34,685,901)	(342,842)	(389,943)	(21,298)		(837,691)	(1,078,161)
CIAC & Customer Advances		49,172	2,488,119	33,922	64,386		42,853	(114,947)		(176,351)	2,337,982	15,413	14,357	223,209		32,328	22,225
Total Federal Property		(611,315)	(28,094,601)	(1,314,697)	(23,348)	(963,893)	42,853	(1,040,466)	-	(953,767)	(32,347,919)	(327,429)	(375,586)	201,911		(805,363)	(1,055,936)
Total Federal Deferreds		1,381,910	(26,699,625)	(6,184,261)	4,192,435	(1,455,939)	42,853	(2,850,776)	(1,197,414)	(1,179,920)	(35,332,647)	(511,647)	(610,411)	(1,693,783)		5,676,497	(751,220)
less Property - Federal		660,487	30,582,720	1,348,619	87,734	963,893	-	925,519	-	777,416	34,685,901	342,842	389,943	21,298		837,691	1,078,161
plus Property - State		(660,487)	(30,582,720)	(1,348,619)	(62,135)	(963,893)		(925,519)	45,020	(269,721)	(34,107,587)	(346,654)	(386,948)	(107,849)		(375,814)	(443,193)
Total State Deferreds		1,381,910	(26,699,625)	(6,184,261)	4,218,034	(1,455,939)	42 853	(2,850,776)	(1,152,394)	(672,225)	(34,754,333)	(515,459)	(607,416)	(1,780,334)		6,138,374	(116,252)
Total Timing Differences-State																	
Property		(611,315)	(28,094,601)	(1,314,697)	2,251	(963,893)	42,853	(1,040,466)	45,020	(446,072)	(31,769,605)	(331,241)	(372,591)	115,360		(343,486)	(420,968)
Non-Property		1,993,225	1,394,976	(4,869,564)	4,215,783	(492,046)	-	(1,810,310)	(1,197,414)	(226,153)	(2,984,728)	(184,218)	(234,825)	(1,895,694)		6,481,860	304,716
less Timing Differences Not Previously Included in State Deferreds																	
Property			(26,014,475)								(26,014,475)						
Non-Property		-	(1,845,506)	-	-	(17,062)	-	17,062	-	-	(1,845,506)	-	-			-	-
Adjusted Timing Differences																	
Property		(611,315)	(2,080,126)	(1,314,697)	2,251	(963,893)	42,853	(1,040,466)	45,020	(446,072)	(5,755,130)	(331,241)	(372,591)	115,360		(343,486)	(420,968)
Non-Property		1,993,225	3,240,482	(4,869,564)	4,215,783	(474,984)	-	(1,827,372)	(1,197,414)	(226,153)	(1,139,222)	(184,218)	(234,825)	(1,895,694)		6,481,860	304,716
State Tax Rate		6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 00000%	6 50000%	6 50000%	6 00000%		6 50000%	6 50000%
State Deferred Tax Balance																	
Property		(36,679)	(124,808)	(78,882)	135	(57,834)	2,571	(62,428)	2,701	(26,764)	(345,308)	(21,531)	(24,218)	6,922	(28,199)	(22,327)	(27,363)
Non-Property		119,594	194,429	(292,174)	252,947	(28,499)	-	(109,642)	(71,845)	(13,569)	(68,353)	(11,974)	(15,264)	(113,742)	(15,175)	421,321	19,807
Regulatory Asset/Liability																	
Property															28,199		(939)
Non-Property															15,175		(505)
Total Calculated Deferreds																	
Property		(36,679)	(124,808)	(78,882)	135	(57,834)	2,571	(62,428)	2,701	(26,764)	(345,308)	(21,531)	(24,218)	6,922	-	(22,327)	(28,302)

Chattanooga Gas Company
FAS 109 Workpaper - Inventory of Deferreds
For FYE
Period Ended

DESCRIPTION	Accrual 12 31 2001	FAS 109 Unadjusted Balance 12 31 2001	Accrual 03 31 2002	Accrual 09 30 2002	True-Up 2000 return 09 30 2002	Prior Year Corrections 09 30 2002	True-Up 2001 return 09 30 2002	Prior Year Corrections 09 30 2002
Temporary Differences								
Non-Property	119,594	194,429	(292,174)	252,947	(28,499)	-	(109,642)	(71,845)
State Deferred Tax Balance - per G/L								
279150 (Property)		-		(78,747)	(57,834)	2,571	(62,428)	(122,106)
279250 (Non-Property)	82,915	68,493	(356,783)	317,556	(28,499)	-	(109,642)	54,090
Difference								
Property	(36,679)	(124,808)	(78,882)	78,882	-	-	-	124,807
Non-Property	36,679	125,936	64,609	(64,609)	-	-	-	(125,935)
Total Difference	(0)	1,128	(14,273)	14,273	-	-	-	(1,128)
Total Timing Differences-Federal								
Property	(611,315)	(28,094,601)	(1,314,697)	(23,348)	(963,893)	42,853	(1,040,466)	-
Non-Property	1,993,225	1,394,976	(4,869,564)	4,215,783	(492,046)	-	(1,810,310)	(1,197,414)
less State Deferred Tax Balance								
Property	(36,679)	(124,808)	(78,882)	135	(57,834)	2,571	(62,428)	2,701
Non-Property	119,594	194,429	(292,174)	252,947	(28,499)	-	(109,642)	(71,845)
Net Timing Differences								
Property	(574,636)	(27,969,793)	(1,235,815)	(23,483)	(906,059)	40,282	(978,038)	(2,701)
Non-Property	1,873,632	1,200,547	(4,577,390)	3,962,836	(463,547)	-	(1,700,668)	(1,125,569)
Federal Tax Rate	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%
Federal Deferred Tax Balance								
Property	(201,123)	(9,789,428)	(432,535)	(8,219)	(317,121)	14,099	(342,313)	(945)
Non-Property	655,771	420,191	(1,602,087)	1,386,993	(162,241)	-	(595,234)	(393,949)
Regulatory Asset/Liability								
Property	(15,821)	1,566,239	(15,821)	(31,641)	-			
Non-Property	-	-		-			-	
Total Calculated Deferreds								
Property	(216,944)	(8,223,189)	(448,356)	(39,860)	(317,121)	14,099	(342,313)	(945)
Non-Property (2)	655,771	420,191	(1,602,087)	1,386,993	(162,241)	-	(595,234)	(393,949)
Federal Deferred Tax Balance - per G/L								
279100	(216,944)	(7,603,209)	(448,356)	(30,901)	(317,121)	14,099	(342,313)	(629,885)
279200 (3)	655,771	(199,396)	(1,485,304)	1,211,325	(162,241)		(595,234)	234,595
	O	P	Q	R	S	S	T	U
Difference								
Property	0	(619,980)	0	(8,959)	0	(0)	(0)	628,940
Non-Property	0	619,587	(116,783)	175,668	(0)	-	0	(628,544)
Total Difference (4)	0	(392)	(116,782)	166,709	(0)	(0)	(0)	395
Combined Calculated Deferred	537,563	(9,299,615)	(2,405,678)	1,631,856	(565,695)	16,670	(1,109,617)	(464,038)
Provision for Regulatory Liability	(15,821)	1,566,239	(15,821)	(31,641)	-	-	-	-
Total Calculated Deferred	521,742	(7,733,376)	(2,421,498)	1,600,215	(565,695)	16,670	(1,109,617)	(464,038)
Combined Deferred from G/L (incl Reg Liab)	521,742	(7,734,112)	(2,290,443)	1,419,233	(565,695)	16,670	(1,109,617)	(463,306)
Difference	(0)	736	(131,055)	180,982	(0)	(0)	(0)	(732)

DESCRIPTION	Accrual 12 31 2002	FAS 109 Ending Balance 12.31.2002	Accrual 03 31 2003	Accrual 06 30 2003	True-Up 2002 return 09 30 2003	State Tax Rate Adjustment 09 30 2003	Accrual 09 30 2003	Accrual 12 31 2003
Temporary Differences								
Non-Property	(13,569)	(68,353)	(11,974)	(15,264)	(113,742)	-	421,321	19,301
State Deferred Tax Balance - per G/L								
279150 (Property)	52,119	(266,424)	(21,564)	(24,255)	6,922		(87,049)	(27,725)
279250 (Non-Property)	(92,451)	(147,236)	(11,992)	(15,288)	(113,742)		485,071	19,807
Difference								
Property	(78,883)	(78,884)	33	37	(0)	-	64,723	(577)
Non-Property	78,882	78,883	18	24	0	-	(63,750)	(506)
Total Difference	(1)	(1)	51	61	(0)	-	973	(1,082)
Total Timing Differences-Federal								
Property	(953,767)	(32,347,919)	(327,429)	(375,586)	201,911		(805,363)	(1,055,936)
Non-Property	(226,153)	(2,984,728)	(184,218)	(234,825)	(1,895,694)		6,481,860	304,716
less State Deferred Tax Balance								
Property	(26,764)	(345,308)	(21,531)	(24,218)	6,922	(28,199)	(22,327)	(27,363)
Non-Property	(13,569)	(68,353)	(11,974)	(15,264)	(113,742)	(15,175)	421,321	19,807
Net Timing Differences								
Property	(927,003)	(32,002,611)	(305,898)	(351,368)	194,989	28,199	(783,036)	(1,028,573)
Non-Property	(212,584)	(2,916,375)	(172,244)	(219,561)	(1,781,952)	15,175	6,060,539	284,909
Federal Tax Rate	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%	35 00000%
Federal Deferred Tax Balance								
Property	(324,451)	(11,200,914)	(107,064)	(122,979)	68,246	9,870	(274,063)	(360,001)
Non-Property	(74,404)	(1,020,731)	(60,285)	(76,846)	(623,683)	5,311	2,121,189	99,718
Regulatory Asset/Liability								
Property	(15,821)	1,502,957	(15,821)	(15,821)		(9,870)	(15,821)	(15,494)
Non-Property	-	-				(5,311)		176
Total Calculated Deferreds								
Property	(340,271)	(9,697,957)	(122,885)	(138,799)	68,246	-	(289,883)	(375,495)
Non-Property (2)	(74,404)	(1,020,731)	(60,285)	(76,846)	(623,683)	-	2,121,189	99,894
Federal Deferred Tax Balance - per G/L								
279100	(162,578)	(9,520,263)	(122,874)	(138,787)	(122,052)		(289,528)	(375,695)
279200 (3)	(202,172)	(1,198,427)	(60,279)	(76,839)	(433,386)		2,121,174	99,720
	V	W	X	Y	Z		AA	AB
Difference								
Property	(177,693)	(177,694)	(11)	(12)	190,298	-	(355)	200
Non-Property	127,768	177,696	(6)	(7)	(190,297)	-	15	174
Total Difference (4)	(49,926)	2	(17)	(20)	1	-	(341)	375
Combined Calculated Deferred	(439,189)	(12,635,306)	(200,855)	(239,307)	(662,257)	(28,193)	2,246,120	(267,839)
Provision for Regulatory Liability	(15,821)	1,502,957	(15,821)	(15,821)	-	28,193	(15,821)	(16,762)
Total Calculated Deferred	(455,009)	(11,132,349)	(216,675)	(255,128)	(662,257)		2,230,300	(284,601)
Combined Deferred from G/L (incl Reg Liab)	(405,082)	(11,132,350)	(216,709)	(255,169)	(662,258)		2,229,668	(283,893)
Difference	(49,927)	1	34	41	1	-	632	(708)

Chattanooga Gas Company
FAS 109 Workpaper - Inventory of Deferreds
For FYE
Period Ended

DESCRIPTION		FAS 109 Ending Balance 12.31 2003	1999 Tax Return 12 31 2003		2000 Tax Return 12.31 2003		2001 Tax Return 12 31 2003		2002 Tax Return 12 31 2003
Temporary Differences									
Non-Property									
NSP	I	(5,135)	2,232	DA	-		(9,226)	BA	-
Bad Debt Reserve	I	357,743	(107,856)	DB	519,224	CA	(5,873)	BB	(299,169)
Restricted Stock	I	16,106	-		-		-		-
Pension	I	(1,978,814)	(229,295)	DC	(370,867)	CB	(93,711)	BC	(427,525)
Medical Benefits - Retirees	I	-	161,932	DD	70,944	CC	(493,324)	BD	-
Sales Promotion Accrual	I	-	(7,200)	DE	-		-		-
Taxes - Ad Valorem	I	-	(420,935)	DF	(266,211)	CD	(493,304)	BE	-
Accrued Vacation	I	-	-		2,219	CE	-		-
Pension SERP	I	248,547	500,000	DG	(140,584)	CF	(55,435)	BF	(55,434)
Taxes - Miscellaneous	I	1,001,183	(35,754)	DH	(52,243)	CG	287,711	BG	308,554
Miscellaneous Accrued Liabilities	I	(450,000)	-		-		-		-
Deferred Comp	I	4,067	-		-		-		-
Over/Under - Collections - PGA	I	(715,970)	(2,688,577)	DI	203,376	CH	-		(2,123,315)
Over/Under - Collections - Other	I	(8,793)	-		-		-		-
Deferred Rate Case Expense	I	-	97,412	DJ	89,293	CI	-		-
LNG Maintenance Reserve	I	(1)	(313,417)	DK	(94,284)	CJ	-		18,876
Postretirement Benefits - Accrued Liability	I	1,331,766	(34,494)	DL	(13,856)	CK	36,482	BH	(3,128)
UNICAP	I	1,686,411	(2,328,326)	DM	783,150	CL	1,015,841	BI	(194,488)
Accrued Severance	I	-	(68,328)	DN	-		-		-
Other Deferred Debits	I	-	-		-		-		-
Accrued Relocation	I	-	-		23,308	CM	(23,308)	BJ	-
State Income Tax	I	-	-		(17,062)	CN	17,062	BK	-
Total - Temporary Differences	(1)	1,487,111	(5,472,606)		736,407		182,915		(2,775,628)
Property									
Property - Federal		(37,355,836)	(1,868,184)	DO	(2,526,800)	CO	(1,586,006)	BL	(2,235,067)
CIAC & Customer Advances		2,645,514	191,025	DP	94,096	CP	(65,775)	BM	145,166
Total Federal Property		(34,710,322)	(1,677,159)		(2,432,704)		(1,651,781)		(2,089,901)
Total Federal Deferreds		(33,223,211)	(7,149,765)		(1,696,297)		(1,468,866)		(4,865,529)
less Property - Federal		37,355,836	1,868,184		2,526,800		1,586,006		2,235,067
plus Property - State		(35,768,045)	(1,868,184)		(2,526,800)		(1,586,006)		(1,788,324)
Total State Deferreds		(31,635,420)	(7,149,765)		(1,696,297)		(1,468,866)		(4,418,786)
Total Timing Differences-State									
Property		(33,122,531)	(1,677,159)		(2,432,704)		(1,651,781)		(1,643,158)
Non-Property		1,487,111	(5,472,606)		736,407		182,915		(2,775,628)
less Timing Differences Not Previously Included in State Deferreds									
Property		(26,014,475)	1,777,775		-		-		-
Non-Property		(1,845,506)	(1,894,869)		(17,062)		17,062		-
Adjusted Timing Differences									
Property		(7,108,056)	(3,454,934)		(2,432,704)		(1,651,781)		(1,643,158)
Non-Property		3,332,617	(3,577,737)		753,469		165,853		(2,775,628)
State Tax Rate		6 50000%	0 00000%		6 00000%		6 00000%		6 00000%
State Deferred Tax Balance									
Property		(462,024)	-		(145,962)		(99,107)		(98,589)
Non-Property		216,620	-		45,208		9,951		(166,538)
Regulatory Asset/Liability									
Property		27,260			-		-		-
Non-Property		14,669			-		-		-
Total Calculated Deferreds									
Property		(434,764)	-		(145,962)		(99,107)		(98,589)

Chattanooga Gas Company
FAS 109 Workpaper - Inventory of Deferreds
For FYE
Period Ended

DESCRIPTION		FAS 109 Ending Balance 12 31 2003	1999 Tax Return 12 31 2003	2000 Tax Return 12 31 2003	2001 Tax Return 12 31 2003	2002 Tax Return 12 31 2003
Temporary Differences						
Non-Property		231,289	-	45,208	9,951	(166,538)
State Deferred Tax Balance - per G/L						
279150 (Property)		(420,095)	-	(57,834)	(62,428)	(19,706)
279250 (Non-Property)		216,620	-	(42,921)	(26,727)	(245,420)
Difference						
Property		(14,668)	-	(88,129)	(36,679)	(78,883)
Non-Property		14,669	-	88,129	36,679	78,882
Total Difference		1	-	1	(0)	(1)
Total Timing Differences-Federal						
Property		(34,710,322)	(1,677,159)	(2,432,704)	(1,651,781)	(2,089,901)
Non-Property		1,487,111	(5,472,606)	736,407	182,915	(2,775,628)
less State Deferred Tax Balance						
Property		(462,024)	-	(145,962)	(99,107)	(98,589)
Non-Property		216,620	-	45,208	9,951	(166,538)
Net Timing Differences						
Property		(34,248,298)	(1,677,159)	(2,286,742)	(1,552,674)	(1,991,312)
Non-Property		1,270,491	(5,472,606)	691,199	172,964	(2,609,091)
Federal Tax Rate		35 00000%	35 00000%	35 00000%	35 00000%	35 00000%
Federal Deferred Tax Balance						
Property		(11,986,904)	(587,006)	(800,360)	(543,436)	(696,959)
Non-Property		444,672	(1,915,412)	241,920	60,537	(913,182)
Regulatory Asset/Liability						
Property		1,430,132	(63,282)	(63,282)	(15,821)	(63,282)
Non-Property		(5,135)	-		-	-
Total Calculated Deferreds						
Property		(10,556,773)	(650,288)	(863,642)	(559,257)	(760,241)
Non-Property	(2)	439,537	(1,915,412)	241,920	60,537	(913,182)
Federal Deferred Tax Balance - per G/L						
279100		(10,569,198)	(1,339,368)	(863,643)	(559,257)	(763,887)
279200	(3)	451,963	(1,226,333)	241,920	60,537	(909,537)
		AC				
Difference						
Property		12,425	689,080	1	0	3,646
Non-Property		(12,426)	(689,079)	(0)	0	(3,645)
Total Difference	(4)	(1)	1	1	0	1
Combined Calculated Deferred		(11,787,636)	(2,502,418)	(659,194)	(572,054)	(1,875,268)
Provision for Regulatory Liability		1,466,926	(63,282)	(63,282)	(15,821)	(63,282)
Total Calculated Deferred		(10,320,710)	(2,565,700)	(722,476)	(587,875)	(1,938,550)
Combined Deferred from G/L (incl Reg Liab)		(10,320,710)	(2,565,701)	(722,478)	(587,875)	(1,938,550)
Difference		0	1	2	(0)	0

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Note: The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L Balance Sheets per Books

Assets	Beginning of tax year (a)	(b)	End of tax year (c)	(d)
1 Cash		68,019		505,304
2a Trade notes and accounts receivable	12,971,716		17,410,644	
b Less allowance for bad debts	(638,766)	12,332,950	(339,598)	17,071,046
3 Inventories		19,210,719		12,018,782
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule) See Stmt OTHCURRA		1,262,312		11,268,367
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	159,107,265		160,750,467	
b Less accumulated depreciation	(62,814,038)	96,293,227	(66,946,600)	93,803,867
11a Depletable assets				
b Less accumulated depletion	( )		( )	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	( )		( )	
14 Other assets (attach schedule) See Stmt OTHASSET		6,560,249		8,038,506
15 Total assets		135,727,476		142,705,872
Liabilities and Shareholders' Equity				
16 Accounts payable		140,022		2,116,733
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities (attach schedule) See Stmt OTHCURRL		19,967,872		18,568,234
19 Loans from shareholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities (attach schedule) See Stmt OTHLIAB		10,143,771		13,723,159
22 Capital stock: a Preferred stock				
b Common stock	10,000	10,000	10,000	10,000
23 Additional paid-in capital		53,161,250		53,161,250
24 Retained earnings - Appropriated (attach sch)				
25 Retained earnings - Unappropriated		52,304,561		55,126,496
26 Adjustments to shareholders' equity (attach schedule)				
27 Less cost of treasury stock		( )		( )
28 Total liabilities and shareholders' equity		135,727,476		142,705,872

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)

1 Net income (loss) per books	7,004,660	7 Income recorded on books this year not included on this return (itemize): Tax-exempt interest $	
2 Federal income tax per books	3,855,880		
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize). See Stmt TAXINC	145,166	8 Deductions on this return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted on this return (itemize)		a Depreciation $ 2,066,504	
a Depreciation $		b Charitable contributions $	
b Charitable contributions $		See Stmt TAXEXP 856,168	
c Travel and entertainment $ 5,555			2,922,672
See Stmt BKEXP -1,620,556	-1,615,001	9 Add lines 7 and 8	2,922,672
6 Add lines 1 through 5	9,390,705	10 Income (line 28, page 1) - line 6 less line 9	6,468,033

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	52,304,561	5 Distributions: a Cash	4,182,725
2 Net income (loss) per books	7,004,660	b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
		7 Add lines 5 and 6	4,182,725
4 Add lines 1, 2, and 3	59,309,221	8 Balance at end of year (line 4 less line 7)	55,126,496

JBX F 12/18/02

Form **1120** (2002)

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
86-4 p.2/3

CHATTANOOGA GAS COMPANY

Federal - 1120

EIN: 62-1366126

For Year Ended: 2002

Form 1120 Pg.4 Sch. L Line 18
Other current liabilities

Statement OTHCURRL

Description	Beginning Amount	Ending Amount
Accrued Payroll	76,717	77,634
Accrued Taxes	15,136,903	16,471,950
Advances	286,394	286,394
Customer Deposits	1,673,428	1,793,750
Intercompany Payables	1,787,192	0
Interest Payable	715,443	747,143
Maintenance Reserve	(18,876)	0
Miscellaneous Accrued Liabilities	923,353	1,122,933
Taxes - Other Than Income	243,457	376,663
Pipeline Replacement Program	1,549,453	0
Regulatory Tax Liability	(2,409,659)	(2,312,300)
Variable Compensation	4,067	4,067
Total	19,967,872	18,568,234

Form 1120 Pg.4 Sch. L Line 21
Other liabilities

Statement OTHLIAB

Description	Beginning Amount	Ending Amount
Deferred Taxes	10,143,771	13,444,650
Pension Liability	0	(1,267,816)
Other Postretirement Benefits	0	1,546,325
Total	10,143,771	13,723,159

Form 1120 Pg.4 Sch. M-1 Line 4
Income subject to tax not recorded on books

Statement TAXINC

Description	Amount
Contributions In Aid of Construction	145,166 At AM
Total	145,166

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
Schedule 86-4 p.3/3

CHATTANOOGA GAS COMPANY

Federal - 1120

EIN: 62-1366126

For Year Ended: **2002**

Form 1120 Pg.4 Sch. M-1 Line 5c
Other expense recorded on books not deducted on return

Statement **BKEXP**

Description	Amount	
UNICAP	(194,488)	AK
Pension -SERP	(55,434)	AF
Accrued Postretirement Benefits	(3,128)	AJ
Purchased Gas Adjustment	(2,123,315)	AH
Miscellaneous Accrued Taxes	308,554	AG
LNG Maintenance Reserve	18,876	AI
Gain/Loss on Asset Sale	(55,038)	AL
Club Dues	1,263	PERM
Deferred State Taxes	482,154	N/A
Total	(1,620,556)	

Form 1120 Pg.4 Sch. M-1 Line 8b
Other deductions on return not charged against book income

Statement **TAXEXP**

Description	Amount	
Removal Costs	65,429	AL
Interest and taxes charged to construction	48,096	AL
Pension	427,525	AE
Bad Debt Reserve	299,168	AD
Stock Options	15,950	N/A
Total	856,168	

Σ AL → 2,235,067

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
86-5
p.1/4 2001

Schedule L Balance Sheets per Books

	Assets	Beginning of tax year (a)	(b)	End of tax year (c)	(d)
1	Cash		288,408		10,274
2a	Trade notes and accounts receivable	6,169,462		11,652,171	
b	Less allowance for bad debts	(644,639)	5,524,823	(638,766)	11,013,405
3	Inventories		18,380,056		19,210,718
4	U.S. government obligations		0		0
5	Tax-exempt securities (see instructions)		0		0
6	Other current assets (attach schedule)		1,260,999		1,289,240
7	Loans to stockholders		0		0
8	Mortgage and real estate loans		0		0
9	Other investments (attach schedule)		0		0
10a	Buildings and other depreciable assets	155,426,261		159,107,265	
b	Less accumulated depreciation	(61,790,654)	93,635,607	(62,814,038)	96,293,227
11a	Depletable assets	0		0	
b	Less accumulated depletion	(0)	0	(0)	0
12	Land (net of any amortization)		0		0
13a	Intangible assets (amortizable only)	0		0	
b	Less accumulated amortization	(0)	0	(0)	0
14	Other assets (attach schedule)		12,132,672		7,910,612
15	Total assets		131,222,565		135,727,476
	Liabilities and Stockholders' Equity				
16	Accounts payable		3,059,006		147,540
17	Mortgages, notes, bonds payable in less than 1 year		0		0
18	Other current liabilities (attach schedule)		15,296,501		18,765,850
19	Loans from shareholders		0		0
20	Mortgages, notes, bonds payable in 1 year or more		0		0
21	Other liabilities (attach schedule)		9,380,551		11,338,275
22	Capital stock: a Preferred stock	0		0	
	b Common stock	10,000	10,000	10,000	10,000
23	Additional paid-in capital		53,161,250		53,161,250
24	Retained earnings—Appropriated (attach schedule)		0		0
25	Retained earnings—Unappropriated		50,315,257		52,304,561
26	Adjustments to shareholders' equity (attach schedule)		0		0
27	Less cost of treasury stock		(0)		(0)
28	Total liabilities and stockholders' equity		131,222,565		135,727,476

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than $25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 20 of instructions.)

1	Net income (loss) per books	3,152,317	7	Income recorded on books this year not included on this return (itemize). Tax-exempt interest $ 0	
2	Federal income tax	1,723,404		0	0
3	Excess of capital losses over capital gains	0	8	Deductions on this return not charged against book income this year (itemize):	
4	Income subject to tax not recorded on books this year (itemize).	65,774		a Depreciation $ 3L 1,580,080	
5	Expenses recorded on books this year not deducted on this return (itemize):			b Charitable contributions $ 0	
a	Depreciation $ 0			0	
b	Charitable contributions $ 0			1,163,045	2,743,125
c	Travel and entertainment $ 3,088				
	0				
	1,257,464	1,260,552	9	Add lines 7 and 8	2,743,125
6	Add lines 1 through 5	6,202,047	10	Income (line 28, page 1)—line 6 less line 9	3,458,922

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	50,315,257	5	Distributions: a Cash	1,163,013
2	Net income (loss) per books	3,152,317		b Stock	0
3	Other increases (itemize):			c Property	0
		0	6	Other decreases (itemize):	0
4	Add lines 1, 2, and 3	53,467,574	7	Add lines 5 and 6	1,163,013
			8	Balance at end of year (line 4 less line 7)	52,304,561

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
86-5 p.2/4

STATEMENT - SCH M-1, INC SUBJ TO TAX NOT ON BK

	INCOME SUBJECT TO TAX NOT RECORDED ON BOOKS	
	Contributions in Aid of Constructi	65,774 3M
4	TOTAL INCOME SUBJ TO TAX NOT RECORDED ON BOOKS	65,774

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
86-5 p.3/4

STATEMENT - SCH M-1, OTH EXP ON BKS NOT IN RET

5	OTHER EXP RECORDED ON BOOKS NOT IN THIS RETURN	
	Misc. Company Dues	345 PERM
	Deferred State Income Taxes	(82,915) N/A
	Miscellaneous Tax Adjustment	287,711 BG
	Post Retirement Benefits	36,482 BH
	UNICAP	1,015,841 BI
	TOTAL	1,257,464

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
86-5 p.4/4

STATEMENT - SCH M-1, OTH DED IN RET NOT ON BKS

OTHER DED IN THIS RETURN NOT ON BOOKS		
State income taxes		
Book/Tax Gain Difference	(17,062)	BK
Other Work in Progress	5,926	BL
Accrued Relocation	493,324	BD
Bad Debts	23,308	BJ
Advalorem Taxes	5,873	BB
Pension	493,304	BE
SERP Pension	93,711	BC
Non-qualified Savings Plan	55,435	BF
	9,226	BA
TOTAL	1,163,045	
8 TOTAL OTHER DED IN THIS RETURN NOT ON BOOKS	1,163,045	

2 BL -1,586,006

Chattanooga Gas Company
Docket No. 01-00034
TRA Staff 5.86
2000
86-6 p.1/4

Schedule L Balance Sheets per Books

	Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1	Cash		-272,051		288,408
2a	Trade notes and accounts receivable	10,119,467		6,169,462	
b	Less allowance for bad debts	(125,415)	9,994,052	(644,639)	5,524,823
3	Inventories		19,204,104		18,380,056
4	U.S. government obligations		0		0
5	Tax-exempt securities (see instructions)		0		0
6	Other current assets (attach schedule) STATEMENT 5		750,987	STATEMENT 9	1,260,999
7	Loans to stockholders		0		0
8	Mortgage and real estate loans		0		0
9	Other investments (attach schedule)		0		0
10a	Buildings and other depreciable assets	147,317,662		155,426,261	
b	Less accumulated depreciation	(59,200,743)	88,116,919	(61,790,654)	93,635,607
11a	Depletable assets	0		0	
b	Less accumulated depletion	(0)	0	(0)	0
12	Land (net of any amortization)		0		0
13a	Intangible assets (amortizable only)	0		0	
b	Less accumulated amortization	(0)	0	(0)	0
14	Other assets (attach schedule) STATEMENT 6		5,352,189	STATEMENT 10	12,132,672
15	Total assets		123,146,200		131,222,565
	Liabilities and Stockholders' Equity				
16	Accounts payable		7,345,433		3,059,006
17	Mortgages, notes, bonds payable in less than 1 year		0		0
18	Other current liabilities (attach schedule) STATEMENT 7		4,500,130	STATEMENT 11	15,296,501
19	Loans from shareholders		0		0
20	Mortgages, notes, bonds payable in 1 year or more		0		0
21	Other liabilities (attach schedule) STATEMENT 8		27,606,121	STATEMENT 12	9,380,551
22	Capital stock: a Preferred stock	0		0	
	b Common stock	0	0	10,000	10,000
23	Additional paid-in capital		35,289,456		53,161,250
24	Retained earnings—Appropriated (attach schedule)		0		0
25	Retained earnings—Unappropriated		48,405,060		50,315,257
26	Adjustments to shareholders' equity (attach schedule)		0		0
27	Less cost of treasury stock		(0)		(0)
28	Total liabilities and stockholders' equity		123,146,200		131,222,565

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than $25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 18 of instructions.)

		Amount
1	Net income (loss) per books	6,367,321
2	Federal income tax	3,750,957
3	Excess of capital losses over capital gains	0
4	Income subject to tax not recorded on books this year (itemize): STATEMENT 13	94,096
5	Expenses recorded on books this year not deducted on this return (itemize):	
a	Depreciation $ 0	
b	Contributions carryover $ 0	
c	Travel and entertainment $ 6,898	
	0	
	STATEMENT 14 2,097,267	2,104,165
6	Add lines 1 through 5	12,316,539
7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest $ 0	
	0	0
8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation $ CO 1,398,105	
b	Contributions carryover $ 0	
	0	
	STATEMENT 15 2,083,802	3,481,907
9	Add lines 7 and 8	3,481,907
10	Income (line 28, page 1)—line 6 less line 9	8,834,632

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

		Amount
1	Balance at beginning of year	48,405,060
2	Net income (loss) per books	6,367,321
3	Other increases (itemize):	0
4	Add lines 1, 2, and 3	54,772,381
5	Distributions: a Cash	4,457,124
	b Stock	0
	c Property	0
6	Other decreases (itemize):	0
7	Add lines 5 and 6	4,457,124
8	Balance at end of year (line 4 less line 7)	50,315,257

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
86.6 p.214

STATEMENT 13 - SCH M-1, INC SUBJ TO TAX NOT ON BK

4 INCOME SUBJECT TO TAX NOT RECORDED ON BOOKS	
Contributions in Aid of Constructi	94,096 CP

Chattanooga Gas Company
Docket No. 01-00034
TRA Staff 5-86
86-6 p. 314

STATEMENT 14 - SCH M-1, OTH EXP ON BKS NOT IN RET

5 OTHER EXP RECORDED ON BOOKS NOT IN THIS RETURN

Non-deductible Amortization	411,024	PERM
Lobbying	15	PERM
Deferred State Income Taxes	14,422	NA
Bad Debts	519,224	CA
Medical Benefits-Retirees	51,235	CC
UNICAP	783,150	CL
Deferred Gas Expense	203,376	CH
Deferred Rate Case Expense	89,294	CI
Accrued Relocation	23,308	CM
Accrued Vacations	2,219	CE
TOTAL	2,097,267	

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
86-6 p. 4/4

Chattanooga Gas Company
Year: 2000
62-1366126

STATEMENT 15 - SCH M-1, OTH DED IN RET NOT ON BKS

8	OTHER DED IN THIS RETURN NOT ON BOOKS	
	Book/Tax Gain Difference	1,128,695 CO
	Post Retirement Benefits	13,856 CK
	State Income tax	17,062 CN
	Maintenance Accrual	94,284 CJ
	Miscellaneous Accrued Taxes	52,243 CG
	Advalorem Taxes	266,211 CD
	Pension	370,867 CB
	SERP Pension	140,584 CF
	TOTAL	2,083,802

Σ CO → 2,526,800

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-8d
86-7 p. 113
1999

Schedule L Balance Sheets per Books

Assets		Beginning of tax year (a)	(b)	End of tax year (c)	(d)
1	Cash		-5,860		-272,051
2a	Trade notes and accounts receivable	6,865,024		10,119,467	
b	Less allowance for bad debts	(233,271)	6,631,753	(125,415)	9,994,052
3	Inventories		10,238,642		19,204,104
4	U.S. government obligations		0		0
5	Tax-exempt securities (see instructions)		0		0
6	Other current assets (attach schedule) STATEMENT 5		893,920	STATEMENT 9	750,987
7	Loans to stockholders		0		0
8	Mortgage and real estate loans		0		0
9	Other investments (attach schedule)		0		0
10a	Buildings and other depreciable assets	155,348,383		147,317,662	
b	Less accumulated depreciation	(55,145,170)	100,203,213	(59,200,743)	88,116,919
11a	Depletable assets	0		0	
b	Less accumulated depletion	(0)	0	(0)	0
12	Land (net of any amortization)		0		0
13a	Intangible assets (amortizable only)	0		0	
b	Less accumulated amortization	(0)	0	(0)	0
14	Other assets (attach schedule) STATEMENT 6		40,672,562	STATEMENT 10	5,352,189
15	Total assets		158,634,230		123,146,200
	Liabilities and Stockholders' Equity				
16	Accounts payable		4,533,258		7,345,433
17	Mortgages, notes, bonds payable in less than 1 year		0		0
18	Other current liabilities (attach schedule) STATEMENT 7		10,342,573	STATEMENT 11	4,500,130
19	Loans from shareholders		0		0
20	Mortgages, notes, bonds payable in 1 year or more		0		0
21	Other liabilities (attach schedule) STATEMENT 8		64,161,204	STATEMENT 12	27,606,121
22	Capital stock. a Preferred stock	0		0	
	b Common stock	0	0	0	0
23	Additional paid-in capital		35,289,456		35,289,456
24	Retained earnings --Appropriated (attach schedule)		0		0
25	Retained earnings --Unappropriated		44,307,739		48,405,060
26	Adjustments to shareholders' equity (attach schedule)		0		0
27	Less cost of treasury stock		(0)		(0)
28	Total liabilities and stockholders' equity		158,634,230		123,146,200

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than $25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 18 of instructions.)

1	Net income (loss) per books	4,097,321	7	Income recorded on books this year not included on this return (itemize).	
2	Federal income tax	2,527,530		Tax-exempt interest $ 0	
3	Excess of capital losses over capital gains	0		0	
4	Income subject to tax not recorded on books this year (itemize).	0			0
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize).	
a	Depreciation $ 0			a Depreciation $ DO 1,658,741	
b	Contributions carryover $ 1,802			b Contributions carryover $ 0	
c	Travel and entertainment $ 5,145			0	
	0				
	STATEMENT 13 1,363,639	1,370,586		STATEMENT 14 6,443,625	8,102,366
6	Add lines 1 through 5	7,995,437	9	Add lines 7 and 8	8,102,366
			10	Income (line 28, page 1) - line 6 less line 9	-106,929

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	44,307,739	5	Distributions. a Cash	0
2	Net income (loss) per books	4,097,321		b Stock	0
3	Other increases (itemize):			c Property	0
		0	6	Other decreases (itemize):	0
4	Add lines 1, 2, and 3	48,405,060	7	Add lines 5 and 6	0
			8	Balance at end of year (line 4 less line 7)	48,405,060

MCFEID00

Chattanooga Gas Company
Docket No. 04-00034
TRA Staff 5-86
86-7 p.113
1999

Schedule L Balance Sheets per Books

	Assets	Beginning of tax year (a)	Beginning of tax year (b)	End of tax year (c)	End of tax year (d)
1	Cash		-5,860		-272,051
2a	Trade notes and accounts receivable	6,865,024		10,119,467	
b	Less allowance for bad debts	(233,271)	6,631,753	(125,415)	9,994,052
3	Inventories		10,238,642		19,204,104
4	U.S. government obligations		0		0
5	Tax-exempt securities (see instructions)		0		0
6	Other current assets (attach schedule) STATEMENT 5		893,920	STATEMENT 9	750,987
7	Loans to stockholders		0		0
8	Mortgage and real estate loans		0		0
9	Other investments (attach schedule)		0		0
10a	Buildings and other depreciable assets	155,348,383		147,317,662	
b	Less accumulated depreciation	(55,145,170)	100,203,213	(59,200,743)	88,116,919
11a	Depletable assets	0		0	
b	Less accumulated depletion	(0)	0	(0)	0
12	Land (net of any amortization)		0		0
13a	Intangible assets (amortizable only)	0		0	
b	Less accumulated amortization	(0)	0	(0)	0
14	Other assets (attach schedule) STATEMENT 6		40,672,562	STATEMENT 10	5,352,189
15	Total assets		158,634,230		123,146,200
	Liabilities and Stockholders' Equity				
16	Accounts payable		4,533,258		7,345,433
17	Mortgages, notes, bonds payable in less than 1 year		0		0
18	Other current liabilities (attach schedule) STATEMENT 7		10,342,573	STATEMENT 11	4,500,130
19	Loans from shareholders		0		0
20	Mortgages, notes, bonds payable in 1 year or more		0		0
21	Other liabilities (attach schedule) STATEMENT 8		64,161,204	STATEMENT 12	27,606,121
22	Capital stock: a Preferred stock	0		0	
	b Common stock	0	0	0	0
23	Additional paid-in capital		35,289,456		35,289,456
24	Retained earnings--Appropriated (attach schedule)		0		0
25	Retained earnings --Unappropriated		44,307,739		48,405,060
26	Adjustments to shareholders' equity (attach schedule)		0		0
27	Less cost of treasury stock		(0)		(0)
28	Total liabilities and stockholders' equity		158,634,230		123,146,200

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than $25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 18 of instructions.)

1	Net income (loss) per books	4,097,321	7	Income recorded on books this year not included on this return (itemize) Tax-exempt interest $ 0	
2	Federal income tax	2,527,530		0	0
3	Excess of capital losses over capital gains	0	8	Deductions on this return not charged against book income this year (itemize):	
4	Income subject to tax not recorded on books this year (itemize).	0		a Depreciation $ DO 1,658,741	
5	Expenses recorded on books this year not deducted on this return (itemize).			b Contributions carryover $ 0	
	a Depreciation $ 0			0	
	b Contributions carryover $ 1,802			STATEMENT 14 6,443,625	8,102,366
	c Travel and entertainment $ 5,145		9	Add lines 7 and 8	8,102,366
	0		10	Income (line 28, page 1)-line 6 less line 9	-106,929
	STATEMENT 13 1,363,639	1,370,586			
6	Add lines 1 through 5	7,995,437			

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	44,307,739	5	Distributions: a Cash	0
2	Net income (loss) per books	4,097,321		b Stock	0
3	Other increases (itemize):			c Property	0
		0	6	Other decreases (itemize):	0
			7	Add lines 5 and 6	0
4	Add lines 1, 2, and 3	48,405,060	8	Balance at end of year (line 4 less line 7)	48,405,060

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STATEMENT 13 - SCH M-1, OTH EXP ON BKS NOT IN RET

5 OTHER EXP RECORDED ON BOOKS NOT IN THIS RETURN	
Non-deductible Amortization	411,024 PERM
Lobbying	14 PERM
Contributions in aid of Construc.	191,025 DP
Medical Benefits-Retirees	161,932 DD
Non Qualified Saving Plan	2,232 DA
Deferred Rate Case Expense	97,412 DJ
SERP Pension	500,000 DG
TOTAL	1,363,639

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STATEMENT 14 - SCH M-1, OTH DED IN RET NOT ON BKS

8	OTHER DED IN THIS RETURN NOT ON BOOKS	
	Book/Tax Gain Difference	209,443 DO
	Def. Gas Expense	2,688,577 DI
	Post Retirement Benefits	34,494 DL
	Restructuring - Severance Pay	68,328 DN
	Property Tax	420,935 DF
	Other Deferred Compensation	7,200 DE
	Bad Debts	107,856 DB
	UNICAP	2,328,326 DM
	Maintenance Accrual	313,417 DK
	Miscellaneous Accrued Taxes	35,754 DH
	Pension	229,295 DC
	TOTAL	6,443,625

Σ DO → 1,868,184