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June 11, 2007

J. Richard Collier, General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

VIA E-MAIL
ORIGINAL BY U.S. MAIL

Re: **Petition of Chattanooga Gas Company to Increase Rates
& Revise Tariffs;
TRA Docket No. 06-00175**

Dear Mr. Collier:

Chattanooga Manufacturers Association's ("CMA") provides this letter and the enclosed "red-line" in response to your letter dated June 4, 2007, in the above-referenced matter. While parties have shared certain limited comments on the proposed revised tariff filed by Chattanooga Gas Company (the "Company"), in an effort to develop a mutually agreeable resolution, we have not at this time reached agreement regarding tariff language. In order to timely respond to your letter, we provide the attached comprehensive comments concerning the tariff presented. CMA reserves the right to modify its position(s) in accordance with and depending upon statements made or further discussions and dialogue with the parties, including the public utility and TRA Staff, which we anticipate will occur before the next scheduled agenda conference.

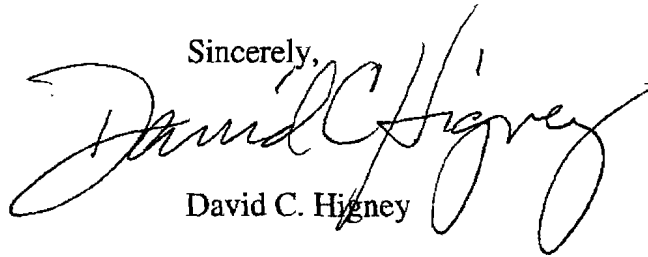
In summary, CMA is concerned about certain key provisions as reflected on the enclosed mark-up of the Company's proposal. CMA is alarmed, for example, by the tariff language provided by the Company concerning unaccounted for gas ("shrinkage loss"). Such language is inappropriate and, indeed, violative of the express terms of the Settlement Agreement including but not limited to Paragraph 18. CMA looks forward to working with the parties further relative to the tariff language issues, while reserving its rights to comment further as to other provisions should the need arise.

CMA acknowledges that the proposed tariff was filed recently in a manner that might allow it to be approved and placed into effect by July 1, 2007, but CMA is compelled to note its disagreement with any conclusion to be drawn from your June 4

J. Richard Collier
TRA Docket 06-00175
June 11, 2007
Page 2

letter that the proposed language (or effect of the tariff) properly could be construed as being in accordance with paragraph 18 of the Settlement Agreement. In that regard, CMA respectfully requests the Authority's suspension, if necessary, of the Company's proposed tariff.

Sincerely,

A handwritten signature in black ink, appearing to read "David C. Higney". The signature is fluid and cursive, with the first name "David" being the most prominent part.

David C. Higney

cc: Hon. Sara Kyle
Ms. Sharla Dillon (Docket file)
Henry M. Walker, Esq. (*e-mail only*)
Timothy Phillips / Steven R. Butler, Esq. (*e-mail only*)
J.W. Luna / Jennifer L. Brundige, Esq.
Mr. Ray Childers

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. A 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 at any given time during a month, unless the designated TPS is insolvent, not performing its contractual duties, or the Customer can provide legitimate operational or legal support for designating a different TPS.

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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 may request, or for safety purposes 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. Prior to implementation the Company shall demonstrate the reasons it requests daily balancing or curtailment of service, upon the request of any affected Customer, TPS, regulatory agency or governmental official serving affected ratepayers; provided however, to the extent the Company can show exigent circumstances preclude such prior notice, the Company shall provide such notice as soon as reasonably practicable with time being of the essence. 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.

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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 materially fails to comply with provisions 1 through 6 above, provided the Customers have received actual written notice of the TPS's failure to comply and an opportunity to cure any claimed deficiency, Company then may choose to not schedule the commencement of service or allow the TPS's Customers to participate in Monthly Imbalance Trading.

LNG ENTITLEMENT

Firm customers served under the Company's T-3 low volume transport rate schedule will be entitled to a pro-rata supply of LNG supply on peak days whenever daily balancing is made effective for operational reasons. The amount of the LNG entitlement will be based on the percentage LNG supply contribution divided by the Company's total firm supply requirement multiplied by the premise DDDC. LNG supply will be billed to TPS customers based on the current LNG WACOG.

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DAILY CONTRACT ENTITLEMENT

The daily contract entitlement for each TPS customer shall be determined by the gas supply nominated to TPS customer plus LNG Entitlement.

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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 claims, suits or damage actions arising out of deliveries to the City Gate on behalf of a transporting Customer.

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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 TPS 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 (~~see similar changes above~~) 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.

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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 (~~see similar changes above~~) 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 ~~to the extent the Company is so charged~~. 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 shall suspend over-run gas charges or over delivery charges if such over deliveries would be beneficial to the system's operation.~~

The Company shall, within the existing limitations of its system, provide for balancing between gas requirements and actual gas deliveries, 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.

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 ~~after~~ 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. ~~Nonetheless,~~ TPSs trading imbalances will have to set their own prices or methods by which over or under balances will be traded among individual customers.

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Company Use and Unaccounted for Gas;

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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.

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c) Daily Imbalance Trading

If a TPS Customer consumes more than their Daily Contract Entitlement on a daily balancing day resulting in overrun gas charges, TPS may trade daily imbalances from three to five business days after the end of the month or, alternatively, during the time when customer monthly imbalances may be traded. Such notifications shall be consistent with the notices for Monthly Imbalance Trading.

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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.

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