

# FARMER & LUNA

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May 31, 2007

## VIA HAND DELIVERY

Chairman Sara Kyle  
c/o Sharla Dillon, Dockets Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-00505

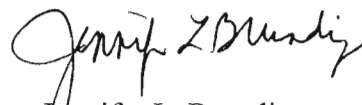
Re: Petition of Chattanooga Gas for Approval of Adjustment of its Rates and  
Charges, Comprehensive Rate Design Proposal, and Revised Tariff,  
Docket No. 06-00175

Dear Chairman Kyle:

In accordance with Paragraph 18 of the Settlement Agreement in the above referenced matter, Chattanooga Gas Company ("CGC" or "Company") is filing the enclosed tariff revision to establish a balancing pool for CGC's transportation customers to become effective on July 1, 2007. CGC provided the Chattanooga Manufacturers Association with a copy of the proposed tariff revision on March 30, 2007.

I have enclosed an original and thirteen (13) copies of the tariff revision. Please do not hesitate to contact me if you have any questions or if I can be of further assistance.

Sincerely yours,



Jennifer L. Brundige

Enclosures

cc: Elizabeth Wade, Esq.  
Archie Hickerson  
Certificate of Service List

## **RATE SCHEDULE TPS**

### **APPLICABILITY**

The provisions of this Rate Schedule shall apply to brokers, marketers, and Customers intending to act as their own gas supplier, and other third party suppliers (collectively "Third Party Suppliers" or "TPS") of natural gas that wish to either act as agents for Transportation Customers or deliver natural gas supplies to Company's City Gate for Transportation Customers. TPS wishing to sell and/or deliver gas on the Company's system will be required to provide a shipper agreement executed by each Customer they will serve on the Company's system. A Customer may designate no more than one TPS each month.

### **NOMINATIONS FOR SERVICE**

Daily, a TPS shall provide the Company the day prior to delivery by at least 12:30PM Eastern Standard Time an estimate of its deliveries ("nomination") via the Company's Electronic Bulletin Board (EBB) to meet each of their Customers' daily requirements. The TPS shall use its best efforts to match their daily nominations to requirements for the Customers it serves. Failure to provide nominations may result in suspension of service to Customers of the offending TPS. Failure to comply with the Company's nominating procedures may result in curtailment of third party gas deliveries or additional monthly cash-outs to their Customers. The Company reserves the right to require daily balancing, and shall have the right to curtail service to ensure deliveries on a uniform basis and to correct any imbalances. The Company will provide the TPS in all instances with notice that daily balancing will be imposed by posting such daily balancing alerts to its EBB. It shall be the responsibility of the TPS to notify its customers of the alert and the supply available to each facility served by the TPS.

In making Nominations the TPS shall provide the following:

- (1) The Customer for whom the nomination is being made.
- (2) The pipeline company and the pipeline transportation contract identifiers under which gas deliveries will be made to the Company's distribution system.
- (3) The daily quantity of gas, expressed in MMBTU (Dekatherms), to be tendered at each receipt point.
- (4) Maintain connectivity to the Company's EBB at all times in order to receive communication from Company at any and all times.
- (5) The name, address, and telephone number of a contact person that is available to receive communication from Company at any and all times and upon whose written and oral communications Company may exclusively rely.
- (6) Any additional information as may be required by the Company in order to perform its functions as a Delivery Point Operator on the pipeline transportation system.

If Customer's TPS fails to comply with provisions 1 through 6 above, Company may not schedule the commencement of service or allow the TPS's Customers to participate in Monthly Imbalance Trading.

### **INDEMNIFICATION**

As between the Company and TPS, TPS warrants that it has clear title to any gas delivered into the Company's system, and TPS shall be deemed to be in exclusive control and possession of gas prior to its delivery into the Company's system for redelivery to Customer. TPS agrees to indemnify, defend and hold harmless Company from any and all claims, suits or damage actions arising out of deliveries on behalf of a transporting Customer.

### **DAILY AND MONTHLY CONTRACT BALANCING**

All TPS customers will automatically be placed in a non-discriminatory monthly balancing pool. The Company will aggregate the deliveries and receipts of gas of all TPS Customers participating in the pool for the purpose of determining whether imbalance premiums as set forth in the applicable Rate Schedule will apply. In the event that charges are nonetheless assessed to certain TPSs, such charges will be no greater than the charges that otherwise would have been assessed if the Company did not have a monthly balancing pool.

#### **a) Daily Balancing**

The Company reserves the right to require daily balancing on any day in which the Company, in the exercise of its reasonable judgment, determines that such balancing is necessary for operational reasons.

**RATE SCHEDULE TPS (continued)**

The Company will provide the TPS in all instances notice that daily balancing will be imposed. It is the responsibility of the TPS to notify its Customers that daily balancing is in effect or that the Customer must comply with a curtailment order as directed by the Company.

In the event that daily balancing is imposed in accordance with this section, TPSs shall be required to notify their Customers that daily balancing is in effect, and that if a Customer takes daily gas deliveries in excess of their Customers' daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event any of TPS's Customers do 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 volumes shall be deemed unauthorized use or over-run gas ("over-run gas") and shall be paid for by the Customer at a rate in accordance the applicable provisions of the Rate Schedule under which the Customer is receiving service. These charges shall be in addition to all other charges payable by the Customer under the Rate Schedule under which service is provided. The payment of a charge for over-run gas shall not under any circumstances be considered as giving any such TPS Customer the right to take over-run gas, nor shall such payment be considered as a substitute for any other remedies available to Company against the TPS Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

**\*\*The Company may suspend over delivery charges if it determines such over deliveries would be beneficial to the systems operation.**

The Company shall, within the existing limitations of its system, provide for balancing between gas requirements and actual gas deliveries, net of an adjustment for Company Use and Unaccounted for Gas, received by the Company for the account of the Customers served by the TPS that day. The Company shall not be obligated to provide gas service during an hourly, daily or monthly period in excess of the levels specified in the Rate Schedules under which Customers are served.

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.

**b) Monthly Imbalance Trading**

Any difference between the quantities delivered to the Company's city gate facilities for the account of a TPS Customer for the month, and the quantities consumed by the TPS 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 a TPS Customer consumes more gas than it has delivered to the Company, the TPS's 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. If the TPS's Customer consumes less gas than it has delivered to the Company, the TPS's 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 in accordance with the provisions of this tariff under the Rate Schedule in the Customer receives service. Within two business days after the end of the month the Company shall inform participating TPSs of their Customers' respective monthly cash out position. From three to five business days from the end of the month the customer imbalances may be traded. At the end of the fifth business day the TPSs who have agreed to trades on behalf of Customers shall notify the Company of their trades through the Company's EBB. TPSs trading imbalances will nonetheless have to set their own prices or methods by which over or under balances will be traded among individual customers.

**STANDARDS OF CONDUCT**

In addition to the above terms and conditions, TPS and TPS customers must agree to comply with any standards of conduct or other requirements set forth by the TRA.

APPLICABILITY

These rules and regulations are applicable to Customers served by the Chattanooga Gas Company (Company) within the Certificated areas in Bradley and Hamilton Counties.

DEFINITIONS

As herein used:

"Applicant"	means any person who has made application to Company for gas service.	
Authority	means the Tennessee Regulatory Authority	
BTU	means British Thermal Unit measured at a pressure of 14.73 PSIA at 60 degrees Fahrenheit on a dry basis.	
Business Day	means any day from Monday through Friday inclusive, excluding any holiday observed by the Company.	
Citygate	means a point at which the facilities of an interstate pipeline company interconnect with the facilities of the Company.	
Commercial Service	applies to Customers engaged in selling, warehousing, or distributing a commodity, in some business activity or in a profession, or in some other form of economic or social activity (office, stores, clubs, hotels, etc.), and to service which does not directly come in one of the other classifications of service	
Company	means Chattanooga Gas Company.	
Consumer or Customer	means an individual, firm, or organization who purchases service at one or location under one rate classification contract.	
Dekatherm (Dt or Dth)	means 10 Therms or one million Btus (1MMBtus).	
Delivery Point	point at which gas leaves a transporter's system completing a sale or transportation service transaction between the pipeline company and a sale or transportation service Customer.	C
Delivery Point Operator	the entity that manages and controls the facilities and the gas moving through those facilities at the Delivery Point.	C
Distribution Service	means the delivery of Natural Gas by and through the Intrastate facilities of the Company, regardless of the identity of the party who has title to the Natural Gas.	
Distribution System	means the gas pipes owned and operated by the Company for the distribution of gas for delivery to Customers up to but not beyond the point of delivery.	
Electronic Bulletin Board (EBB)	an interactive electronic communication system that, among other things, allows parties to view gas-related information, make nominations, offer bids, and receive confirmations.	C
Firm Customer	means a Customer who purchases a Gas Service on a Firm basis.	

CHATTANOOGA GAS COMPANY  
RULES & REGULATIONS  
TRA NO. 2  
DEFINITIONS (Continued)

REVISED SHEET NO. 1A

Firm Service	means a type of Gas Service that ordinarily is not subject to interruption or curtailment.
Gas or Natural Gas	means any mixture of hydrocarbons or of hydrocarbons and noncombustible gases in a gaseous state, consisting predominantly of methane
Gas Day	means the period of 24 consecutive hours beginning at 10:00 a.m., Standard time.
Gas Service	means any service offered in connection with the delivery or sale of Gas
Imbalance	mean the difference at any time, whether positive or negative, between the volumes of Gas received into a Pool by or on behalf of a Customer and the volumes of Gas delivered by the Company on behalf of such Customer
Industrial Service	applies to Customers engaged in a process which creates or changes raw or unfinished materials into another form or product.(Factories, mills, machine shop, mines, oil wells, refineries, pumping plants, creameries, canning or packing plants, shipyards, etc., i.e., in extractive, fabricating or processing activities.)
Interruptible Customer	means a Customer who purchases a Gas Service on an Interruptible basis.
Interruptible Schedule	means each of the Company's Rate Schedules or contracts under which Gas Service is provided on an Interruptible basis.
Interruptible	means a type of Gas Service that is subject to interruption or curtailment
LNG	means Liquefied Natural Gas
Main	means the gas pipe other than Service Line
Month	means the period beginning on the first Day of a calendar month and ending on the beginning of the first Day of the next succeeding calendar month
Person	means any corporation, whether public or private; company; individual; firm; partnership; or association
PGA Rider	means the Company's Purchased Gas Adjustment Rider
PSIA	means pounds per square inch absolute
Residence	means a parcel or tract of land upon which a residence, building, structure, or other facility containing a particular set of gas-consuming appliances is located
Residential Service	applies to Customers supplied for residential purposes on an individual basis in a single family dwelling or building, or in an individual flat or apartment in a multiple family dwelling or building or portion thereof occupied as the home, residence or sleeping place of one or more persons.
SNG or Southern	means Southern Natural Gas Company
Tariff	means all Rate Schedules, Terms of Service, and Rules and Regulations approved by the Authority relative to Gas Service provided by the Company.
Tennessee Pipeline	means Tennessee Gas Pipeline Company
Therm	means 100,000 Btus