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February 2, 2006

Chairman Ron Jones
c/o Sharla Dillon, Dockets Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37343-00505

Ref.: Docket No. 0600026, Petition of Chattanooga Gas Company for a Temporary Modification to the Procedure for Calculating the IMCR Refund Credit.

Dear Chairman Jones:

Tennessee Energy Consultants is an energy consulting company located in Chattanooga Tennessee responsible for managing gas costs for over 20 large commercial and industrial clients served by Chattanooga Gas Company who have been adversely impacted by higher natural gas costs.

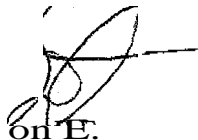
In Chattanooga Gas Company's most recent rate case, Chattanooga Gas Company (Chattanooga) introduced a new rate offering that would potentially provide large gas users in Chattanooga natural gas storage benefits. The rate, SF-1, Semi-Firm Service Rate, would allow industrial customers the opportunity to bid annually for the option to use small volumes of incremental storage that the Company would make available for the industrial classes served by Chattanooga Gas Company. Unfortunately, when the offering was made prior to August 1, 2005, we felt the Company overpriced the minimum bid requirements of this rate, subsequently, no industrial users submitted a bid and were unable to use the rate for mitigating price risks. If the offering would have been made consistent with our understanding in rate negotiations, my clients would have saved thousands in energy costs this year through the application of this rate tariff.

Given the current volatility of the natural gas, and the amount of non jurisdictional revenues earned by the Company in 2005, it is obvious that utility asset managers will be able to earn more and more non jurisdictional revenues from the use of the Company's assets. However, we would also contend that when the value of these assets are diverted for non jurisdictional customers, Chattanooga customers may be the losers since 50% of this value is lost in the IMCR sharing formula. Where conversely, 100% of the asset value allocated to be used in the SF-1 Semi-Firm Service rate would flow to ratepayers. Therefore, as we experienced with the above rate offering, the Company and affiliate manager have incentive to overprice the above SF-1 offering, and divert the value of assets to non jurisdictional customers.

The value of Chattanooga's assets should flow to the customers who pay the costs of these assets, and Chattanooga industrial customers make a significant contribution to base rates. Of course, we would agree that a majority of the value should flow to firm customers, however, there is an indirect benefit to all ratepayers since large gas users provide jobs and services to the Chattanooga community, and lower gas costs will generally be beneficial to the economic health of the entire Chattanooga community.

We believe there is merit in an incentive for the Company and managing affiliate to earn additional revenues, and certainly support this endeavor only when this can be realized without compromising value to the Company's ratepayers. However, we have concerns that the current asset management and sharing arrangement divert value from the Company's ratepayers and result in higher natural gas costs to all rate classes.

We respectfully make a motion for the Tennessee Regulatory Authority not to approve the Company's IMCR petition at this time until we have had opportunity to provide a more comprehensive response to the Company's petition.



Earl B. Bon E.

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Energy Consultant for Industrial Gas Users

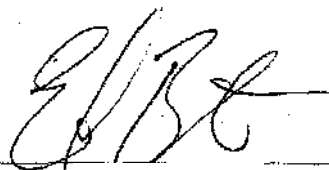
CERTIFICATE OF SERVICE

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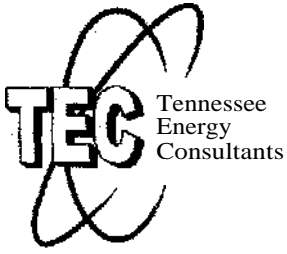
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On this 3rd day of February, 2006



Earl Burton P.E.



Tennessee Energy Consulting

Facsimile Cover Sheet

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Date: February 2, 2006
Pages including this cover
page:

Comments: Sharla, I will overnight a hard copy to you at the address on the letter. Thanks, **Earl.**

