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August 27, 2004

VIA HAND DELIVERY

Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: Petition of Chattanooga Gas Company for Approval of Adjustment of its Rates and Charges and Revised Tariff
Docket Number 04-00034
Late Filed Exhibit

Dear Chairman Miller,

Enclosed you will find 14 copies of the schedules in support of the $377,000 PUHCA adjustment as requested by Chairman Tate during the hearing.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Chattanooga Gas Company

cc: Parties of Record
Archie Hickerson
Elizabeth Wade, Esq.
John Ebert, Esq.
Steve Lindsey

1045811 1

CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of August 2004, a true and correct copy of the foregoing document was delivered by hand delivery, email, facsimile or U.S. mail postage prepaid to the other Counsel of Record listed below.

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Chattanooga Gas Company
Docket No. 04-00034
Information Requested at 8/24 – 8/26 Hearing

The following information is being provided to support the calculation of the $377,000 impact to Chattanooga Gas Company (CGC) as a result of the audit performed by the Office of Public Utility Regulation (Staff) within the Division of Investment Management of the Securities and Exchange Commission. Staff performed an audit-examination of the books, records, accounts, billing procedures, and methods of allocation of AGSC, the service company subsidiary of AGLR, a registered holding company under the Public Utility Holding Company Act of 1935 ("Act").

Please see attached schedules:

- Schedule 1-1 – summary of the initial journal entry to zero out the net income on the books and records of AGL Services Company (AGSC). The adjustment was between AGSC and AGL Resources Inc. (AGLR).
- Schedule 2-1 – impact to CGC of re-allocation of certain costs based on recommendations of Staff. The adjustment is primarily related to include AGLR in the composite ratio of the allocated and distributed process of the AGSC allocation model. This impact also includes the re-allocation of the amounts charged to AGLR in Schedule 1-1. An adjustment for this amount was recorded on the books and records of CGC in May 2004.
- Schedule 2-2 – detail computation of the re-allocation adjustment provided in Schedule 2-1.
- Schedule 3-1 – same as schedule 2-1 but adjusted for regulatory purposes (excluding non-jurisdictional items)
- Schedule 3-2 - same as schedule 2-2 but adjusted for regulatory purposes (excluding non-jurisdictional items)
- Schedule 3-3 – detail of regulatory adjustments and reconciliation of schedule 2-2 to 3-2

The net $377,000 referred to in the testimony of Michael J. Morley is included Schedule 3-1.

AGL Resources Inc
Summary of PUHCA Adjustment to Zero out AGSC
Thirty-Six Months Ending December 2003
Schedule 1-1

	Period Ending		AGL Resources					AGL Services Company				
			12/31/2003	12/31/2002	12/31/2001 (3 month period)	9/30/2001 (9 month period)		12/31/2003	12/31/2002	12/31/2001 (3 month period)	9/30/2001 (9 month period)	
	Acct	Line Descr	0000087551	0000087553	0000087556	0000087558	Total	0000087549	0000087552	0000087555	0000087557	Total
(C)	673000	Long-Lived Asset Disp GainLoss	6,273,195 52				6,273,195 52	-6,273,195 52				-6,273,195 52
(A)	671429	Allocated Other	-1,766,623 03	-2,182,054 75	-994,065 41	-3,213,303 94	-8,156,047 13	1,766,623 03	2,182,054 75	994,065 41	3,213,303 94	8,156,047 13
(D)	610030	Natural Gas Commodity Costs		61 59		50,303 48	50,365 07		-61 59		-50,303 48	-50,365 07
(B)	467100	Interest Income/Expense	1,895,299 73	1,103,854 46	411,455 74	2,324,126 82	5,734,736 75	-1,895,299 73	-1,103,854 46	-411,455 74	-2,324,126 82	-5,734,736 75
(E)	448090	Misc Other Income	1,250,292 62	1,622,125 81	661,345 04	713,232 58	4,246,996 05	-1,250,292 62	-1,622,125 81	-661,345 04	-713,232 58	-4,246,996 05
(F)	427530	Deferred SIT - Other	107,468 77	1,841,646 00	723,162 00	-662,506 00	2,009,770 77	-107,468 77	-1,841,646 00	-723,162 00	662,506 00	-2,009,770 77
(F)	427520	Deferred SIT - Property	2,111,174 41				2,111,174 41	-2,111,174 41				-2,111,174 41
(F)	427510	Deferred FIT - Other	9,335,416 24	12,422,448 00	4,455,101 00	-4,081,426 00	22,131,539 24	-9,335,416 24	-12,422,448 00	-4,455,101 00	4,081,426 00	-22,131,539 24
(F)	427500	Deferred FIT - Property	7,307,364 21				7,307,364 21	-7,307,364 21				-7,307,364 21
(F)	427400	State Income Tax	-3,658,615 04	-1,946,885 58	-720,292 22	691,104 31	-5,634,688 53	3,658,615 04	1,946,885 58	720,292 22	-691,104 31	5,634,688 53
(F)	427200	Federal Income Tax	-18,139,328 29	-13,070,783 24	-4,437,422 32	4,272,744 44	-31,374,789 41	18,139,328 29	13,070,783 24	4,437,422 32	-4,272,744 44	31,374,789 41
(D)	415061	Revenue Returned Check Fee		-20 00			-20 00		20 00			20 00
(D)	407500	Miscellaneous Operating Revenu	-163,857 99	-180,854 07	-97,000 27	-303,947 91	-745,660 24	163,857 99	180,854 07	97,000 27	303,947 91	745,660 24
	225120	Accounts Payable - Accrued	-4,551,787 15	390,461 78	-2,283 56	209,672 22	-3,953,936 71	4,551,787 15	-390,461 78	2,283 56	-209,672 22	3,953,936 71
			Sch. 2-2	**Sch. 2-2**	**Sch 2-2**	**Sch 2-2**	**Sch 2-2**					

(A)	Amounts included as AGSC billings in U-13-60 for the twelve months ending December 31, 2003 - net operating expenses (credit)	-8,156,047 13
(B)	Interest expense not reported as AGSC billings in U-13-60 for the twelve months ending December 31, 2003 However, allocated cost of capital is from AGSC to affiliates is reported as an operating expense and included as an AGSC billing Therefore, the actual costs are classified as interest expense in AGSC's income statement, while the corresponding cost allocation to affiliates is classified as an operating expense	5,734,736 75
(C)	Gain/loss on long lived assets not reported as AGSC billings in U-13-60 for the twelve months ending December 31, 2003 This amount was adjusted out of AGSC to AGLR using the applicable income statement classification I E , it was not adjusted through as an allocated billing, but rather as a direct charge from AGSC to AGLR	6,273,195 52
(D)	Income from non-jurisdictional sales not reported as AGSC billings in U-13-60 for the twelve months ending December 31, 2003 This amount was adjusted out of AGSC to AGLR using the applicable income statement classification I E , it was not adjusted through as an allocated billing, but rather as a direct charge from AGSC to AGLR	-695,315 17
(E)	Miscellaneous expense (mostly non-jurisdictional) not reported as AGSC billings in U-13-60 for the twelve months ending December 31, 2003 This amount was adjusted out of AGSC to AGLR using the applicable income statement classification I E , it was not adjusted through as an allocated billing, but rather as a direct charge from AGSC to AGLR	4,246,996 05
(F)	Federal and sate income tax expense not reported as AGSC billings in U-13-60 for the twelve months ending December 31, 2003 This amount was adjusted out of AGSC to AGLR using the applicable income statement classification I E , it was not adjusted through as an allocated billing, but rather as a direct charge from AGSC to AGLR	-3,449,629 31

Net initial adjustment to zero out AGSC income statement and charge AGLR (parent) - expense **3,953,936.71**

Schedule 2-2

AGL Resources Inc.
Summary of Re-allocation of PUHCA Adjustment in Schedule 1-1
Thirty-Six Months Ending December 2003
Schedule 2-1

AGL Resources Inc. (AGLR)
PUHCA 60-Day Letter - Holding Company (AGLR) Allocation True-Entry
May 2004 - As Recorded

GL #	Department	Subsidiary		Fiscal 2001	Stub Period	Calendar 2002	Calendar 2003	Totals	
GL1	7100	AGL Resources Inc	(A)	$ 2,222,147	$ 392,795	$ 2,821,474	$ (1,424,494)	$ 4,011,922	Sch. 2-2
Portion allocated to Chattanooga Gas Company - as recorded									
GL8	8000	Chattanooga Gas Company	(B)	(98,569)	(16,988)	(124,105)	62,343	(177,319)	
Percent to credit/charge back to CGC due to inclusion of AGLR in composite ratio			(C)	4 44%	4 32%	4 40%	4 38%		

(B) - Calculated as (A) * (C)

AGL Resources Inc
Detail Calculation to Support Schedule 2-1
Thirty-Six Months Ending December 2003
Schedule 2-2

AGL Resources Inc (AGLR)
PUHCA 60-Day Letter - Holding Company (AGLR) Proforma Allocation Calculations

		[A]	[B]	[C]	[D]		
Pool of Allocated Costs		**Fiscal 2001**	**Stub Period**	**Calendar 2002**	**Calendar 2003**	**Totals**	
Cost of Capital		$ 3,991,723	$ 978,761	$ 2,061,518	$ 1,895,300	$ 8,927,302	
Executive		2,065,114	523,337	3,497,518	1,812,807	7,898,776	
External Relations		917,627	137,199	1,594,432	1,554,256	4,203,514	
Financial Services		5,657,455	932,708	7,749,785	9,666,290	24,006,238	
Internal Auditing		450,402	117,982	717,184	691,940	1,977,507	
Investor Relations		207,920	89,309	1,330,551	653,649	2,281,429	
Legal		4,687,203	418,559	5,789,535	7,967,591	18,862,888	
Strategic Planning		291,051	58,506	255,596	13,430	618,583	
Costs Previously Charged 100% to AGLR	[E]	(209,672)	2,284	(390,462)	4,551,787	3,953,937	Sch 1-1
		$ 18,058,823	$ 3,258,645	$ 22,605,655	$ 28,807,051	$ 72,730,174	
Proforma Composite Rate		11 144%	12 124%	10 754%	10 856%		
Proforma Costs to Holding Company	[F]						
Cost of Capital		$ 444,838	$ 118,665	$ 221,696	$ 205,754	$ 990,952	
Executive		230,136	63,449	376,123	196,798	866,507	
External Relations		102,260	16,634	171,465	168,730	459,090	
Financial Services		630,467	113,082	833,412	1,049,372	2,626,333	
Internal Auditing		50,193	14,304	77,126	75,117	216,740	
Investor Relations		23,171	10,828	143,087	70,960	248,046	
Legal		522,342	50,746	622,607	864,962	2,060,656	
Strategic Planning		32,435	7,093	27,487	1,458	68,473	
Costs Previously Charged 100% to AGLR	[E]	(23,366)	277	(41,990)	494,142	429,063	
		2,012,475	395,078	2,431,012	3,127,293	7,965,859	
Reversal of Costs Previously Charged 100% to AGLR	[E]	209,672	(2,284)	390,462	(4,551,787)	(3,953,937)	
Net True-up of Proforma Costs to AGLR		$ 2,222,147	$ 392,795	$ 2,821,474	$ (1,424,494)	$ 4,011,922	
						Schedule 2-1	

[A] Total allocated (indirect) costs for the nine months ended September 30, 2001, excludes direct assigned and direct charged costs **Source.** Response to PUHCA data request IER 62

[B] Total allocated (indirect) costs for the three months ended December 31, 2001 (stub period), excludes direct assigned and direct charged costs **Source.** U-13-60

[C] Total allocated (indirect) costs for the twelve months ended December 31, 2002, excludes direct assigned and direct charged costs **Source** U-13-60

[D] Total allocated costs for the twelve months ended December 31, 2003, excludes direct assigned and direct charged costs **Source:** YTD 12-31-03 financial statements

[E] Represents costs remaining at AGL Services Company for the 12 months ended December 31, 2002 and 2003, the 9 months ended September 30, 2001 and for the 3 months ended December 31, 2001, which were charged 100% to AGL Resources Inc (AGLR) holding company in connection with the Company's 2003 year-end close The Company provided the Examination Staff with the supporting journal entries of these entries The corresponding journal entries for each period are as follows
9 months ended September 30, 2001 (JE # 87557), 3 months ended December 31, 2001 (JE # 87555), 12 months ended December 31, 2002 (JE # 87553) and 12 months ended December 31, 2003 (JE # 87551)

[F] - Pro-forma cost to holding company are calculated by multiplying the "pool of allocated costs" amounts by the "proforma composite rate to apply to AGLR"

AGL Resources Inc.
Summary of Re-allocation of PUHCA Adjustment - Adjusted for Regulatory Reporting Puposes
Thirty-Six Months Ending December 2003
Schedule 3-1

AGL Resources Inc. (AGLR)
PUHCA 60-Day Letter - Holding Company (AGLR) Allocation True-Entry
May 2004 - Net of Regulatory Adjustments

GL #	Department	Subsidiary		Fiscal 2001	Stub Period	Calendar 2002	Calendar 2003	Totals	
GL1	7100	AGL Resources Inc	(A)	$ 2 744,538	$ 687,022	$ 3,210,746	$ 1,929,906	$ 8,572,212	Sch. 3-2
GL8	8000	Chattanooga Gas Company	(B)	(121,741)	(29,713)	(141,227)	(84,463)	(377,144)	
Percent to credit/charge back to CGC due to inclusion of AGLR in composite ratio			(C)	4 44%	4 32%	4 40%	4 38%		

(B) - Calculated as (A) * (C)

AGL Resources Inc
Detail Calculation to Support Schedule 3-1
Thirty-Six Months Ending December 2003
Schedule 3-2

AGL Resources Inc (AGLR)
PUHCA 60-Day Letter - Holding Company (AGLR) Proforma Allocation Calculations

		[A]	[B]	[C]	[D]		
Pool of Allocated Costs		**Fiscal 2001**	**Stub Period**	**Calendar 2002**	**Calendar 2003**	**Totals**	
Cost of Capital		$ 3,991,723	$ 978,761	$ 2,061,518	$ 1,895,300	$ 8,927,302	
Executive		2,065,114	523,337	3,497,518	1,812,807	7,898,776	
External Relations		917,627	137,199	1,594,432	1,554,256	4,203,514	
Financial Services		5,657,455	932,708	7,749,785	9,666,290	24,006 238	
Internal Auditing		450,402	117,982	717,184	691,940	1,977,507	
Investor Relations		207,920	89,309	1,330,551	653,649	2,281,429	
Legal		4,687,203	418,559	5,789,535	7,967,591	18,862,888	
Strategic Planning		291,051	58,506	255,596	13,430	618,583	
Costs Previously Charged 100% to AGLR	[E]	(797,579)	(332,538)	(826,640)	788,887	(1,167,870)	Sch 3-3
		$ 17,470,916	$ 2,923,823	$ 22,169,477	$ 25,044,151	$ 67,608,367	
Proforma Composite Rate to apply to AGLR		11 144%	12 124%	10 754%	10 856%		
Proforma Costs to Holding Company - [F]							
Cost of Capital		$ 444,838	$ 118,665	$ 221,696	$ 205,754	$ 990,952	
Executive		230,136	63,449	376,123	196,798	866,507	
External Relations		102,260	16,634	171,465	168,730	459,090	
Financial Services		630,467	113,082	833,412	1,049,372	2,626,333	
Internal Auditing		50,193	14,304	77,126	75,117	216,740	
Investor Relations		23,171	10,828	143,087	70,960	248,046	
Legal		522,342	50,746	622,607	864,962	2,060,656	
Strategic Planning		32,435	7,093	27,487	1,458	68,473	
Costs Previously Charged 100% to AGLR	[E]	(88,882)	(40,317)	(88,897)	85,642	(132,454)	
		1,946,959	354,484	2,384,106	2,718,793	7,404,342	
Reversal of Costs Previously Charged 100% to AGLR	[E]	797,579	332,538	826,640	(788,887)	1,167,870	
Net True-up of Proforma Costs to AGLR		$ 2,744,538	$ 687,022	$ 3,210,746	$ 1,929,906	$ 8,572,212	
						Schedule 3-1	

[A] Total allocated (indirect) costs for the nine months ended September 30, 2001, excludes direct assigned and direct charged costs **Source:** Response to IER 62

[B] Total allocated (indirect) costs for the three months ended December 31, 2001 (stub period), excludes direct assigned and direct charged costs **Source:** U-13-60

[C] Total allocated (indirect) costs for the twelve months ended December 31, 2002, excludes direct assigned and direct charged costs **Source·** U-13-60

[D] Total allocated costs for the twelve months ended December 31, 2003, excludes direct assigned and direct charged costs **Source** YTD 12-31-03 financial statements

[E] Represents costs remaining at AGL Services Company for the 12 months ended December 31, 2002 and 2003, the 9 months ended September 30, 2001 and for the 3 months ended December 31, 2001, which were charged 100% to AGL Resources Inc (AGLR) holding company in connection with the Company's 2003 year-end close The Compnay provided the Examination Staff with the supporting journal entries of these entries The corresponding journal entries for each period are as follows 9 months ended September 30, 2001 (JE # 87557), 3 months ended December 31, 2001 (JE # 87555), 12 months ended Decemmber 31, 2002 (JE # 87553) and 12 months ended December 31, 2003 (JE # 87551)

[F] - Pro-forma cost to holding company are calculated by multiplying the "pool of allocated costs" amounts by the "proforma composite rate to apply to AGLR"

AGL Resources Inc.
Detail of Regulatory Adjustments
Thirty-Six Months Ending December 2003
Schedule 3-3

AGL Resources Inc. (AGLR)
PUHCA 60-Day Letter - Holding Company (AGLR) Proforma Allocation Calculations

	Fiscal 2001	Stub Period	Calendar 2002	Calendar 2003	Totals	
- Net remaining Operating Expenses	(3,213,304)	(994,065)	(2,182,055)	(1,766,623)	(8,156,047)	
- Interest Expense (reported in interest expense section of the income statement, but the allocated cost of capital is included in net operating expenses.	2,324,127	411,456	1,103,854	1,895,300	5,734,737	
- Loss on Sale of Assets	91,598	250,071	251,561	6,273,196	6,866,426	
- Less - Loss on Caroline Street Assets	-	-	-	(5,612,986)	(5,612,986)	
Net Loss on sale of assets for allocation	91,598	250,071	251,561	660,210	1,253,440	
Net PUHCA Adjustment for regulatory purposes	**(797,579)**	**(332,538)**	**(826,640)**	**788,887**	**(1,167,870)**	**Schedule 3-2**
Amount Included in PUHCA Adjustment	(209,672)	2,284	(390,462)	4,551,787	**3,953,937**	
Difference - Items Excluded for Regulatory Purposes	**587,907**	**334,822**	**436,178**	**3,762,900**	**5,121,807**	
Reconciliation of Regulatory Items:						
Loss on Caroline Street - Expense	-	-	-	5,612,986		
Other Expenses - Net - Non-Jurisdictional Expenses	621,634	411,274	1,370,565	1,250,293		
Non-Jurisdictional Operating Margin - Income	(253,644)	(97,000)	(180,812)	(163,858)		
Income Taxes -	219,917	20,548	(753,575)	(2,936,520)		
Total Items Excluded for Regulatory Purposes	**587,907**	**334,822**	**436,178**	**3,762,901**		

Note - for purposes of this schedule, a positive amount represents an expense and a negative item represents income or reduction to expense.