

FARMER & LUNA

A PROFESSIONAL LIMITED LIABILITY COMPANY

ATTORNEYS AT LAW

333 UNION STREET
SUITE 300
NASHVILLE, TENNESSEE 37201

TELEPHONE (615) 254-9146
TELECOPIER (615) 254-7123
www.farmerluna.com

Jennifer L. Brundige
jbrundige@farmerluna.com

June 20, 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:

As part of the Settlement Agreement in the above referenced matter, Chattanooga Gas Company ("CGC" or "Company") agreed to establish a balancing pool for its transportation customers to become effective no later than July 1, 2007. To comply with this Agreement, the Company filed with the Tennessee Regulatory Authority ("TRA") on May 31, 2007, its proposed tariff revision to establish such a balancing pool to become effective on July 1, 2007. On June 11, 2007, the Consumer Advocate and the CMA filed comments regarding the Company's proposed tariff revision in response to Richard Collier's June 4th request.

Throughout this process, the Company, the Chattanooga Manufacturers Association ("CMA"), and the Consumer Advocate have continued to discuss the proposed tariff revision and work toward resolution of this matter. As a result of the continued discussions, the Company is pleased to submit the attached negotiated revised tariff entitled "Rate Schedule TPS" (to become Original Sheet No. 38, 38A, and 38B of the CGC Gas Tariff TRA No. 1) which incorporates the agreements reached by the parties and is to be substituted for the May 31st filing. As part of the resolution, the Company is also filing the enclosed tariff revision for the T-3 Rate Schedule to become effective on August 1, 2007. Further, while no changes have been made to the definitions contained within the Fourth Revised Sheet No. 1 and 1A that the Company previously


June 20, 2007

Page 2

filed with the TRA on May 31, 2007, the Company is attaching another copy hereto for your convenience.

Please do not hesitate to contact me on behalf of the Company, David Higney on behalf of the CMA, or Steve Butler on behalf of the Consumer Advocate if you have any questions or if we can be of further assistance.

Sincerely yours,



Jennifer L. Brundige

Enclosures

cc: David C. Higney, Esq.
Steve Butler, Esq.
Elizabeth Wade, Esq.
Archie Hickerson
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. Each Customer that elects a third party supplier must provide the Company a shipper letter designating the TPS that is to deliver gas to the Company's system on behalf of the Customer. 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 12:30 PM 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 shall show the reason for any such requirement for daily balancing or curtailments of service upon request of any affected Customer or any regulatory agency. 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. The Company shall provide such notice as soon as reasonably practicable. 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, the Company may elect not to schedule the commencement of service or allow the TPS's Customers to participate in Monthly Imbalance Trading. The Company shall, as soon as reasonably practicable, provide notice to the Customers of such a TPS of the TPS' failure to comply with these provisions that result in the Company not scheduling service or the prohibition of the Customers' participation in Monthly Imbalance Trading. Customers whose designated TPS is prohibited from scheduling service may receive service and purchase gas from the Company under the applicable corresponding Rate Schedule for the remainder of the month. Beginning with the next month the Customer must notify the Company that the Customer will act as its own gas supplier, or designate another TPS.

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,

RATE SCHEDULE TPS (continued)

defend and hold harmless Company from any and all claims, suits or damage actions arising out of deliveries to the City Gate 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.

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 the 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, in accordance with the provisions of the Rate Schedule under which the Customer is served, 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 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 gas taken in excess of the daily volume allowed by the curtailment order 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.

If the Company determines that deliveries in excess of the gas consumed by the Customer are beneficial to the systems operation, the Company may waive the "long discounts" as specified in the Rate Schedule under which the customer is served.

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.

The curtailment of interruptible gas deliveries in whole or in part in compliance with the interruption provisions of the Rate Schedule under which the Customer receives service shall not be the basis for claims against the Company for any damages sustained by the Customers. Unauthorized over-run

RATE SCHEDULE TPS (continued)

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.

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.

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 400 Dths on an annual basis. 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

	<u>Winter</u> <u>Net Rate*</u> November-April	<u>Summer</u> <u>Net Rate*</u> May-October
<u>Customer Base Use Charge</u>	\$75.00	\$75.00
<u>Commodity Charge</u>		
First 3,000 Therms Per Month	18.744¢ Per Therm	14.717¢ Per Therm
Next 2,000 Therms Per Month	17.109¢ Per Therm	11.683¢ Per Therm
Next 10,000 Therms Per Month	16.666¢ Per Therm	10.892¢ Per Therm
Over 15,000 Therms Per Month	8.623¢ Per Therm	8.623¢ Per Therm
<u>Demand Charge</u>		
Rate Unit of Billing Demand	\$5.50 per Dth	\$5.50 per Dth

The Purchased Gas Adjustment Demand Component applicable to service under the Rate Schedule C-2, computed in accordance with TRA Administrative Rule 1220-4-7, shall apply to the Rate Schedule T-3 Demand Charge as set out above. 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

RATE SCHEDULE T-3 (Continued)
Low Volume Transport

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.

M

BILLING DEMAND

Existing Premises

For existing premises, the billing demand is calculated based on historical consumption from the prior year using the following methodology:

- (a) The appropriate winter and summer periods are determined based on the Company's billing cycles. Such periods are unique for each Premises, based on its consumption pattern and available data.
- (b) The winter period is based on the billing cycle with the highest average number of heating degree days per day.
- (c) Generally, the summer period includes billing cycles for July and August. If valid data is not available for both months, one month is used. Other non-heat sensitive months may be used if July and August consumption is not representative of baseload (e.g., for gas air conditioning customers).
- (d) The consumption for the summer period is divided by the days in the period to calculate the summer daily baseload.
- (e) The summer daily baseload is multiplied by the days in the winter period to produce a winter baseload.
- (f) The winter baseload is subtracted from the total load in the winter period to isolate the heat sensitive load.
- (g) The heat sensitive load is divided by the heating degree days in the winter period to produce a heat sensitive factor.
- (h) The heat sensitive factor is multiplied by the peak day heating degree days to produce the peak heat sensitive load.
- (i) The peak heat sensitive load is added to the winter baseload to produce the initial billing demand
- (j) The initial billing demand is verified and estimation techniques are employed as necessary where actual data produces unacceptable results.

New Premises

For new Premises, the billing demand is estimated based upon the construction matrix prepared by the Company. The BTU rating of the gas fired equipment and the expected hours of operation on the peak day are used to calculate the Demand Unit. After each new Premises has been receiving service for one year, the Premises is no longer considered a new Premises and the billing demand will be recalculated based upon actual consumption using the billing demand calculation method for existing Premises.

RATE SCHEDULE T-3 (Continued)
Low Volume Transport

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 the Customer 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 in under Rate Schedule C-2. 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	Long Discount
Equal to or less than 10%	100%
Over 10% & equal to or less than 15%	80%
Over 15% & equal to or less than 20%	60%
Over 20 %	50%

RATE SCHEDULE T-3 (Continued)

Low Volume Transport

The Weighted Index Price" shall be derived from the prices published in *Gas Daily* from 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

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.	N
Delivery Point Operator	the entity that manages and controls the facilities and the gas moving through those facilities at the Delivery Point.	N
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.	N
Firm Customer	means a Customer who purchases a Gas Service on a Firm basis.	

Firm Service	means a type of Gas Service that ordinarily is not subject to interruption or curtailment.	M
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	