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March 4, 2008

VIA ELECTRONIC MAIL

filed electronically in docket office on 03/04/08

Timothy C. Phillips, Esq.
Vance L. Broemel, Esq.
Consumer Advocate and Protection Division
Office of Attorney General
Office of the Attorney General & Reporter
2nd Floor, 425 5th Avenue North
Nashville, TN 37243-0491

Re: Docket 07-00224

Dear Tim and Vance:

Chattanooga Gas Company ("CGC" and "Company") is in receipt of the attached letter dated February 5, 2008, in which the Consumer Advocate has requested certain information from CGC. The Company is providing this information in the above referenced docket and agrees not to count these three requests against the Consumer Advocate's total number of discovery requests in this docket.

In your February 5, 2008 letter, you requested information relative to CGC's "incentive plan." Since CGC does not have an "Incentive Plan" similar to those of Atmos Energy and Nashville Gas, CGC assumes that you are referring to the provision in its Interruptible Margin Credit Rider ("IMCR") that provides for 50% of the gain from non-jurisdictional transactions to be credited to the Company's customers. As a result, CGC is providing you the dollar amounts of the gain from non-jurisdictional transactions that were shared with the customers in accordance with the IMCR provision.

In your letter you also referred to "incentive plan years ended 6/30/05, 6/30/06, and 6/30/07." In accordance with the Company's tariff, the non-jurisdictional gains are not reported and shared based on a 6/30 fiscal year. Prior to 2007, the reports submitted to the TRA were for the calendar years ended December 31. In 2007, the tariff was revised to synchronize the reporting of the gains with the Asset Management Agreement contract year that ends March 31. As a result of this change, the most recent report was for the fifteen months ended March 31, 2007. CGC is providing the requested information for the periods covered by the three most recent IMCR reports to the TRA.

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1. The total dollar amount shared with ratepayers pursuant to Chattanooga's incentive plan account for the incentive plan years ended 6/30/05, 6/30/06, and 6/30/07.

Response:

As explained above, Chattanooga Gas Company reported the gain and computed the sharing from non-jurisdictional transactions under the IMCR based on the calendar years 2004 and 2005, and for the fifteen months ended March 31, 2007. The non-jurisdictional gain shared for the three most recent IMCR report periods are:

	Dollar Gain Shared With Customer
Calendar Year ended 12/31/2004	\$ 1,808,649
Calendar Year ended 12/31/2005	\$ 4,386,330
15 Months Ended 3/31/2007	\$ 1,763,341

2. Chattanooga's total throughput for all regulated firm customers excluding firm transportation customer for the twelve months ended 6/30/05, 6/30/06, and 6/30/07.

Response:

As explained above, Chattanooga Gas Company reported the gain and computed the sharing from non-jurisdictional transactions under the IMCR based on the calendar years 2004 and 2005, and for the fifteen months ended March 31, 2007. The firm throughput, including the firm sales to interruptible transport customers with firm sales back, are:

	Firm Throughput Dth
Calendar Year ended 12/31/2004	8,798,573
Calendar Year ended 12/31/2005	9,397,158
15 Months Ended 3/31/2007	11,204,192

3. Chattanooga's total gas supply assets, expressed in aggregate MDQ for transportation assets and aggregate MDQ for storage assets, for the twelve months ended 6/30/05, 6/30/06, and 6/30/07.

Response:

As explained above, Chattanooga Gas Company reported the gain and computed the sharing from non-jurisdictional transactions under the IMCR based on the calendar years 2004 and 2005, and for the fifteen months ended March 31, 2007. The

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requested MDQ and MSQ information is provided consistent with the reporting periods for the three most recent IMCR reports.

		CGC Supply (in Dth)			
	2004	2005	2006	2007	
<u>Firm Transport</u>					
MDQ	38,171	38,171	38,171*	33,171 *	
<u>Storage</u>					
MDQ	105,746	105,746	105,746	105,746	
MSQ	4,812,734	4,812,734	4,812,734	4,812,734	

Notes:

- The ETN FT contract for 5,000 Dth/day expired 10/31/06.

Sincerely,

J.W. Luna

Enclosure

cc: Elizabeth Wade, Esq.
Archie Hickerson

STATE OF TENNESSEE

Office of the Attorney General



ROBERT E. COOPER, JR.
ATTORNEY GENERAL AND REPORTER

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February 5, 2008

Mr. Archie R. Hickerson
Director, Regulatory Affairs
AGL Resources, Inc.
5100 E. Virginia Beach Blvd.
Norfolk, VA 23502

Dear Mr. Hickerson:

As you may know the Consumer Advocate is involved in a TRA docket concerning the incentive plan accounting and asset management arrangements of Atmos Energy Corporation (see TRA Docket No. 07-00225 at <http://www2.state.tn.us/tra/dockets/0700225.htm>). In this docket, the Consumer Advocate wants to present a comparison of the summary incentive plan results of Atmos Energy Corporation, Chattanooga Gas Company, and Nashville Gas Company, which are the three major LDCs operating in Tennessee. Additionally, we want to generally relate the incentive results to the overall size of each system, as well as to present a summary comparison of system capacities.

We therefore request that Chattanooga Gas make a limited amount of aggregate data available to us for publication and presentation in the Consumer Advocate's direct testimony in TRA Docket No. 07-00225. Specifically, we request that you provide the following information:

1. The total dollar amount shared with ratepayers pursuant to Chattanooga's incentive plan account for the incentive plan years ended 6/30/05, 6/30/06, and 6/30/07;
2. Chattanooga's total throughput for all regulated firm customers excluding firm transportation customers for the twelve months ended 6/30/05, 6/30/06, and 6/30/07; and
3. Chattanooga's total gas supply assets, expressed in aggregate MDQ for transportation assets and aggregate MSQ for storage assets, for the twelve months ending 6/30/05, 6/30/06, and 6/30/07.

We do not believe that the aggregate information we have requested is particularly sensitive, nor do we believe that its disclosure to the public would harm Chattanooga. Also, based on our cursory review, we believe that Chattanooga's information and results will compare favorably to both Nashville and Atmos. Allowing the Consumer Advocate to meet with Sequent

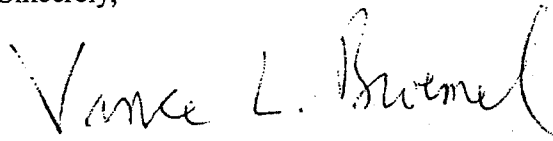
Mr. Archie Hickerson
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personnel in Houston was very helpful to us in learning about the asset management business. We hope we can continue this cooperation and appreciate your help.

We would appreciate Chattanooga's providing the requested data to us by February 29. Should you have any questions or would like to discuss this request further, please do not hesitate to call me or Joe Shirley.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink that reads "Vance L. Broemel". The signature is written in a cursive style with a large, stylized "V" and "B".

Vance L. Broemel
Senior Counsel

c: J.W. Luna

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