

July 8, 2009

Honorable Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37238

filed electronically in docket office on 07/08/09

Re: *In Re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and
Related Sharing Incentives*
Docket No. 07-00224

Dear Chairman Kyle:

Enclosed please find a Proposed Settlement Agreement in the Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives, Docket No. 07-00224. This case is currently set for hearing on Monday, July 13, 2009. Chattanooga Gas Company and the Consumer Advocate, the two parties in this case, recognize that the Proposed Settlement Agreement covers a number of complicated issues. The parties, therefore, are ready to discuss this Proposed Settlement Agreement in whatever manner the TRA wishes on Monday, July 13, 2009.

For the convenience of the TRA Directors and TRA Staff in reviewing the Proposed Settlement Agreement, following is a brief outline of the main issues contained in the document:

- (1) Capacity Supply Plan (Section 8.A., pages 3-8);
- (2) Asset Management RFP Process (Section 8.B., pages 8-14);
- (3) Asset Management Compliance Review (Section 8.C., pages 14-19);
- (4) 50/50 Sharing Assurance (8.D., page 19); and
- (5) Costs Incurred in Docket 07-00224 (8.E., page 19).

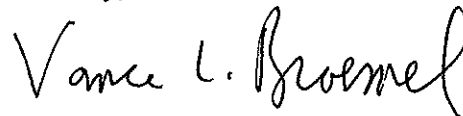
Hon. Sara Kyle, Chairman
July 8, 2009
Page Two

The parties request that any hearing on case costs not be set before 30 days so the parties may continue their discussions on this issue.

Finally, the parties are available to meet with or confer with the Hearing Officer in this case, Kelly Cashman-Grams, or any TRA Staff at any time prior to the hearing on Monday, July 13, if that would be useful. By copy of this letter we are so notifying the Hearing Officer.

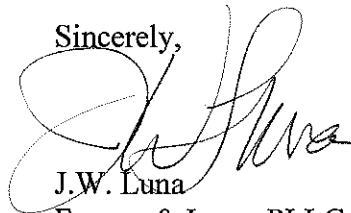
Please feel free to contact us if you have any questions about these matters.

Sincerely,



Vance L. Broemel
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
615-741-8733

Sincerely,



J.W. Luna
Farmer & Luna, PLLC
Attorney for CGC
651-254-9146

cc: Director Eddie Roberson
Director Mary Freeman
Hearing Officer Kelly Cashman-Grams
L. Craig Dowdy

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

July 8th, 2009

IN RE:

**DOCKET TO EVALUATE CHATTANOOGA
GAS COMPANY'S GAS PURCHASES AND
RELATED SHARING INCENTIVES**

Docket No. 07-00224

PROPOSED SETTLEMENT AGREEMENT

For the sole purpose of settling this case, Tennessee Regulatory Authority ("TRA" or "Authority") Docket Number 07-00224, Chattanooga Gas Company ("CGC" or "Company") and Robert E. Cooper, Jr., the Tennessee Attorney General and Reporter, through the Consumer Advocate and Protection Division ("Consumer Advocate"), (collectively the "Parties") respectfully submit this Proposed Settlement Agreement. The Parties stipulate and agree as follows:

1. CGC is incorporated under the laws of the State of Tennessee and is engaged in the business of transportation, distribution, and sale of natural gas in Chattanooga and Cleveland, Tennessee, and in portions of Hamilton and Bradley Counties. CGC is a public utility pursuant to the laws of Tennessee, and its public utility operations are subject to the jurisdiction of the TRA.

2. CGC is a wholly-owned subsidiary of AGL Resources Inc., an energy-based services holding company. CGC's principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, TN 37421.

3. During CGC's last rate case, Docket 06-00175, the Consumer Advocate raised issues regarding asset management and capacity release. These issues were bifurcated into Phase II of the case. At the December 5, 2006, Authority Conference, the voting panel considered and unanimously approved the Proposed Settlement Agreement in resolution of the Phase I ratemaking and rate design issues.

4. On May 18, 2007, CGC requested in part that the TRA close the docket and allow asset management and capacity release issues to be considered in an ACA audit docket or other separate docket.

5. At the July 9, 2007, Authority Conference, the panel voted to approve the Company's request and decided to open a separate docket in which asset management and capacity release issues proposed by the Consumer Advocate could be considered.

6. As a result, the present Docket 07-00224 was opened, and during the January 14, 2008, Authority Conference, the panel unanimously voted to convene a contested case proceeding.

7. On December 27, 2007, the Consumer Advocate filed a Petition to Intervene in this Docket. By Order entered on February 19, 2008, the Consumer Advocate's intervention was granted.

8. The Parties have engaged in substantial discovery and have undertaken settlement discussions to resolve the disputed issues in this Docket. Based on those discussions, the Parties have agreed to settle all issues pending in this Docket as set forth in the Order Setting Issues List dated March 17, 2008. More specifically, subject to TRA approval, the Parties have agreed to the following terms and conditions of compromise and settlement, including but not limited to the following sections:

- A. Capacity Supply Plan
- B. Asset Management RFP Process
- C. Asset Management Compliance Review
- D. 50/50 Sharing Assurance
- E. Costs Incurred in Docket 07-00224

A. **Capacity Supply Plan** - In addition to the requirements of Authority Rule 1220-4-7-.05 governing the "Audit of Prudence of Gas Purchases", CGC agrees to the following:

- 1) By September 15, 2009, CGC shall file a Capacity Supply Plan (also referred to as the "Plan") which designates the array of available interstate transportation, out-of-state storage and peaking capacity ("Interstate Capacity Assets") selected by CGC for the purpose of making gas available on its system for firm distribution service to retail customers. CGC shall provide a copy of the Plan to the Consumer Advocate on the same day it files the Plan with the TRA.
- 2) The Capacity Supply Plan shall include the following, along with supporting information:
 - (i) the range of the load requirements to be supplied by Interstate Capacity Assets;
 - (ii) the array of Interstate Capacity Assets (storage, firm transportation, and/or peaking) selected by CGC to meet such requirements;
 - (iii) the criteria of CGC for entering into contracts under such array of Interstate Capacity Assets from time to time to meet such requirements; provided, however, that a Capacity Supply Plan

approved or adopted by the Authority shall not prescribe the individual contracts to be executed by CGC in order to implement such plan; and

- 3) (i) If ordered by the Authority, after the Capacity Supply Plan has been submitted, a qualified independent consultant shall be retained to evaluate and report on the prudence of the Capacity Supply Plan. CGC, the Consumer Advocate, and the Staff shall agree on a list of qualified independent consultants no later than ten (10) business days after an order of the Authority to retain a consultant. Any prior relationships between the submitted consultants and the Consumer Advocate or CGC shall be fully disclosed, including, but not limited to, a description of the nature of work, frequency of work, and related dates. In addition, CGC shall identify in writing to Staff and the Consumer Advocate any consultants on the list that have contracted for consulting services with AGL Resources Inc. or any of its affiliates or subsidiaries within the previous five (5) years or in the case of the NUI companies, or any future acquisitions, within the time period since the company was acquired, if said time period is less than five (5) years. Any dispute concerning whether an independent consultant shall be added to the list shall be resolved by the Staff, after consultation with CGC and the Consumer Advocate. The Staff, in consultation with CGC and the Consumer Advocate, shall then

issue a request for proposals to said consultants. From the responses to said request, the Staff shall submit a list of up to three (3) qualified independent consultants to CGC and the Consumer Advocate, and CGC and the Consumer Advocate shall each be entitled to strike one (1) of the consultants from the list within five (5) business days of receipt of said list. From the remaining consultant or consultants, the Staff shall submit their recommendation for an independent consultant to the Authority for approval and the award of a contract to perform the evaluation of the Plan and to submit a report to the Authority within sixty (60) days of the award of the contract, unless extended by agreement in writing of the Staff, CGC, and Consumer Advocate. If no consultants remain after CGC and the Consumer Advocate exercise the right to strike, then the process identified in this subsection shall be repeated. If the process fails to identify a consultant after the second attempt, then the Authority shall determine whether to proceed with the consultant review process. If the Authority determines that the review process shall proceed, then the Authority shall select a consultant from the list of qualified consultants selected by Staff and submitted to CGC and the Consumer Advocate for each of the RFP's issued in compliance with this subsection. CGC and the Consumer Advocate shall be entitled to file comments or objections regarding

any of the consultants prior to the Authority's decision. The TRA Staff, the Consumer Advocate, and CGC may consult amongst themselves during the selection process; provided, however, that all such communications between either the Consumer Advocate or CGC to the TRA Staff shall be disclosed to the other party not involved in such communication contemporaneously if by writing and within forty-eight (48) hours if by telephone or in person, so that each party may participate fully in the selection process.

- (ii) The scope of the evaluation to be included in the RFP shall be agreed to by the Staff, and CGC and the Consumer Advocate and shall include guidelines to be used by the consultant in performing any such prudence review of the Capacity Supply Plan and the reasonableness of the capacity supply planning process. The Staff, CGC, and the Consumer Advocate shall submit their joint recommended scope and guidelines to the Authority for approval or if agreement has not been reached each party shall provide its recommended scope.
- (iii) Before selecting a consultant, the Staff, the Consumer Advocate, and CGC shall determine the maximum amount to be paid for the review that will be included in the contract. CGC shall pay to the consultant the approved cost of the review.
- (iv) The amount paid to the consultant by CGC shall be recorded in the Deferred Gas Cost Account and shall be recovered through the

procedures set forth in the PGA rules. Any costs for the consultant review beyond the costs identified in response to the RFP must be approved by the Authority. CGC shall have no responsibility to pay any costs of said consultant not approved by the Authority.

- 4) (i) Within ninety (90) days after receipt of the Capacity Supply Plan or within ninety (90) days after receipt of the consultant's report if ordered by the Authority, the Authority, in its discretion, may order a contested case to review the prudence of the Plan, which hearing shall be completed and a decision rendered within one hundred and eighty (180) days of the order establishing the contested case, unless extended by agreement of the Parties in writing or otherwise ordered by the Authority. After the hearing, the Authority may deem the Plan prudent or may order CGC to make prospective amendments to said Plan as existing contracts expire. Any such order shall be subject to appeal in accordance with applicable law.
- (ii) If the Authority does not order a hearing within the ninety (90) day period or if any contested case established hereunder is not completed and a decision rendered within the one hundred and eighty (180) day period, CGC's Capacity Supply Plan shall be deemed prudent, unless extended by agreement of the Parties in writing or otherwise ordered by the Authority.

- 5) CGC's costs related to any proceeding ordered by the Authority pursuant to Section (A) above shall be recorded in the Deferred Gas Cost Account and pursuant to the TRA's determination, after consideration of the total amount of those costs, shall be recovered over one year through the procedures set forth in the PGA rules or recovered equally over a period of three years through the procedures set forth in the PGA rules, subject to submission of such costs to the Authority and the Authority's determination that such costs were prudently incurred.
- 6) Upon the conclusion of proceedings pursuant to Section (A) above, CGC and the Consumer Advocate shall confer based on the results of this process and within thirty (30) days, or as otherwise agreed by the parties, make a joint recommendation to the TRA as to the need for and scope of any proposed future repetition of the process prescribed in Section (A), either in part or in whole, as well as the frequency with which any such repetition should be carried out. In the event that CGC and the Consumer Advocate cannot reach a consensus recommendation, each party shall submit its own recommendation as to the need for, scope of, and frequency of any future proceedings.

B. **Asset Management RFP Process** – For the award of the new asset management agreement effective April 1, 2011, the Company agrees to the following:

- 1) (i) By April 1, 2010, CGC shall file with the TRA notice of the Request for Proposal ("RFP") for a new asset management and gas supply agreement and of the process that will be followed for

awarding the contract. CGC shall provide a copy of the notice to the Consumer Advocate on the same day that it files the notice with the TRA.

- (ii) By July 1, 2010, CGC shall file with the TRA under seal a copy of the confidential responses of the bidders and the selected bid based on the evaluation criteria. CGC shall provide a copy of the confidential responses and selected bid to the Consumer Advocate on the same day that it files the responses with the TRA.
- (iii) If ordered by the Authority, after the selected bid and responses of all bidders have been submitted, a qualified independent consultant shall be retained to evaluate and report on the reasonableness of the RFP process, the submitted selection criteria, and CGC's compliance with said process in determining the selected bid. CGC, the Consumer Advocate, and the Staff shall agree on a list of qualified independent consultants no later than ten (10) business days after an order of the Authority to retain a consultant. Any prior relationships between the submitted consultants and the Consumer Advocate or CGC shall be fully disclosed, including, but not limited to, a description of the nature of work, frequency of work, and related dates. In addition, CGC shall identify in writing to Staff and the Consumer Advocate any consultants on the list that have contracted for consulting services with AGL Resources Inc. or any of its affiliates or subsidiaries within the previous five (5)

years. Any dispute concerning whether an independent consultant shall be added to the list shall be resolved by the Staff, after consultation with CGC and the Consumer Advocate. The Staff, in consultation with CGC and the Consumer Advocate, shall then issue a request for proposals to said consultants. From the responses to said request, the Staff shall submit a list of up to three (3) qualified independent consultants to CGC and the Consumer Advocate, and CGC and the Consumer Advocate shall each be entitled to strike one (1) of the consultants from the list within five (5) business days of receipt of said list. From the remaining consultant or consultants, the Staff shall submit their recommendation for an independent consultant to the Authority for approval and the award of a contract to perform the evaluation of the reasonableness of the RFP process and CGC's compliance with said process in determining the selected bid and to submit a report to the Authority within thirty (30) days of the award of the contract, unless extended by agreement in writing of the Staff, CGC, and Consumer Advocate, or by order of the TRA. If no consultants remain after CGC and the Consumer Advocate exercise the right to strike, then the process identified in this subsection shall be repeated. If the process fails to identify a consultant after the second attempt, then the Authority shall determine whether to proceed with the consultant review process.

If the Authority determines that the review process shall proceed, then the Authority shall select a consultant from the list of qualified consultants selected by Staff and submitted to CGC and the Consumer Advocate for each of the RFP's issued in compliance with this subsection. CGC and the Consumer Advocate shall be entitled to file comments or objections regarding any of the consultants prior to the Authority's decision. The TRA Staff, the Consumer Advocate, and CGC may consult amongst themselves during the selection process; provided, however, that all such communications from either the Consumer Advocate or CGC to the TRA Staff shall be disclosed to the other party not involved in such communication contemporaneously if by writing and within forty-eight (48) hours if by telephone or in person, so that each party may participate fully in the selection process.

- (iv) Before selecting a consultant, the Staff, the Consumer Advocate, and CGC shall determine the maximum amount to be paid for the review that will be included in the contract. CGC shall pay to the consultant the approved cost of the review.
- (v) The amount paid to the consultant by CGC shall be recorded in the Deferred Gas Cost Account and shall be recovered through the procedures set forth in the PGA rules. Any costs for the consultant review beyond the costs identified in response to the RFP must be

approved by the Authority. CGC shall have no responsibility to pay any costs of said consultant not approved by the Authority.

- 2) (i) Within thirty (30) days after receipt of the selected bid or within thirty (30) days after receipt of the consultant's report if ordered by the Authority, unless extended by agreement between the parties or order of the TRA, the Authority, in its discretion, may order a contested case to review the reasonableness of the RFP process and CGC's compliance with said process in determining the selected bid, which hearing shall be completed and a decision rendered by March 31, 2011. After the hearing, the Authority may determine the reasonableness of the RFP process and CGC's compliance therewith in determining the selected bid, or may order a rebid if necessary.
- (ii) If the Authority does not order a hearing within the thirty (30) day period or if any contested case established hereunder is not completed and a decision rendered by March 31, 2011, unless extended by agreement between the parties or order of the TRA, the RFP process shall be deemed reasonable and the selected bidder shall be awarded the contract.
- (iii) If the TRA determines that CGC should rebid and there is not sufficient time to execute a new asset management agreement by March 31, 2011, or if the March 31, 2011 deadline is extended by agreement of the parties or by order of the TRA as set forth in

subsection B.2.)(ii) above, the existing asset management agreement shall be extended for a period of ninety (90) days at the existing sharing requirement without the annual minimum guarantee. After the ninety-day extension, if a new asset management agreement is not executed, the existing asset management agreement will continue to be extended for ninety (90) day periods at the existing sharing requirement without the annual minimum guarantee until a new asset management agreement is executed.

- 3) CGC's costs related to any proceeding ordered by the Authority pursuant to Section (B) above shall be recorded in the Deferred Gas Cost Account and pursuant to the TRA's determination, after consideration of the total amount of those costs, shall be recovered over one year through the procedures set forth in the PGA rules or recovered equally over a period of three years through the procedures set forth in the PGA rules, subject to submission of such costs to the Authority and the Authority's determination that such costs were prudently incurred.
- 4) Upon the conclusion of proceedings pursuant to Section (B) above, CGC and the Consumer Advocate shall confer based on the results of this process and within thirty (30) days, or as otherwise agreed by the parties, make a joint recommendation to the TRA as to the need for and scope of any proposed future repetition of the process prescribed in Section (B), either in part or in whole, as well as the frequency with which any such

repetition should be carried out. In the event that CGC and the Consumer Advocate cannot reach a consensus recommendation, each party shall submit its own recommendation as to the need for, scope of, and frequency of any future proceedings.

C. **Asset Management Compliance Review** – For the Interruptible Margin Credit Rider (“IMCR”) filing for the period ending March 31, 2010, the Company agrees to the following:

- 1) (i) Upon submission of the IMCR filing for the period ending March 31, 2010, if ordered by the Authority, a qualified independent consultant shall be retained to evaluate and report on CGC’s compliance with the minimum payment and sharing provisions of the asset management agreement. CGC shall provide a copy of the IMCR filing for the period ending March 31, 2010 to the Consumer Advocate on the same day that it files the IMCR filing with the TRA. CGC, the Consumer Advocate, and the Staff shall agree on a list of qualified independent consultants no later than ten (10) business days after an order of the Authority to retain a consultant. Any prior relationships between the submitted consultants and the Consumer Advocate or CGC shall be fully disclosed, including, but not limited to, a description of the nature of work, frequency of work, and related dates. In addition, CGC shall identify in writing to Staff and the Consumer Advocate any consultants on the list that have contracted for consulting services

with AGL Resources Inc. or any of its affiliates or subsidiaries within the previous five (5) years. Any dispute concerning whether an independent consultant shall be added to the list shall be resolved by the Staff, after consultation with CGC and the Consumer Advocate. The Staff, in consultation with CGC and the Consumer Advocate, shall then issue a request for proposals to said consultants. From the responses to said request, the Staff shall submit a list of up to three (3) qualified independent consultants to CGC and the Consumer Advocate, and CGC and the Consumer Advocate shall each be entitled to strike one (1) of the consultants from the list within five (5) business days of receipt of said list. From the remaining consultant or consultants, the Staff shall submit their recommendation for an independent consultant to the Authority for approval and the award of a contract to perform review of CGC's compliance with the minimum payment and sharing provisions of the asset management agreement and to submit a report to the Authority within ninety (90) days of the award of the contract, unless extended by agreement in writing of the Staff, CGC, and Consumer Advocate, or by order of the Authority. If no consultants remain after CGC and the Consumer Advocate exercise the right to strike, then the process identified in this subsection shall be repeated. If the process fails to identify a consultant after the second attempt, then the Authority shall

determine whether to proceed with the consultant review process. If the Authority determines that the review process shall proceed, then the Authority shall select a consultant from the list of qualified consultants selected by Staff and submitted to CGC and the Consumer Advocate for each of the RFP's issued in compliance with this subsection. CGC and the Consumer Advocate shall be entitled to file comments or objections regarding any of the consultants prior to the Authority's decision. The TRA Staff, the Consumer Advocate, and CGC may consult amongst themselves during the selection process; provided, however, that all such communications from either the Consumer Advocate or CGC to the TRA Staff shall be disclosed to the other party not involved in such communication so that each party may participate fully in the selection process..

- (ii) The scope of these procedures may include all transactions related to the management of CGC's assets as conducted by the asset manager including but not limited to the following areas of transactions and activities: (a) natural gas procurement; (b) storage and transportation capacity utilization; (c) hedging; (d) off system sales; and (e) any other provision of the asset management agreement as ordered by the Authority.
- (iii) The independent consultant shall complete and issue a written report regarding CGC's compliance with the minimum payment,

sharing, and other provisions of the asset management agreement as ordered by the Authority.

- (iv) Before selecting a consultant, the Staff, the Consumer Advocate, and CGC shall determine the maximum amount to be paid for the review that will be included in the contract. CGC shall pay to the consultant the approved cost of the review.
 - (v) The amount paid to the consultant by CGC shall be recorded in the Deferred Gas Cost Account and shall be recovered through the procedures set forth in the PGA rules. Any costs for the consultant review beyond the costs identified in response to the RFP must be approved by the Authority. CGC shall have no responsibility to pay any costs of said consultant not approved by the Authority.
- 2) (i) Within ninety (90) days after receipt of the IMCR filing for the period ending March 31, 2010 or within ninety (90) days after receipt of the consultant's report if ordered by the Authority, the Authority, in its discretion, may order a contested case to review CGC's compliance with the minimum payment and sharing provisions of the asset management agreement, which hearing shall be completed and a decision rendered within one hundred and eighty (180) days of the order establishing the contested case, unless extended by agreement of the Parties in writing or otherwise ordered by the Authority.

- (ii) If the Authority does not order a hearing within the ninety (90) day period or if any contested case established hereunder is not completed and a decision rendered within the one hundred and eighty (180) day period, CGC shall be deemed to be in compliance with the minimum payment and sharing provisions of the asset management agreement.
- 3) CGC's costs related to any proceeding ordered by the Authority pursuant to Section (C) above shall be recorded in the Deferred Gas Cost Account and pursuant to the TRA's determination, after consideration of the total amount of those costs, shall be recovered over one year through the procedures set forth in the PGA rules or recovered equally over a period of three years through the procedures set forth in the PGA rules, subject to submission of such costs to the Authority and the Authority's determination that such costs were prudently incurred.
- 4) Upon the conclusion of proceedings pursuant to Section (C) above, CGC and the Consumer Advocate shall confer based on the results of this process and within thirty (30) days, or as otherwise agreed by the parties, make a joint recommendation to the TRA as to the need for and scope of any proposed repetition of the process prescribed in Section (C), either in part or in whole, as well as the frequency with which any such repetition should be carried out. In the event that CGC and the Consumer Advocate cannot reach a consensus recommendation, each party shall submit its own

recommendation as to the need for, scope of, and frequency of any future proceedings.

D. **50/50 Sharing Assurance** - In addition to the foregoing, CGC agrees as part of this settlement not to seek or enforce the provision contained in its Tariff for its share of the 50/50 sharing of asset management proceeds, so long as Sequent or an affiliated party remains the asset manager of CGC and there is no challenge or proceeding from any party to change the 50/50 sharing formula with the asset manager.

E. **Costs Incurred in Docket 07-00224** - CGC's costs incurred as a result of the proceedings in Docket 07-00224 shall be recorded in the Deferred Gas Cost Account and shall be recovered based on the schedule below through the procedures set forth in the PGA rules, subject to submission of such costs to the Authority, the Authority's determination that such costs were prudently incurred, and subject to a maximum cap in the amount of \$500,000.00:

2009 ACA Filing - One-Third (1/3) of the total;
2010 ACA Filing - One-Third (1/3) of the total; and
2011 ACA Filing - One-Third (1/3) of the total.

Within thirty (30) days of the Authority's order approving this settlement agreement, CGC shall submit to the Authority verification of such costs that have been incurred, with a copy of the same contemporaneously submitted to the Consumer Advocate.

9. The stipulations agreed to in this Proposed Settlement Agreement, which are the product of negotiations and substantial compromise between the Parties, are just and reasonable and in the public interest.

10. The Parties jointly recommend that the Authority issue an order adopting this Proposed Settlement Agreement in its entirety without modification.

11. The terms of this Settlement Agreement have resulted from extensive negotiations between the signatories and the terms hereof are interdependent. If the TRA does not accept this Proposed Settlement Agreement in whole, the settling parties are not bound by any position set forth in this Proposed Settlement Agreement. In the event of such action by the Authority, any of the signatories to this Proposed Settlement Agreement would be entitled to give notice exercising its right to terminate this Proposed Settlement Agreement within twenty (20) business days; provided, however, that the signatories could, by unanimous consent, elect to modify this Proposed Settlement Agreement to address any modification required by, or issues raised by, the Authority. Should this Proposed Settlement Agreement terminate, it would be considered void and have no binding precedential effect, and the signatories would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Proposed Settlement Agreement.

12. By agreeing to this Proposed Settlement Agreement, no Party waives any right to continue litigating this matter should the Proposed Settlement Agreement be rejected by the TRA in whole or in part.

13. No provision of this Proposed Settlement Agreement shall be deemed an admission of any Party.

14. The Parties agree to support this Proposed Settlement Agreement in any proceeding before the Authority in this Docket; however, the Parties further agree and request the Authority to order that the settlement of any issue pursuant to this Proposed Settlement

Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Authority.

15. The provisions of this Proposed Settlement Agreement do not necessarily reflect the positions asserted by any Party, and no Party to this Proposed Settlement Agreement waives the right to assert any position in any future proceeding except as stipulated herein. This Proposed Settlement Agreement shall not have precedential effect in any future proceeding or be binding on any Party except to the extent necessary to implement the provisions hereof.

16. The Parties agree to implement this Proposed Settlement Agreement in good faith and with due diligence.

17. This Proposed Settlement Agreement shall not in any way limit the existing audit rights of the TRA Staff. The Consumer Advocate, the TRA, and the Company retain all of their respective statutory rights, and the provisions of this Proposed Settlement Agreement shall not in any way affect such rights.

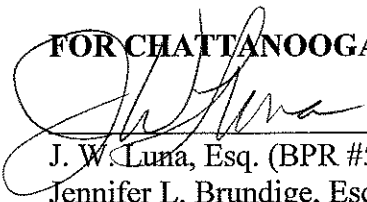
18. This Proposed Settlement Agreement sets forth the entire agreement between the parties, and there are no representations, agreements, arrangements, or understandings, oral or written, between the parties relating to the subject matter of this Proposed Agreement which are not fully expressed herein or attached hereto.

19. This Proposed Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, notwithstanding conflict of law provisions.

SIGNATURES ON FOLLOWING PAGES

The foregoing Proposed Settlement Agreement of Docket 07-00224 is agreed and stipulated to this 8th day of July, 2009.

FOR CHATTANOOGA GAS COMPANY:


J. W. Luna, Esq. (BPR #5780)

Jennifer L. Brundige, Esq. (BPR #20673)

FARMER & LUNA, PLLC

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(615) 254-9146

And


L. Craig Dowdy, Esq.

McKenna Long & Aldridge LLP

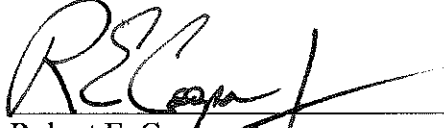
303 Peachtree Street

Suite 5300

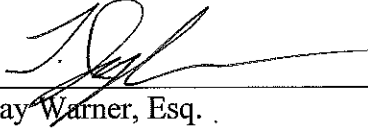
Atlanta, GA 30308

(404) 527-4180

**FOR THE ATTORNEY GENERAL AND REPORTER
CONSUMER ADVOCATE AND PROTECTION DIVISION:**



Robert E. Cooper, Jr.
Attorney General and Reporter



T. Jay Warner, Esq. .
Consumer Advocate and Protection Division
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