BEFORE THE

TENNESSEE REGULATORY AUTHORITY

DOCKET NO. 05-00258

REBUTTAL TESTIMONY

OF

GARY L. SMITH AND DANNY BERTOTTI

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ON BEHALF OF

ATMOS ENERGY CORPORATION

BACKGROUND OF THE WITNESSES

Q.1. Please state your name, position and business address.

A. My name is Gary L. Smith. I am Vice President – Marketing and Regulatory Affairs for Atmos Energy Corporation's Kentucky and Mid-States operations ("Atmos" or the "Company"). My business address is 2401 New Hartford Road, Owensboro, Kentucky 42303.

A. My name is Danny Bertotti. I am a Sales Representative for Atmos in Tennessee and the Mid-States region. My business address is 200 Noah Drive, Franklin, Tennessee, 37064.

Q.2. Please briefly describe your current responsibilities, and professional and educational background.

A. (Mr. Smith) I am responsible for rates and regulatory affairs as well as directing the marketing plans and strategies for natural gas utility services to residential, commercial, and industrial sales and transportation markets in a portion of the Kentucky and Mid-States divisions. I am a 1983 graduate of the University of Kentucky, with a Bachelor of Science degree in Civil Engineering. I have been employed by Atmos Energy Corporation since 1984, initially as Project Engineer. After serving in a variety of technical and supervisory engineering positions, I transferred into the Industrial Marketing department in 1990. I became Director of Large Volume Sales in 1991, was named Vice President – Marketing in 1998, and named to my current position in 2003. I also serve on numerous corporate-wide committees, including the role of chair of Atmos Energy's Utility Marketing Council, a group responsible for corporate-wide market development policies. I am active in civic and community organizations and associations relating to the natural gas industry. I am immediate past-chairman of the Utilization Technology Development, NFP Corporation and previously served as chair of the Strategic Marketing Committee for the American Gas Association ("AGA").

A. (Mr. Bertotti) I am a 1994 graduate of the University of Tennessee, with a Bachelor of Science Degree in Mechanical Engineering. I have been employed by Atmos full-time since 1994. Currently, I am responsible for initiating, developing and maintaining relationships with Atmos' industrial and large volume commercial customers to promote business development and the continued use of the company's products and services that add value for those customers. I routinely conduct on-site visits to become and remain knowledgeable of customer operations.

Q.3. Have you ever testified before this Commission?

A. No.

Q.4. Have you testified on matters before other State regulatory Commissions?

A. (Mr. Smith) Yes, before the Kentucky Public Service Commission ("KPSC"), the Georgia Public Service Commission ("GPSC") and the Missouri Public Service Commission ("MPSC").

A. (Mr. Bertotti) No.

Q.5. Please briefly describe the matters on which you testified.

A. (Mr. Smith) Currently, I am participating in MPSC Docket GR-2006-0387, as witness regarding the Weather Normalization Adjustment ("WNA") mechanism in a comprehensive rate case for Atmos Energy's Missouri operations. In 2005, I participated in GPSC Docket No. 20298-U as witness regarding the WNA mechanism in a comprehensive rate case for Atmos Energy's Georgia operations. In Kentucky, I have served as witness in a number of Cases in recent years, including an extension of the Company's performance based ratemaking ("PBR") tariff (KPSC Case No. 2005-00321), an extension of the Company's WNA mechanism (KPSC Case No. 2005-00268), an extension of a demand-side management ("DSM") program (KPSC Case No. 2005-00515), in annual hedging plans (KPSC Case Nos. 2006-00177 and 2005-00175), and an extension of the margin loss recovery mechanism (KPSC Case No. 2003-00305).

In the Kentucky division's most recent comprehensive rate case (KPSC Case Number 1999-070), I served as the witness responsible for revenues and rate design. In 1997, I participated as a witness in a hearing on the matter of "Petitions of Western Kentucky Gas Company for Approval and Confidential Treatment of a Special Contract Submitted to the Kentucky Public Service Commission", KPSC Case Numbers 1996-096, 1996-113, 1996-185, 1996-278, 1996-295 and 1996-424.

PURPOSE OF TESTIMONY

Q.6. What is the purpose of your testimony in this proceeding?

A. The purpose of this testimony is to respond to the rate design proposals set forth in this case by the Intervention Group as outlined in testimony of Mr. Hal Novak. This testimony will be divided into several topics and will address Mr. Novak's various proposals concerning rate design and rate restructurings.

BERKLINE INDUSTRIES AND KOCH FOODS

Q.7. Are you familiar with the two customers that are identified as two of the members of the Intervention Group?

A. Yes. The two Atmos customers that that are members of the Intervention Group are Berkline Industries ("Berkline") and Koch Foods ("Koch Foods").[1] We have made internal queries regarding these accounts and Atmos' service of those accounts.

Q.8. Please describe the two customer accounts.

A. Berkline has a total of 13 sales accounts with Atmos, and one is currently qualified to receive transportation service. Koch Foods has two accounts, with one currently on interruptible transportation service and with the second account eligible for transportation service. This second account is a large firm sales account. We understand that Mr. Burton is the broker on the Koch Foods account which is currently on transportation service. While both customers have accounts eligible to transport, Berkline and Koch Foods have both chosen to keep purchasing sales gas service from Atmos for these eligible accounts.

Q.9. Prior to Berkline's and Koch Foods' participation in this docket, has anyone at Atmos ever received any complaints from either company regarding its current rate design?

A. No. Our sales representative visits with these customers regularly. We have checked, and we are aware of no complaints from either company regarding

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[1] Another "Member" of the Intervention Group is Earl Burton ("Mr. Burton"), who is not actually a customer of Atmos. Intervention Group's Resp. to Discovery Request No. 3. In this testimony we will refer to the Intervention Group to include Berkline, Koch Foods and Mr. Burton, and will occasionally refer to Berkline and Koch Foods separately as individual customers.

Atmos' current rate structure and how those rate structures currently apply to either Berkline or Koch Foods.

Q.10. In relation to Mr. Novak's testimony proposing that Atmos make 20% of its storage available to transportation customers (AIG-3), has the Company ever received requests from its transportations customers to make that storage available to them?

A. No, not in the manner suggested by Mr. Novak. We are aware of only a few inquiries from transportation customers regarding interstate pipeline storage for purposes of balancing, but none specifically requesting a storage service from the utility.

<u>THE RATE DESIGN PROPOSALS GENERALLY</u>

Q.11. Is Atmos opposed to a rate design restructuring in Tennessee?

A. No. Atmos takes seriously its obligations to serve its customers. We are aware of no internal indications (e.g., customer complaints, suggestions, or questions) that would indicate to the Company that its rate design is not serving the needs of the vast majority of its customers. However, if a rate design restructuring would better meet the needs of its customers, Atmos is open to it. In fact, Atmos included in the testimony of Patricia Childers several rate design changes that it believes clarifies and improves its current rates.[2] Prior to the convening of this case, Atmos had already discussed these rate design proposals with TRA Staff, and solicited input from Staff as to changes or revisions needed.

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[2] Direct Testimony of Patricia Childers at pp. 15-16.

That being said, Atmos believes that its customers are best protected by rate design restructuring which is based upon full information, and is done thoughtfully and responsibly. As the Intervention Group admits in its discovery, the revenue requirement of Atmos "approved by the TRA in this proceeding will be designed to produce the Company's total revenue requirement."[3] Therefore, changes that benefit one class of customers by decreasing bills will often be to the detriment of other classes of customers whose bills will see rate increases because the overall revenue requirement remains the same.

As a result, Atmos' commitment to its customers means that the Company moves forward with rate design changes that are thoughtful and deliberate and take into consideration all customers' interests.

Q.12. Based upon your review of Mr. Novak's testimony, do the Intervention Group's proposals meet that standard?

A. No. In response to Atmos' discovery, Mr. Novak has acknowledged that he had no prior communications with the two customers (Berkline and Koch Foods Foods) whose interests he has been retained to represent regarding the significant and wide-ranging changes he proposed to Atmos Energy's industrial and commercial tariffs.[4] Mr. Novak's testimony is not reliable because he did not conduct any analyses to support his proposals either by interviewing his own clients, or by conducting an objective cost of service study. Finally, even though the Consumer Advocate and Protection Division ("CAPD") apparently had an

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3 Intervention Group's Resp. to Discovery Request No. 22.

4 Intervention Group's Resp, to Discovery Request No. 19. This is also discussed in detail in Atmos' Motion in Limine to Exclude the Testimony of Hal Novak.

opportunity to review Mr. Novak's proposed changes in a pre-exchange of testimony, none of the numerous tariff changes were requested, endorsed or otherwise suggested by the CAPD, who has an equal responsibility to all Tennessee consumers of a public utilities (both industrial, commercial and residential, without discrimination).

Mr. Novak's disregard for the other Atmos customers is illustrated by his Transportation Storage Service (AIG-3). In that case, Mr. Novak is proposing to allot 20% of the available storage capacity to transportation customers. This storage service has historically been provided for the sole benefit of the residential, commercial and industrial sales customers that bear the cost of such storage through the Purchased Gas Adjustment ("PGA"). Despite proposing a dramatic shift of core service from sales customers to transporters, Mr. Novak offers no cost justification for such a change.

Q.13. Would Mr. Novak's proposals affect Berkline and Koch Foods Foods.

A. Some of them. Both Berkline and Koch Foods have accounts under Rate Schedules 220 and 230, and Koch Foods has one account under Rate Schedule 260 that is currently transporting. As Mr. Novak's proposals would have the practical effect of decreasing the rates on 220 and 230 for usage over 5,000 Ccf, and both Berkline and Koch Foods have firm accounts that would have volume on the second tiered reduced rate, these proposals would reduce their rate. However, this rate would benefit any customer who uses more than 5,000 Ccf in any one month.

It is hardly surprising that these two customers would ask that their rates be lowered. The interests of all customers, however, must be taken into account before arbitrarily awarding one customer a particular benefit that is at the expense of other customers.

Q.14. Does it appear that any of these proposals were intended to benefit Mr. Burton?

A. Yes. Much of Mr. Novak's testimony talks about encouraging competition. In discovery, the Intervention Group concedes that it is referring to encouraging competition with "Atmos Energy Marketing . . . from numerous smaller marketers."[5] Mr. Burton is just such a smaller marketer. Other examples of the benefits to Mr. Burton are discussed below.

THE COMPARISONS WITH CHATTANOOGA GAS AND NASHVILLE GAS

Q.15. Mr. Novak makes several statements regarding how his proposals are consistent with the rate design structures of Chattanooga Gas Company ("Chattanooga Gas") and Nashville Gas Company ("Nashville Gas"). Do you agree with Mr. Novak's statements?

A. No. There has been no cost of service study conducted by which to match or compare Chattanooga Gas' and Nashville Gas' cost of service against Atmos' cost of service. Rate design is not an across-the-board proposition that applies equally to gas companies. Putting that fundamental comparability problem aside, a review of the tariffs of Chattanooga Gas and Nashville Gas reveal that Mr. Novak's proposals are generally not consistent with the tariffs of those two

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[5] Intervention Group's Resp, to Discovery Request No. 26.

companies. Many of the differences between Mr. Novak's proposals and the existing tariffs for Chattanooga Gas and Nashville Gas are discussed below.

Q.16. Mr. Novak proposes to combine Atmos' Rate Schedules 220 and 230 and have a "2nd tier apply to all consumption greater than 5,000 Ccf per month, and the rate be reduced by 50% of the 1st tier rate." (AIG-1) Is this proposal consistent with the existing tariffs for Chattanooga Gas?

A. No. Mr. Novak states that he bases this proposal on Chattanooga Gas' C-1 Rate Schedule.[6] For Atmos, Mr. Novak proposed a two tier rate structure. The proposed second tier begins at 5,000 Ccf per month with a rate which is a 54% reduction from the first tier. Chattanooga Gas' tariff is nowhere close to that proposal. Chattanooga's C1 Rate Schedule actually has 4 tiers, and the customer must use 15,000 Ccf per month to achieve the 54% reduction. Looking only at percent reductions (with a Ccf being roughly equivalent to a Therm):

NOVAK'S PROPOSAL FOR ATMOS	CHATTANOOGA GAS' C-1 RATE[7]
First 5,000 Ccf Per Month <<xxxx>>	First 3,000 Therms Per Month <<xxx>>
Over 5,000 Ccf Per Month **<<xxxx>> minus 54%**	Next 2,000 Therms Per Month **<<xxx>> minus 8.7%**
	Next 10,000 Therms Per Month **<<xxx>> minus 11.1%**
	Over 15,000 Therms Per Month **<<xxx>> minus 54%**

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6 Rate Schedule C-1 is attached as **Exhibit A**.

7 This comparison uses the Winter rates on the C-1 tariff.

Even if Chattanooga Gas' rate tier was based on a cost of service study, there is no guarantee that Atmos' cost of service would be the same. In short, Mr. Novak fails to show that customers using more than 5,000 Ccf per month should receive a 54% discount.

Q.17. Mr. Novak proposes to combine Rate Schedules 240 and 250. (AIG-2) Is this consistent with Nashville Gas and Chattanooga Gas?

A. No. Both Nashville Gas and Chattanooga Gas have rate schedules that are structured similarly to Atmos' existing 240 and 250 Rate Schedules as shown on the following chart:

ATMOS CURRENT	CHATTANOOGA GAS CURRENT	NASHVILLE GAS CURRENT
Rate Schedule 240 Firm Demand/ Commodity Gas Service	**Rate Schedule I-1** Commercial and Industrial Large Volume Firm Sales Service[8]	**Rate Schedule No. 303** Large General Sales Service[9]
Rate Schedule 250 Commercial and Industrial Interruptible	**Rate Schedule L-1** Commercial and Industrial Interruptible[10]	**Rate Schedule No. 304** Interruptible General Sales Service[11]

Q.18. Mr. Novak's claims that his proposal for the Storage Transportation Option (AIG-3) is similar to a service offered by Chattanooga Gas and recently approved by the TRA. Is this consistent with your review of the Chattanooga Gas tariff?

A. No. There are significant and material differences between Mr. Novak's proposal and the experimental tariff used by Chattanooga Gas. The Chattanooga Gas storage service Rate Schedule SF-1 is called "Experimental Semi-firm Sales

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[8] Rate Schedule I-1 is attached as **Exhibit B**.
[9] Rate Schedule No. 303 is attached as **Exhibit C**.
[10] Rate Schedule L-1 is attached as **Exhibit D**.
[11] Rate Schedule No. 304 is attached as **Exhibit E**.

Service" ("SFSS").[12] First, Chattanooga Gas appears to have full control over the volume to be made available for bid each year. It is our understanding that this year, the second year of the experimental service offering, Chattanooga Gas determined that no storage volumes were available for bid. Last year, though some volumes were posted for availability by Chattanooga Gas, no volumes were awarded under the program. Despite these apparent differences, Mr. Novak's proposal calls for Atmos to post "approximately 20% of the total storage reserves and daily deliverability" each August 1 for the upcoming heating season.

A second, key difference is that Chattanooga Gas' storage service is clearly interruptible when those volumes are needed to supply Chattanooga Gas' firm rate payers, while pursuant to Mr. Novak's proposal, Atmos' service would be interruptible "only when alternate supplies cannot first be purchased by the Company." These are two very meaningful differences, and they are particularly troubling given Atmos' dependence on the full storage deliverability to serve peak sales demand.

Q.19. Mr. Novak proposes Firm Transportation tariff (Rate Schedule 265) with a minimum volume requirement of 25,000 Ccf per year. Is this similar to Chattanooga Gas' Low Volume Transport tariff (Rate Schedule T-3)?

A. No. For Atmos, Mr. Novak proposes a minimum volume of 25,000 Ccf per year to qualify for the firm transportation tariff. Chattanooga Gas' threshold to qualify for its firm transportation tariff is **730% higher** than Mr. Novak's proposal.

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[12] Rate Schedule SF-1 is attached as **Exhibit F**.

Under the T-3 Rate Schedule[13] Low Volume Transport tariff, the minimum volume is 50 dth's per day or 18,250 dth's per year. This is equivalent to 500 Ccf per day or 182,500 Ccf per year. Mr. Novak's proposed minimum of 25,000 Ccf per year is simply not comparable to Chattanooga Gas' tariff.

Q.20. Can the rate design and rate restructuring proposals of Mr. Novak be justified simply by citing to Chattanooga Gas' and Nashville Gas' current tariffs?

A. No. Mr. Novak's rate design proposals for Atmos have no comparability to the rate designs approved for the other gas suppliers in Tennessee. Moreover, and more importantly, Mr. Novak's proposals are made without regard to their potential impact on Atmos' other customers.

<u>THE STORAGE OPTION TARIFF (AIG-3)</u>

Q.21. We have already discussed several of the problems with AIG-3, Mr. Novak's Storage Option Tariff, which proposes to make 20% of the available storage capacity to transportation customers. Does Atmos believe it holds sufficient storage capacity to provide Mr. Novak's proposed "approximately 20% of [Atmos'] storage deliverability and capacity" to transportation customers?

A. No. Atmos reviews, each year, the balance between customer sales demand and the total supply assets held by the Company. Based upon these ongoing assessments, the full storage capacity held by the Company is necessary to serve the needs of residential, commercial and industrial sales customers.

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[13] Rate Schedule T-3 is attached as **<u>Exhibit G</u>**.

Q.22. What would be the impact of providing approximately 20% of the existing storage deliverability to transportation customers?

A. Atmos would need to add interstate pipeline capacity or storage service to make up these volumes. Otherwise, service reliability to core sales customers would be jeopardized. Costs of interstate pipeline capacity or storage services are borne fully by the sales customers through the Company's PGA mechanism. Therefore, either service reliability to core residential, commercial and industrial sales customers would be compromised, or their costs would rise.

Q.23. Mr. Novak states that the Storage Transportation Option would not compromise the reliability of service to other rate classes. Do you agree with that statement?

A. No. Apparently Mr. Novak suggests that the Company substitute volumes currently fulfilled through storage withdrawals with purchases on the open market during those times. Typically, securing supplies during those peak periods is at a high price, much higher than the cost of withdrawals from storage. Again, sales customers pay, in full, the demand charges associated with interstate pipeline capacity and storage.

Q.24. Mr. Novak claims that an exodus of many large commercial and industrial customers from bundled sales service to transportation service has left many storage assets "stranded". Is that true?

A. No. As stated previously, Atmos reviews its balance of supply and storage assets versus sales demand on an ongoing basis. Even if there has been a migration of former sales customers to transportation (a statement made by Mr. Novak, but not supported by evidence in discovery), the Company's review ensures that capacity contracts are adjusted to reflect the appropriate level to serve sales requirements.

Q.25. Do transportation customers have any other means to access storage?

A. Yes. Creditworthy transportation customers could either subscribe to interstate pipeline storage capacity themselves or work through a creditworthy agent with access to interstate pipeline storage. In effect, transporters can access these services without utilizing the interstate pipeline storage already under contract by Atmos Energy and needed by our sales customers.

Q.26. Are there any final comments you wish to offer regarding Mr. Novak's proposed Storage Transportation Option?

A. Mr. Novak's proposal would undermine our efforts to provide reliable service and stable gas costs to our core residential, commercial and industrial sales customers. Atmos' storage capacity is needed to fulfill the gas demand of sales customers, and any allocation of storage capacity to transporters would be imprudent. Transportation customers do not contribute toward the demand charges associated with interstate pipeline storage, and they do not have any inherent claim on the use of those assets. These same transporters, subject to creditworthiness, should be able to access storage service through their agents or directly from the upstream interstate pipelines.

Interestingly, Atmos is not aware of any inquiries from existing transportation customers seeking this type of service. Thus, we are uncertain of the motivation the Intervention Group may have in this matter, unless recently identified Intervention Group member Earl Burton is attempting to build an asset base through which he can better compete for business with Atmos transportation customers.

CONSOLIDATION OF RATE SCHEDULES 220 AND 230 (AIG-1)

Q.27. Mr. Novak has proposed to combine the Rate Schedules 220 and 230 into one with a tiered rate structure. Do you agree with Mr. Novak's testimony that seasonal charges for this tariff are necessary?

A. No. The primary support Mr. Novak offered for the proposed seasonal charges was that, in his experience, customers of this size expect lower gas bills in the summer. To the extent that such an expectation exists, the common sense rationale underlying it is that in the summer, with warmer weather, the customer uses less gas. A seasonal charge is not necessary to realize the customer's expectation because Customers of this size already experience lower gas bills in the summer due to lower monthly volumes (typically no gas used for space heating) and typically lower PGA rates in the summer months.

Q.28. Does Atmos' cost of service to these customers decrease in the summer months?

A. No. The cost of service remains steady through the summer. Therefore, there is no objective reason based on cost of service that the rate should decrease in the summer months.

CONSOLIDATION OF RATE SCHEDULE 240 AND 250 (AIG-2)

Q.29. Do you agree that the customers of the Atmos Intervention Group will benefit from Mr. Novak's proposal to combine the 240 and 250 Rate Schedule?

A. Without more information on Mr. Novak's proposal, it is difficult to ascertain what the impact of the rate proposal would be on any particular customer. Mr. Novak's testimony concerning the combining of the Rate Schedules 240 and 250 is confusing and very unclear. He proposes to combine both fixed and variable components into the monthly customer charge and reclassifies the customer charge as a "base use charge." It is unclear if this "base use charge" is a flat fee charged to all firm and interruptible customers, if it is multiplied by the billing demand volume each month, if both firm and interruptible customers have a billing demand, and if the interruptible customer could select their own volume of billing demand. Based on this lack of clarity in the proposal, it is impossible to tell if these changes would benefit either Berkline or Koch Foods.

Berkline has one account that would likely qualify for this newly proposed rate. That account is space heating sensitive and consumes the majority of its total gas volumes in the winter months. Typically, a customer with that load profile will not benefit from a rate schedule with a billing demand based on its peak winter day because that customer would have to pay that billing demand charge every month of the year, including summer months when they have comparatively little volume.

Koch Foods has one account that currently is served on Rate Schedule 230 firm sales service that would qualify for this proposed rate schedule and has a much flatter load profile. However, this account may be better served by switching to a firm transportation service.

Q.30. Would any of Atmos' customers that are currently on the 240 Rate Schedule benefit from the changes the Intervention Group has proposed?

A. Yes, the Intervention Group proposes lowering the demand charge from $1.6293 per Ccf unit of Billing Demand to $.30/Ccf per unit of billing demand. Every customer would benefit from and would want lower rates, but again this would shift costs to other classes of service. There is no objective basis to justify this cost shifting.

Q.31. How would customers currently served under Rate Schedule 250 be affected?

A. Mr. Novak testifies that these interruptible customers would and should pay a higher rate for service. There are three basic premises for Mr. Novak's argument, and each of them is incorrect.

First, he testifies that interruptible customers receive a higher value of service relative to other customers. Mr. Novak's premise is incorrect. Interruptible customers must purchase and maintain a back up fuel system and can have their gas service curtailed at any time with a minimum of 30 minutes notice from the Company. This is an added expense that is not required for the firm sales customers.

Second, Mr. Novak testifies that these customers are permitted to "swing" or move back and forth from the Company's sales and transportation rate schedules. The implications of this statement—that customers are switching back and forth between the schedules randomly and with ease—are incorrect. Customers who elect transportation service must remain on transportation service for a **<u>minimum of 12 months</u>**. To the extent these customers can, they can only "swing" once a year.

Finally, Mr. Novak testifies that interruptible customers are a higher credit risk than firm customers. This statement is incorrect and counter-intuitive. Interruptible sales customers pay an interruptible PGA, meaning that their monthly bills are lower than a firm sales customer of the same volume. Therefore, they are less of a credit risk.

Q.32. Why would you propose to keep both Rate Schedule 240 and Rate Schedule 250?

A. Keeping both rate schedules is not only in line with both Chattanooga and Nashville (see above at page 10), they also provide industrial customers with more choices which will allow them to find the service that will best meet their needs.

<u>REVISIONS TO 260 RATE SCHEDULE (AIG-4) AND PROPOSED 265 RATE SCHEDULE (AIG-5)</u>

Q.33. In his proposed Rate Schedule 260, Mr. Novak makes several suggestions to revise the Company's Transportation Tariff. Can you briefly describe these changes?

A. Mr. Novak proposes: balancing language "to align imbalance charges with the Company's actual costs"; mitigating penalty exposure for large customers if Atmos does not incur the costs; allowing large customers to pool and "designate an agent for balancing purposes"; and including the cost of telemetering in rate base, rather than paid for by the customer using it.

Q.34. Do you agree with Mr. Novak's proposed changes to the 260 Rate Schedule?

A. In concept, Atmos agrees with some, but certainly not all of Mr. Novak's proposed changes. Many of the proposed changes by Mr. Novak to Rate Schedule 260 have already been proposed by Atmos in its pre-filed testimony. In Ms. Childers' testimony, Atmos proposed new language to clarify the balancing provisions, which was a concern of Mr. Novak in his testimony. Atmos has also proposed a Pooling Service that is similar to Mr. Novak's proposal of allowing the transportation customer to designate an agent for balancing purposes.

Q.35. What points do you not agree with?

A. Under Mr. Novak's proposed pooling language, Atmos' cash out would be limited to either 120% of the highest weekly average index price or 80% of the lowest weekly average price dependent on whether the transportation customers imbalance was short or long. Atmos proposed language which would allow the cash out rate to be either 150% of the highest weekly index price or 50% of the lowest weekly index price. This language proposed by the company is necessary to mirror the most stringent pipeline language. These cash out rates proposed by Atmos are also similar to those of Nashville Gas and Chattanooga Gas.

Mr. Novak also proposes that the Company include the cost of telemetering in its rate base rather than charge the transportation customer. Atmos current practice charges the transportation customer the cost of telemetering. First, Mr. Novak's proposal is inequitable to the transportation customers who have already paid for telemetering. Second, by placing the telemetering costs in base rates, all other ratepayers are paying the costs for telemetering equipment which benefits only the transportation customers. Again, no basis has been provided to justify this cost shifting.

Finally, Mr. Novak proposes a revision to Atmos' penalty language that states: "If Customer can validate that a localized interstate pipeline restriction prohibited delivery of third party gas during a curtailment, and the Company incurred no penalties from the pipeline as a direct result of Customer's unauthorized usage of gas, then Company will agree to waive any penalties pursuant to this tariff." This proposal simply ignores the realities of the marketplace because the penalties from the pipeline are only one source of costs that the Company could incur as a result of the failure of the transportation customer to curtail usage. The Company takes steps every day through the use of storage, through managing nominations, and through purchasing gas on the spot market to avoid penalties from the pipeline. As a result, the company may incur costs that are not pipeline penalties to correct a situation caused by a transportation customer. Under Mr. Novak's proposal, these costs, which are real and incurred, could not be made up from the transportation customer that caused them. This proposal should be rejected.

Q.36. Are there any other differences to Atmos' proposal and the proposal made by Mr. Novak in his testimony?

A. Yes, Mr. Novak proposes that the transportation customers served under Rate Schedule 260 should pay a lower base rate than sales customers of Rate Schedule 250 pay. Atmos proposes to keep the base rate the same for sales and transportation service and Atmos proposes doing so by making Rate Schedule 260 a rider to the companion sales rate schedules.

Q.37. What are the benefits to lowering the base rate for transportation customers?

A. It appears that the largest benefit is for Mr. Burton. By lowering the base rate for transportation service, he has more of an incentive to switch Atmos' sales customers to transportation service.

Q.38. Has Atmos discussed these proposed changes to Rate Schedule 260 with the TRA staff?

A. Yes, Atmos met with the TRA Staff last fall to discuss the proposed changes to Rate Schedule 260.

Q.39. Do you agree with Mr. Novak's proposal to lower the threshold for firm transportation service from 100,000 Ccf annually to 25,000 Ccf per year?

A. No, in our experience in other states where Atmos has no threshold limits, we find that customers whose annual volume is less than 100,000 Ccf annually either have a hard time finding suppliers interested in serving them or find that the potential savings with transportation service do not outweigh the associated risks or associated costs to manage their gas supplies.

Q.40. Is this consistent with Mr. Novak's testimony?

A. No, Mr. Novak testifies there are a variety of risk management tools. However, we find that those risk management tools typically are not available to customers whose daily or monthly volumes do not meet a certain requirement.

Q. Does that conclude your rebuttal testimony?

A. Yes.

EXHIBIT

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RATE SCHEDULE C-1

Commercial and Industrial General Service

AVAILABILITY

Available to any commercial or industrial Customer for all purposes. Gas service under this rate schedule in excess of 1,000 THERM per day shall be, at the option of Chattanooga Gas Company (Company), by written contract for a term of one year or less providing for monthly payment of gas Service, and is subject to the Company's determination of available gas supply. Gas service under this schedule shall be through a single point of delivery and such gas shall not be resold, directly or indirectly.

MONTHLY BASE RATE	Winter Net Rate November-April	Summer Net Rate May-October
Customer Base Use Charge	\$20.00	\$15.00
Commodity Charge		
First 3,000 Therms Per Month	27.667¢ Per Therm	21.722¢ Per Therm
Next 2,000 Therms Per Month	25.253¢ Per Therm	17.244¢ Per Therm
Next 10,000 Therms Per Month	24.599¢ Per Therm	16.077¢ Per Therm
Over 15,000 Therms Per Month	12.727¢ Per Therm	12.727¢ Per Therm
Air -Conditioning Charge		
Flat Rate Per Month	----	4.560¢ Per Therm
Standby Service Demand Charge		
Rate Per Therm of Input Per Month	Demand Charge Applicable to I-1 Customers	Demand Charge Applicable to I-1 Customers

Standby Input shall be based upon individual Customer's applicable gas equipment rating in Therms

$$\frac{(BTU / Hour) \times 10 \text{ Hours}}{100{,}000 \text{ BTU}} = \text{Number of Therms}$$

Monthly billing in units of CCF, Dth or Therms may be based upon monthly or bi-monthly meter readings.

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates.

SUMMER AIR-CONDITIONING RATE

Available to any commercial or industrial Customer who has installed and regularly operates a separately metered gas-fired central air-conditioning system which meets Company's specifications. All provisions of the above rate schedule will apply except as specifically modified herein. The volume of gas used for summer air-conditioning purposes will be determined by metering equipment installed by the Company. In the event a single unit provides both heating and cooling, usage during the Summer (billing months of May through October) shall be deemed to be air-conditioning use for purposes hereof.

MINIMUM BILL

The minimum monthly bill shall be the Customer Base Use Charge plus the Standby Service Demand Charge, when applicable, as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

RATE SCHEDULE C-1(Continued)

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

STANDBY SERVICE

When gas service is being supplied for use as a Standby Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's standby energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Standby Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

The revenue realized from the Standby Service Demand Charge shall be credited to the demand component of the "Deferred Gas Cost" account in accordance with the Purchased Gas Adjustment Provision.

GAS LIGHT SERVICE

Where Customer has no other use of gas, a gas light may be installed solely at the option of the Company with such service to be provided on a non-metered basis. The monthly billing for such use shall be at the rate of 18 Therms for each light.

SPECIAL TERMS & CONDITIONS

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of (1.) $15.00 per Dth or (2.) the average index price on curtailment days plus $5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company.

These additional charges shall be in addition to all other charges payable under this Rate Schedule.

The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with TRA Administrative Rule 1220-4-7.

RATE SCHEDULE C-1(Continued)

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority.

Bills for gas service hereunder shall be subject to the provisions of the Weather Normalization Adjustment (WNA) Rider (Docket No. 91-01712) as approved by the Tennessee Regulatory Authority.

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Regulatory Authority

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Public Service Authority.

GENERAL TERMS AND CONDITIONS

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority.

EXHIBIT

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CHATTANOOGA GAS COMPANY
GAS TARIFF
TRA NO. 1

FIFTH REVISED SHEET NO.20

RATE SCHEDULE I-1

Commercial and Industrial Large Volume Firm Sales Service

RESTRICTED AVAILABILITY

This rate is available to those Customers actually taking service under Rate Schedule I-1 as of February 1, 1994. This rate will be available to additional Customers subsequent to February 1, 1994 only upon Chattanooga Gas Company (Company)'s ability to provide adequate gas supply to support the sale on terms and conditions which are satisfactory in the sole judgment of the Company subject to review by the Tennessee Regulatory Authority when such review is requested by a Customer. Once a qualified Customer elects service under this Rate Schedule, service will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. A new Customer beginning service after May 31 shall contract for a term extending through the following May 31. A Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule T-2 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice. A Customer receiving service under the I-1/T-2 Rates Schedules as of March 1, 2005 that fails to submit an executed contract will receive service under Rate Schedule I-1 through May 31, 2006.

AVAILABILITY

Available to any commercial or industrial Customer for all purposes under the following conditions:

1. Service shall be limited to Customers consistently using a minimum of 36,500 Dths annually at a daily rate of 100,000 cubic feet or 1,000 Therms or more.

2. The Company must have available to it a supply of natural gas adequate in the opinion of the Company to meet the Customer's requirements.

3. Customer must be on or adjacent to the Company's existing mains and the mains shall, in the Company's judgment, be adequate to serve the Customer's requirements without impairing service to other Customers.

4. The gas shall be sold through a single point of delivery and shall not be resold directly or indirectly, without the approval of the Company. The Company is not authorized to give its approval if the purpose is to have two plants under common ownership, or separate ownership purchase gas through one meter.

5. Service taken under this rate shall be by contract for a term of not less than 12 months.

MONTHLY BASE RATE	Net Rate
Customer Base Use Charge	$300.00
Demand Charge	
Per Unit of Billing Demand	$3.00 Per Dth
Commodity Charge	
First 1,500 Dths Per Month	$.8945 Per Dth
Next 2,500 Dths Per Month	$.7644 Per Dth
Next 11,000 Dths Per Month	$.4335 Per Dth
Over 15,000 Dths Per Month	$.2664 Per Dth

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates.

ISSUED: OCTOBER 11, 2004
ISSUED BY: STEVE LINDSEY, VP

EFFECTIVE: OCTOBER 1, 2004

RATE SCHEDULE I-1 (Continued)

MINIMUM BILL

The minimum monthly bill shall be the Customer's Base Use Charge as shown in the Monthly Base Rate stated above plus the amount of the individual Customer's Monthly Demand Charge and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

BILLING DEMAND

The billing demand shall be the greater of (a) or (b) below:

(a) The demand for the current month is always the highest demand day in any of the previous 11 billing months plus the current billing month - - bearing in mind that demand days are established only during the billing months of November, December, January, February and March

(b) The demand will be 65% of the average daily consumption for the preceding months of April through October.

Whenever a Customer commences taking service under this rate between April 1, and October 31 of any year, the billing demand for each billing month prior to the November billing shall be 6% of the monthly consumption in each such month. Commencing with the billing month of November, the billing demand shall be determined either under (a) or (b) above.

DETERMINATION OF DEMAND DAY

The demand day shall be determined at the option of the Company by one of the following methods:

1. By measuring the maximum volume of gas taken by the Customer in any one day through the use of volume and pressure recording and measuring equipment installed by the Company.

2. When gas is delivered to a Customer through a positive displacement meter without the use of daily recording and measuring equipment, the maximum volume of gas taken in any one day during the billing month shall be 6% of the total volume of gas used by the Customer during such billing month.

The Company retains the option of installing recording and measuring equipment to determine the maximum volume of gas taken in any one day on the meter of any Customer purchasing gas service under this Rate Schedule.

DATA COLLECTION EQUIPMENT

Customers provided service under this Rate Schedule shall be required to pay for the cost and installation of the Data Collection equipment (includes applicable income taxes). The Customer may elect to have the Data Collection equipment, other than the meter, installed by a qualified third party in accordance with the Company's specification. The meter installation and the connection of the data collections equipment to the meter shall be performed by the Company. All Customers shall also be required to pay the cost of any power, telephone lines, or wireless facilities necessary for the operation of such equipment.

RATE SCHEDULE I-1 (Continued)

SPECIAL TERMS AND CONDITIONS

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of (1.) $15.00 per Dth or (2.) the average daily index on curtailment days plus $5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule. The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with TRA Administrative Rule 1220-4-7.

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority.

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Regulatory Authority.

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority.

GENERAL TERMS AND CONDITIONS

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority.

RATE SCHEDULE NO. 303
Large General Sales Service

AVAILABILITY

Gas service under this Rate Schedule is available in the area served by the Company in the State of Tennessee to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of December was in excess of 500 therms per day. Availability under this Rate Schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule based upon reasonably anticipated usage by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under the Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No.313 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE

Customer Charge (per month)	\$300.00
Demand Charge (per therm of billing demand)	\$.8000
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	\$.09742
2nd Step (15,001-40,000 therms)	\$.08953
3rd Step (40,001-90,000 therms)	\$.06450
4th Step (Over 90,000 therms)	\$.02764

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the customer charge plus the monthly demand charge.

MONTHLY CUSTOMER CHARGE

A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge

BILLING DEMAND

The billing demand shall be determined as follows:

A Customer's billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 of the previous winter period as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the Customer's billing demand determinant will become effective June 1 of each year. The per unit demand charge may be adjusted from time to time to reflect rate changes, including, but not limited to, a general change in system rates or a change in pipeline capacity charges billed to the Company.

For Customers commencing initial gas service under this Rate Schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinant shall be the greater of: 1) the month of highest consumption for the period to date multiplied by six percent (6%), or 2) 500 therms. If a Customer has received gas service from the Company prior to receiving service under this rate schedule, but does not have daily telemetered records to determine peak day usage as described above, the Company shall determine a billing demand based upon the highest monthly level of consumption during the previous winter period multiplied by six percent (6%).

SERVICE AGREEMENTS
All Customers purchasing gas under this Rate Schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS
All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE
In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $20.00.

ADJUSTMENTS
Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY
All requests for new or additional service or the transfer of existing service to a higher priority end use will be considered based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT
Gas service under this schedule is subject to the provisions contained within TRA Rate Schedule No.306, "Schedule for Limiting and Curtailing Service".

EXHIBIT
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CHATTANOOGA GAS COMPANY
GAS TARIFF
TRA NO. 1

SIXTH REVISED SHEET NO.25

RATE SCHEDULE L-1

Commercial and Industrial Interruptible Sales Service

AVAILABILITY

Gas sales service available on an interruptible basis to large volume Customers provided Chattanooga Gas Company (Company) has interruptible gas delivery capacity in excess of the then existing requirements of other Customers, and further subject to the following conditions:

1. Service shall be limited to Customers consistently using on an annual basis, an interruptible minimum daily volume of 100 Dths. A Customer may also qualify for this rate schedule on a summer seasonal basis (May-October) provided the daily usage during this period consistently meets or exceeds 100 Dths.

2. The Company must have available to it a supply of natural gas adequate in the opinion of the Company to meet the Customer's requirements, and further provided the Customer's use under this rate shall not work a hardship on any other rate payers of the Company, nor adversely affect any other class of the Company's Customers. Further provided the Customer's use under this rate shall not adversely affect the Company's gas purchase plans and/or effective utilization of the daily demands under the Company's gas purchase contracts with its suppliers subject to review by the Tennessee Regulatory Authority when such review is requested by a Customer.

3. Customer must be on or adjacent to the Company's existing mains and the mains shall, in the Company's judgment, be adequate to serve the Customer's requirements without impairing service to other Customers unless the Customer pays all cost (including applicable Income Tax) to provide required facilities

4. The gas shall be sold through a single point of delivery and shall not be resold directly or indirectly without the approval of the Company. The Company is not authorized to give its approval if the purpose is to have two plants under common ownership, or separate ownership purchase gas through one meter.

5. Service taken under this rate shall be by contract for a term of one year. Once a qualified Customer elects service under this Rate Schedule, all service will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. A new Customer beginning service after May 31 shall contract for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule SS-1 concurrent with this Rate Schedule. A Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule T-1 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice. A Customer receiving service under the I-1/ T-2 Rates Schedules as of March 1, 2005 that fails to submit an executed contract will receive service under Rate Schedule I-1 through May 31, 2006.

ISSUED: OCTOBER 11, 2004
ISSUED BY: STEVE LINDSEY, VP

EFFECTIVE: OCTOBER 1, 2004

RATE SCHEDULE L-1 (Continued)

6. Customer agrees to install and maintain in usable condition standby fuel burning facilities to enable Customer, in the event of a curtailment of gas, to continue operations on standby fuel, or to give satisfactory evidence of his ability and willingness to have the delivery of gas hereunder interrupted or curtailed by the Company in accordance with the special terms and conditions as hereinafter set forth.

MONTHLY BASE RATE	Net Rate
Customer Base Use Charge	$300.00
Commodity Charge	
First 1,500 Dths Per Month	$.8945 Per Dth
Next 2,500 Dths Per Month	$.7644 Per Dth
Next 11,000 Dths Per Month	$.4335 Per Dth
Over 15,000 Dths Per Month	$.2664 Per Dth

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates.

.AUTHORIZED INCREMENTAL RATE

When the Company determines that volumes of gas are available to be purchased and transported to Customers under this Rate Schedule, then the Company shall, at it's option, be authorized to charge the incremental rate in lieu of the published PGA rate for L-1 Customers for such volumes distributed to those Customers who have been offered and who have agreed to pay such incremental rate in lieu of having their gas service curtailed. On days when gas is not being withdrawn from the Company's Liquid Natural Gas (LNG) facility for system supply, the incremental rate shall be the applicable index rate plus the variable pipeline charges. On those days when gas is being withdrawn from the LNG facility, the incremental rate will be increased to reflect the cost of gas used in the liquefaction and vaporization process.

MINIMUM BILL

The minimum bill shall be the Customer Base Use Charge as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority.

RATE SCHEDULE L-1 (Continued)

INTERRUPTIBLE AND FIRM SERVICE

Should any Customer qualified to purchase interruptible gas under all the availability provisions quoted above desire to purchase firm gas under Rate Schedule " C-1" or " I-1" plus interruptible gas under this Rate Schedule " L-1" , said Customer may do so through a single meter installation under the following conditions:

1. The Company and the Customer must agree as to the maximum volume of firm gas to be delivered in any one day under Rate Schedule "C-1" or I-1".

2. The volume of gas to be billed at the interruptible rate will be the total of the deliveries on each day of the billing month in excess of the agreed volumes for Rate Schedule "C-1" or I-1".

3. The Customer's requirement for interruptible gas must not be consistently less than a minimum daily volume of 100 Dths on an annual or summer seasonal basis (May-October) above and beyond the purchase of firm gas.

DATA COLLECTION EQUIPMENT

Customers provided service under this Rate Schedule shall be required to pay for the cost and installation of the Data Collection equipment (includes applicable income taxes). The Customer may elect to have the Data Collection equipment, other than the meter, installed by a qualified third party in accordance with the Company's specification. The meter installation and the connection of the data collections equipment to the meter shall be performed by the Company. All Customers shall also be required to pay the installation and monthly cost of any power, telephone lines or wireless facilities necessary for the operation of such equipment.

SPECIAL TERMS AND CONDITIONS

The Company will allocate gas available for delivery under this Tariff as equitably as possible among affected Customers giving effect to those similarly situated and in so doing may always give recognition to both its own curtailment plan and those curtailment plans and requirement indexes of its pipeline suppliers to the end that available gas may reach the highest priority of service as determined from time to time by appropriate State and Federal regulatory authorities.

This schedule is subject to interruption on one-half-hour's notice given by the Company by telephone or otherwise. The Company will curtail interruptible gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules and to prevent Customers being served under other rate schedules being adversely affected as the result of gas being delivered under this rate schedule at a price that is below current costs.

Customer shall immediately discontinue the use of interruptible gas service, to the extent of curtailment ordered, when and as directed by the Company; and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises. Upon determination by the Company that the necessity for curtailment has ceased the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified.

RATE SCHEDULE L-1 (Continued)

SPECIAL TERMS AND CONDITIONS (Continued)

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of (1.)$15.00 per Dth or (2.)the average daily index on curtailment days plus $5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company.

These additional charges shall be in addition to all other charges payable under this Rate Schedule. The payment of a charge for unauthorized over-run shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment to considered as a substitute for any other remedies available to Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

The curtailment of interruptible gas deliveries in whole or in part under this schedule shall not be the basis for claims against the Company for any damages sustained by the Customers. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with TRA Administrative Rule 1220-4-7.

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority.

GENERAL TERMS AND CONDITIONS

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority.

EXHIBIT

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RATE SCHEDULE NO. 304
Interruptible General Sales Service

AVAILABILITY

Gas service under this rate schedule is available in the area served by the Company in the State of Tennessee **ON AN INTERRUPTIBLE BASIS** to any full requirements non-residential Customer whose usage during any month of the 12-month period ended the 31st day of December was in excess of 500 therms per day. Availability under this rate schedule for new Customers will be based on reasonably anticipated usage. An existing Customer may also qualify for service under this Rate Schedule by adding incremental load either by the installation of additional equipment or by increasing hours of operation. Service under this Rate Schedule is contingent upon the installation by the Company of telemetering equipment that reports daily consumption.

Once a qualified Customer elects service under this Rate Schedule, all services will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule 309 concurrent with service provided under this Rate Schedule. Subject to the requirements set forth above, a Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule No.314 by giving written notice to the Company prior to April 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

Customers purchasing gas pursuant to this schedule shall maintain, in useable condition, alternate-fuel facilities with ample on-site alternate fuel capability for supplying 100% of the establishment's gas requirements during periods of gas interruption or curtailment. Such interruption or curtailment shall be immediately effective upon verbal or written notification by the Company, and Customer shall refrain from using gas until permitted to do so by the Company. It is understood and agreed that the Company will have the right to suspend gas service without further notice to the Customer in the event Customer fails to curtail Customer's use of gas in accordance with the Company's notice of curtailment.

Reclassification of customers between rate schedules will be based upon procedures set forth in the Company's Service Regulations as approved by the Tennessee Regulatory Authority.

MARGIN RATE

Customer Charge (per month)	$300.00
Commodity Charge (per therm)	
1st Step (0-15,000 therms)	$.09742
2nd Step (15,001-40,000 therms)	$.08953
3rd Step (40,001-90,000 therms)	$.06450
4th Step (Over 90,000 therms)	$.02764

MONTHLY MINIMUM BILL
The minimum monthly bill shall be the Customer Charge.

MONTHLY CUSTOMER CHARGE
A charge will be billed monthly to all Customers for the availability of gas service. This charge will be in addition to the commodity charge for gas delivered. The Customer Charge will be billed from the date of initial service until service is terminated at the Customer's request.

SERVICE AGREEMENTS
All Customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS
All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE
In the event a Customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the Customer will be assessed a charge of $20.00.

ADJUSTMENTS
Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY
All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, Customer's load factor or use pattern, end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT
Gas service under this schedule is subject to the provisions contained within TRA Schedule No. 306, "Schedule for Limiting and Curtailing Service".

RATE SCHEDULE SF-1

Experimental Semi-Firm Sales Service (SFSS)

AVAILABILITY

This Rate Schedule is a bundled sales service available to those Customers served under Chattanooga Gas Company's Interruptible Rate Schedule L-1, Interruptible Transportation Rate Schedule T-1, and/or Interruptible Transportation with Firm Supply Backup T-2, to assist such Customers with mitigating the volatility of gas costs by providing the option of using storage volumes when such volumes can be made available by the Company with no detriment to the Company's firm ratepayers.

Service under this Rate Schedule will be awarded to winning bidders for November 1 of the current year through March 31 of the following year (Heating Season). Service provided under this Rate Schedule may be interrupted on any given day contingent on the Company's ability to provide service to the Company's firm rate payers.

TITLE to GAS

All Gas dedicated to SFSS annually shall remain the property of the Company. Title to said dedicated Gas shall pass from the Company to the Customer when Gas is delivered to the Customer pursuant to the terms of this Rate Schedule.

AVAILABLE VOLUMES

On August 1 of each year the Company will post the total Deliverability and Reserved Volumes that will be made available to eligible Customers under this Rate Schedule for the upcoming Heating Season. In addition the Company will post acceptable minimum seasonal Deliverability and Reservation Rates that would be acceptable to the Company as well as the commodity rate that will be applied to the total aggregate Reserved Volumes upon delivery. Customers eligible to receive service under SFSS may submit bids to the Company on or before August 20. Bids must include the following: Customer's desired Maximum Daily Deliverability; the dollar value the Customer places on the requested Maximum Daily Deliverability Volume in the form of a monthly unit Maximum Daily Deliverability Rate; Customer's desired total Reserved Volume; and the dollar value the Customer places on the requested Reserved Volume during the Heating Season in the form of a monthly unit Reservation Rate On or before August 25 the Company will evaluate all bids and award the reserved Daily Deliverability and Reserved Volumes to the bid(s) generating the highest Net Present Value (NPV). However, in no event may a Customer's total Reserved Volume exceed the Customer's average daily usage during the previous twelve months times 30 days nor the Customers Daily Deliverability exceed the Customer's highest demand day during the previous Heating Season. If an L-1 Customer nominates SFSS service for a given day and fails to burn such amount, then such volumes will be carried over to the subsequent day.

If two or more bids generate the same NPV and the requested volumes exceed the total Daily Deliverability or total Reserved Volume available for use under this Rate Schedule, the Daily Deliverability will be allocated to the winning bidders on a pro rata basis. On or before August 31 the winning bidders shall enter into a contract to purchase from the Company the requested and/or allocated Reserved Volume.

DELIVERABILITY

Service provided under this Rate Schedule on a daily basis is limited to the total remaining capacity of the Company after firm requirements are satisfied. In the event of a curtailment SFSS supply must be nominated and will be delivered as long as the Company's firm requirements are satisfied. If on any day, the Company is unable to meet the total SFSS nominations because the demand for Gas to be delivered under this Rate Schedule exceeds the Company's ability to deliver Gas using the Company's existing capacity, nominations will be confirmed based on the highest unit rate bid for the monthly Deliverability Rate. In the event multiple bids are the same the volumes will be reduced prorate. In no event will a Customer's cumulative receipt of Gas under this Rate Schedule exceed the Customer's total Reserved Volume for the Heating Season

RATE SCHEDULE SF-1(Continued)

RATES

These rates are in addition to the rates applicable to the Customer under Rate Schedules L-1, T-1 and or T-2. The following charges shall be billed monthly during the Heating Season:

(a) Maximum Deliverability Rate - A charge per Dth applied to the Maximum Daily Deliverability that the Customer bid and the Company accepted.

(b) Reservation Rate - A charge per Dth applied to the Reserved Volume that the Customer bid and the Company accepted.

(c) Supplier Demand Rate – A charge per Dth for volumes delivered under this Rate Schedule during the preceding month. The purpose of this charge is to recover a proportional share of the fixed costs associated with the storage service(s) provided by the interstate pipeline company(ies') underlying this service. The charge shall be the total annual fixed costs divided by the total daily deliverability from storage divided by 151 days. All revenue collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Demand Cost under the Purchased Gas Adjustment provision of the Company's tariff.

(d) Supplier Volumetric Rate – A charge per Dth for volumes delivered under this Rate Schedule during the preceding month. The purpose of this charge is to recover the total variable interstate pipeline costs associated with providing this service, including but not limited to the FT volumetric charge, storage injection and withdrawal charges and any and all associated fuel and surcharges. Revenues collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Commodity cost under the Purchased Gas Adjustment provision of the Company's tariff.

(e) Commodity Rate – A rate per Dth for Gas delivered under this Rate Schedule during the preceding month. The rate to be applied to the Reservation Volumes will be posted on August 1 of any given year. Revenues collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Commodity cost under the Purchased Gas Adjustment provision of the Company's tariff.

(f) Carrying Cost - The monthly cost for retaining the Reserved Volumes contracted by Customer. The amount charged shall be billed monthly for the preceding months remaining reserved volumes multiplied by the Company's pretax authorized rate of return.

Payment for the Maximum Daily Deliverability Charge and the Reservation Charge shall be in five equal monthly payments due on the first of the month beginning November 1. All other charges shall be due upon presentation. Payments received after the due date shall be for an amount which shall be greater by five percent (5%) than the net billing.

RATE SCHEDULE SF-1 (Continued)

NOTIFICATION BY CUSTOMERS

Qualifying Customers that have been approved for SFSS volumes will notify the Company by fax or e-mail by 12:00 Noon prior to the effective Gas Day that they desire to use volumes available under this Rate Schedule. Customers will be notified via e-mail or fax when demand for gas volumes under this Rate Schedule are terminated or allocated due to deliverability limitations pursuant to the availability provisions of this Rate Schedule. Provision of Gas under this Rate Schedule will automatically end when the Customer has utilized the Customer's Reserved Volume for the applicable Heating Season.

VOLUME REMAINING AT MARCH 31

If a Customer does not utilize the Customer's total Reserved Volume awarded by the Company, the remaining volume as of April 1 will be transferred to the Company's system inventory.

EXHIBIT 6

RATE SCHEDULE T-3
Low Volume Transport

TRANSPORTATION SERVICE AGREEMENT

Transportation Service provided hereunder shall be an annual service under a Transportation Service Agreement on an individual Customer basis.

AVAILABILITY

Available to commercial or industrial Customer consistently using on an annual basis, a minimal daily volume of 50 Dths or 18,250 Dths annually. Service taken under this rate shall be by contract for a term of one year. Once a qualified Customer elects service under this Rate Schedule, all service will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. A new Customer beginning service after May 31 shall contract for a term extending through the following May 31. A Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule C-1 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

MONTHLY BASE RATE	Winter Net Rate* November-April	Summer Net Rate* May-October
Customer Base Use Charge	$20.00	$15.00
Commodity Charge		
First 3,000 Therms Per Month	27.667¢ Per Therm	21.722¢ Per Therm
Next 2,000 Therms Per Month	25.253¢ Per Therm	17.244¢ Per Therm
Next 10,000 Therms Per Month	24.599¢ Per Therm	16.077¢ Per Therm
Over 15,000 Therms Per Month	12.727¢ Per Therm	12.727¢ Per Therm

The Purchased Gas Adjustment computed in accordance with TRA Administrative Rule 1220-4-7 shall not apply. Other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates.

* Company's Transportation Service Rate is in addition to all other applicable Pipeline Transportation Rates and Charges.

MINIMUM BILL

The minimum monthly bill shall be the Customer Base Use as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

DATA COLLECTION EQUIPMENT

Customers provided service under this Rate Schedule shall be required to pay for the cost and installation of the Data Collection equipment (includes applicable income taxes). The Customer may elect to have the Data Collection equipment, other than the meter, installed by a qualified third party in accordance with the Company's specification. The meter installation and the connection of the data collections equipment to the meter shall be performed by the Company.

RATE SCHEDULE T-3 (Continued)

All Customers shall also be required to pay the cost of any power, telephone lines, or wireless facilities necessary for the operation of such equipment.

SPECIAL TERMS & CONDITIONS

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of (1.) the rate of $15.00 per Dth or (2.) the average daily index on curtailment days plus $5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company.

These additional charges shall be in addition to all other charges payable under this Rate Schedule.

The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with TRA Administrative Rule 1220-4-7.

CASH OUT OF MONTHLY IMBALANCES

Any difference between the quantities delivered to the Company's city gate facilities for the account of the Customer for the month, and the quantities consumed by the Customer as metered for the month, shall be the monthly imbalance. This imbalance shall be resolved monthly by "cashing out" the imbalance as it is known at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency and will buy an amount of gas equal to the deficiency from the Company. The Customer shall pay a price equal to the highest Daily Index Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction plus the 100% load factor FT transportation rate, applicable surcharges and fuel on the relevant pipeline times the premium percentage corresponding to the percentage of the deficiency listed in the table below plus the 100% load factor FT transportation rate. If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus by paying the Customer a price equal to the lowest Daily Index Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction, applicable surcharges and fuel on the relevant pipeline times the discount percentage corresponding to the percentage of the deficiency listed in the table below plus the 100% load factor FT transportation rate:

Percentage of the Imbalance	Short Premium	Long Discount
Equal to or less than 10%	100%	100%
Over 10% & equal to or less than 15%	120%	80%
Over 15% & equal to or less than 20%	140%	60%
Over 20%	150%	50%

RATE SCHEDULE T-3 (Continued)

The Daily Index Cost of Gas shall be derived from the prices published in *Gas Daily* in the Daily Price Survey.

Southern Natural , La	X	37%
	+	
Tennessee, zone 0	X	15%
	+	
Tennessee, La, 500 Leg	X	24%
	+	
Tennessee, La, 800 Leg	X	24%

The Company will collect gross receipt tax on the incremental gross gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index prices defined above will be accounted for in the Actual Cost Adjustment in a manner consistent with TRA Administrative Rule 1220-4-7. Increments or decrements which may result for the PGA will not apply to the cash-out mechanism.

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Public Service Authority.

GENERAL TERMS AND CONDITIONS

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority