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April 11, 2008

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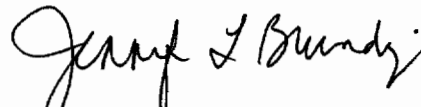
Re: Docket 07-00224

Dear Tim and Steve:

Enclosed please find Chattanooga Gas Company's ("CGC") responses to the First Discovery Requests of the Consumer Advocate and Protection Division ("CAPD"). CGC has provided responses to 86 out of the CAPD's 90 (not including subparts) discovery requests. As explained to you on April 9, 2008, CGC will need additional time to respond to 4 of the CAPD's discovery requests (Nos. 14, 15, 72, and 81). CGC believes that it will be able to provide the CAPD with its responses to these 4 discovery requests on or before April 18, 2008. CGC will make every effort to provide each of these responses to the CAPD as soon as possible.

Additionally, the following responses and/or their attachments contain confidential information that is being provided under seal pursuant to the Agreed Protective Order entered on March 4, 2008 in this docket: Response No. 12 and the attachments to Nos. 10, 11, 17, 18, and 27.

Sincerely yours,


Jennifer L. Brundige

Enclosures

cc: Kelly Cashman-Grams (responses w/o attachments)
TRA Docket Room
Elizabeth Wade, Esq.

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

April 11, 2008

IN RE:)	
)	
DOCKET TO EVALUATE CHATTANOOGA)	Docket No. 07-00224
GAS COMPANY'S GAS PURCHASES AND)	
RELATED SHARING INCENTIVES)	
)	

**CHATTANOOGA GAS COMPANY'S RESPONSES AND OBJECTIONS
TO CAPD'S FIRST DISCOVERY REQUESTS**

Pursuant to the February 19, 2008 Order on the February 11, 2008 Status Conference, Chattanooga Gas Company ("CGC" or "Company") files these Responses and Objections to the First Discovery Requests of the Consumer Advocate and Protection Division ("CAPD").

CGC is setting forth its general objections below. The specific objections to individual questions are contained within the responses to the question.

GENERAL OBJECTIONS

CGC objects generally to any definitions or instructions to the extent that they are inconsistent with and request information that is beyond the scope of the Tennessee Rules of Civil Procedure, and CGC will respond consistent therewith. CGC further objects to these discovery requests to the extent they seek information that is beyond the scope of legitimate discovery in this proceeding or subject to the attorney-client privilege or attorney

work product doctrine. These objections are continuing and are incorporated by reference in response to all discovery requests to the extent applicable. The additional objections to specific discovery requests shall not constitute a waiver of these General Objections.

Additionally, CGC objects to the scope of the terms "identity" and "identify" as used by the CAPD. In particular, CGC objects to providing the date of birth, the current residential address, and the current residential telephone number of persons to be identified on the grounds that the scope of information requested is overly broad and not calculated to lead to the discovery of admissible evidence.

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Questions 1-8:

Response:

These questions seek information related to potential witnesses and information that may be presented at the hearing. With the exception of question 3, CGC cannot answer these questions at this time as the CAPD has not yet filed its testimony. CGC is aware of its duty to supplement discovery requests and will do so at the appropriate time. CGC reserves its right to object to these questions at the time it responds. That being said, CGC does have some specific objections to the questions:

Discovery Requests 1(h), 2, 3, 5, and 7 – CGC objects to these questions as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

With respect to question 1(h), which seeks “all documents ... *provided to, reviewed by, utilized by, relied upon, created by, or produced by* . . .” CGC notes that the CAPD agreed to revise a similarly broad request in Docket 06-00175 so that it only sought documents . . . “*relied upon or prepared by*” any expert witness.

With respect to questions 2, 3, 5, and 7, CGC withdrew its objection to similarly broad requests in Docket No. 06-00175 based on the understanding as agreed to by the CAPD that the Company must produce through discovery or the pre-filed testimony any fact that the Company intends to present at the hearing on the merits.

Question 9:

Please provide all Excel files (or other data files) containing the information provided in response to these request items.

Response:

Please see response for questions 1-8.

Question 10:

Please provide a copy of all contracts involving the Tennessee jurisdiction entered into by and between AGL Resources ("AGL") and CGC, by and between AGL and Sequent Energy Management ("Sequent"), by and between CGC and Sequent, and by and between all three of them, from January 1, 2004, through the present.

Response:

Attached are the following agreements:

- (1) Services Agreement between AGL Services Company and Chattanooga Gas Company;
- (2) Utility Money Pool Agreement;
- (3) Tax Allocation Agreement; and
- (4) Services Agreement between Sequent Energy Management (as provider) and AGL Services Company (as customer). This attachment is CONFIDENTIAL. The information is provided under and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

In addition, CGC previously provided the current asset management agreement with Sequent Energy Management pursuant to the Protective Order in Docket No. 08-00012. To the extent this request seeks the previous asset management agreement, CGC objects as overly broad, not likely to lead to the discovery of admissible evidence and seeking confidential, trade secret and/or proprietary information.

Question 11:

For the period January 1, 2004, through December 31, 2007, please provide a copy of each pipeline and/or storage invoice billed to CGC and/or AGL involving the transportation and storage assets managed, optimized, or used by Sequent pursuant to the asset management contracts between CGC and Sequent.

Response:

See the attached.

The Company has also provided copies of confidential invoices from July 2007 to December 2007 in electronic format on CD. The CD is labeled Docket No. 07-00224 CAPD Data Request Question #11 Response. For copies of the confidential invoices for the periods from January 2004 to June 2007, please refer to the response to Question #17 of CGC's ACA filing.

CONFIDENTIAL – The attached information is provided under seal and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 13:

Please provide a copy of all CGC gas supply plans involving the Tennessee jurisdiction for the last ten fiscal years ended December 31, 2007.

Response:

Please see the attached spreadsheet.

Question 16:

Please provide a detailed narrative of the procedures and assumptions used to develop CGC's gas supply plans involving the Tennessee jurisdiction, including, but not limited to, the calculation of the design day demand. Please provide all supporting documents, calculations, and workpapers used in the development of CGC's gas supply plans for the last four fiscal years ended December 31, 2007.

Response:

In developing the gas supply plan, many assumptions are used to calculate gas costs. Those inputs primarily include: pipeline demand charges, fuel retention, injection and withdrawal rates, design day load, daily load, and a NYMEX gas commodity price forecast.

Using the Ventyx (formerly know as NewEnergy Associates) product, Sendout, storage resource withdrawals and flowing gas purchases are optimized to meet load requirements while keeping system costs to a minimum. One key element of the model is its ability to analyze the summer gas prices versus the winter prices to determine the appropriate amount of summertime storage injections. Storing the typically lower cost, summertime gas can be utilized in the winter period to offset some of the typically higher cost, wintertime FT gas purchases.

The methods used to calculate the load are outlined below:

2008 Design Day Calculation Methodology

1. Gather historical daily firm throughput (sendout) by month.
2. Gather historical daily degree day (HDD) information by month.
3. Gather historical customer information by month.
4. Obtain customer net additions forecast.
5. Determine a use per customer (UPC) by dividing the historical daily throughput by the number of historical customers.
6. Perform a linear spline regression with the UPC as the dependent variable and historical

heating degree days and a linear spline bend point as independent variables. This is done for all days with a heating degree day value greater than zero.

7. The linear spline bend point was determined by observing the closeness of fit at the coldest temperatures. Spline bend points were tested in 5 HDD increments.
8. Using the regression model output from above, a use per customer was calculated under at design day conditions ("UPC_{DD}"). The input variables are an HDD slope coefficient (a_{HDD}), a base coefficient related to the linear spline bend point (b_{LSBend}), the design day HDD level (HDD_{DD}), the linear spline coefficient ($LSBend$), and a constant (c). This UPC is calculated based on the formula $UPC = a_{HDD} * HDD_{DD} + b_{LSBend} * (HDD_{DD} - LSBend) + c$.
9. The forecasted UPC_{DD} output was multiplied by the net additions customer forecast. This produced the firm design day sendout.

2008 Daily, Monthly, and Annual Throughput Forecast Methodology

1. Gather historical daily firm throughput (sendout) by month.
2. Gather historical daily degree day (HDD) information by month.
3. Gather historical customer information by month.
4. Obtain customer net additions forecast.
5. Determine a use per customer (UPC) by dividing the historical daily throughput by the number of historical customers.
6. A linear spline regression with the UPC as the dependent variable and historical heating degree days, heating degree days from the previous day, and a linear spline bend point as independent variables was performed. This was done for all days.
7. The linear spline bend point was determined by a comparison of r-squares and by

observing the closeness of fit at all points with HDD's colder than the bend point. Spline bend points were tested in 5 HDD increments.

8. Using the regression model output from above, a use per customer for each day ("UPC_{Day}") was calculated. The input variables consisted of an HDD slope coefficient (a_{HDD}), an previous day HDD slope coefficient (b_{Day-1}), a base coefficient related to the linear spline bend point (c_{LSBend}), the daily HDD level (HDD_{Day}), the previous day's HDD level (HDD_{Day-1}), the linear spline coefficient (LSBend), and a constant (d). This UPC was calculated based on the formula $UPC = a_{HDD} * HDD_{Day} + b_{Day-1} * HDD_{Day-1} + c_{LSBend} * (HDD_{Day} - LSBend) + d$.
9. For each day, the forecasted UPC_{Day} output was multiplied by the net additions customer forecast. This produced the daily sendout.
10. The monthly throughput was calculated by summing the daily sendout for each day in a given month. The annual throughput was calculated by summing the monthly throughput over a twelve month gas year.

Prior to 2007

In the past, other methods were used which limited the dataset such that only the coldest days were included in the design day regressions. The new Linear Spline method provides for a better statistical fit by using all data points with 1 or more HDD.

Daily load was calculated by using a straight regression that generated base and slope factors. The Linear Spline used in the new method better captures the accelerated change in usage as temperatures fall.

Question 17:

Please provide a complete copy of each ACA filing, including all supporting documentation and workpapers, submitted to the Tennessee Regulatory Authority during the last four fiscal years ended December 31, 2007.

Response:

See the attached.

The company has also provided a copy of CGG's confidential ACA filing for years ended June 2004, June 2005, June 2006, and June 2007 in electronic format on CD. The CD is labeled Docket No. 07-00224 CAPD Data Request Question #17 Response.

CONFIDENTIAL – The attached information is provided under seal and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 18:

Please provide a copy of each natural gas commodity supply contract involving the purchase of natural gas commodity for CGC's Tennessee jurisdiction during the last four fiscal years ended December 31, 2007.

Response:

The commodity supply contract is Exhibit C to the Asset Management Agreement between CGC and Sequent. See the attached document.

CONFIDENTIAL – The attached information is provided under seal and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 19:

Please provide a copy of each invoice involving the purchase of natural gas commodity for CGC's Tennessee jurisdiction during the last four fiscal years ended December 31, 2007.

Response:

Please refer to the responses for Questions 11 and 17 for copies of all invoices.

Question 20:

Provide CGC's FERC Form 2 for Tennessee for the calendar years ending each year from 2004 through 2007.

Response

See the attached, and enclosed are CD's containing FERC Forms 2s for years 2004 through 2007.

Question 21:

For the period January 1, 2004, through the present, please list all transportation and storage assets of CGC managed, optimized, or used by Sequent pursuant to the asset management agreements entered into by and between CGC and Sequent. For each transportation asset listed, please identify the transporting pipeline, the pipeline contract number, the contract term, and the MDQ (maximum daily quantity). For each storage asset listed, please identify the owner of the storage facility, the storage contract number, the contract term, and the MSQ (maximum storage quantity).

Response:

	Contract	MDQ (Dth)	MSQ (Dth)	Type	Service Expiration	Notification
FT Services						
Southern Natural Gas	SNG - FT #FSNG130	13,221		Citygate	8/31/2010	365 Days
Southern Natural Gas	SNG - FTNN #FSNG130	14,346		Citygate	8/31/2010	365 Days
Tennessee Gas Pipeline	TGP - #48082	37,819		Upstream	10/31/2010	30 Days
East Tennessee	ETN - FT #410203	13,000		Citygate	10/31/2012	1 Year
East Tennessee	ETN - FT #410204	28,350		Citygate	10/31/2010	1 Year
East Tennessee *	ETN - FT #410199	5,000		Citygate	10/31/2006	
Storage Services						
Southern Natural Gas	SNG - CSS #SSNG69	14,346	710,484	Upstream	8/31/2010	30 Days
Tennessee Gas Pipeline	TGP - FS MA #3947	7,741	852,286	Upstream	11/1/2010	30 Days
Tennessee Gas Pipeline	TGP - FS PA #22923	13,659	2,042,390	Upstream	10/31/2010	30 Days
Company Owned Resource						
Chattanooga LNG	n/a	70,000	1,207,574	Citygate		

* The contract ETN 410199 expired on October 31, 2006 and was not renewed.

Question 22:

Provide a copy of each pipeline contract and each storage contract for the transportation and storage assets covered by the asset management agreements entered into by and between CGC and Sequent for the time period from January 1, 2004 through the present.

Response

See attached transport and storage contracts.

Question 23:

Please state the amount of the annual gas asset management services payment shared with CGC's Tennessee ratepayers for the last four fiscal years ended December 31, 2007.

Response:

In accordance with the Company's tariff, the gains from non-jurisdictional transactions the related sharing were reported on a calendar year basis for years ended December 31, 2004 and 2005. In 2007 the tariff was modified to provide that the reporting period that coincides with the Company's Fiscal Year, or if the Company has an asset management agreement, the accounting/recovery period that coincides with the contract year of the agreement. As a result, the most recent report was for the fifteen months ended March 31, 2007. The next report and determination of the amount to be shared will be for the twelve months ending March 31, 2008. The amounts shared with CGC's Tennessee ratepayers are as follows:

	Amount Credited to 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

A copy of the report for the twelve month ending March 31, 2008 will be provided when filed.

Question 24:

Please provide a complete copy of Sequent's book of profits and losses for Tennessee for the time period from January 1, 2004 through the present by calendar year, or copies of the documents whether or not they are kept in the form of a book.

Response:

Sequent does not maintain books of profit by state.

Question 25:

Please provide a copy of all documents related to Sequent's calculation of the intrinsic value and extrinsic value of the transportation and storage assets entered into by and between CGC and Sequent for the time period January 1, 2004 through the present.

Response:

Sequent does not possess any documents related to the calculation of the intrinsic and extrinsic value relating to the CGC transportation and storage assets entered into for the time period January 1, 2004 through the present.

Question 26:

Please produce copies of all of Sequent's published and internal financial statements (including, but not confined to, monthly, quarterly, and/or annual balance sheets and income statements and financial statement notes) for the years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response:

Sequent financial statements are filed with the SEC on a quarterly and annual basis as part of AGL Resources Inc.'s 10-K and 10-Q. Sequent's financial statements are broken down in the reports by quarter and by year. The filed results would be consistent with any internal financial statements.

Question 27:

Produce copies of all of Sequent's Tennessee franchise and excise tax returns for the years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response

Please see attached for Sequent's Tennessee franchise and excise tax returns for the year ending December 31, 2006. Sequent was not required to file for the years 2004 and 2005. Sequent has filed for an extension for the 2007 return, which will be due on October 15, 2008.

Please note this attachment to this response is Confidential, provided under seal and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 28:

Please produce copies of Sequent's general accounting ledger and related chart of accounts for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 29:

Please provide Sequent's total dollar amount and volume of sales by type of sale (transportation, storage, commodity) for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response

Sequent does not maintain any records that show total dollar amount and volume of sales by type of sale (transportation, storage and commodity). Sequent does not track profit and loss on a transportation-by-transportation, storage-by-storage, or commodity-by-commodity basis.

Question 30:

Please provide Sequent's total dollar amount and volume of sales related to the asset management contracts between Sequent and CGC for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response

In accordance with the Company's tariff, the gains from non-jurisdictional transactions the related sharing were reported on a calendar year basis for years ended December 31, 2004 and 2005. In 2007 the tariff was modified to provide that the reporting period that coincides with the Company's Fiscal Year, or if the Company has an asset management agreement, the accounting/recovery period that coincides with the contract year of the agreement. As a result, the most recent report was for the fifteen months ended March 31, 2007. The next report and determination of the amount to be shared will be for the twelve months ending March 31, 2008. The Sales volumes and Revenue are provided consistent with the sharing reporting periods. The data for the twelve months ended March 31, 2008 will be provided when the report for that period is completed.

	Sales Volume Dth	Value	a/
12 Months Ended 12/31/2004	32,055,627	\$ 193,083,818	
12 Months Ended 12/31/2005	33,421,172	\$ 296,050,297	
15 Months Ended 3/31/2007	30,851,338	\$ 219,646,711	

a/ Included 1,000 Dth Capacity Release and \$11,000 Capacity Release Revenue

Question 31:

Please provide the amount of net income for Sequent which was generated from the asset management contracts between Sequent and CGC for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007. Include in your response all calculations and supporting documentation.

Response:

Sequent does not allocate general and administrative expenses by AMA; therefore, it would be impossible to estimate the net income for Sequent relating to the CGC AMA.

Question 32:

Please provide the basis for allocation of the pipeline and storage demand fees to each CGC customer and the amounts allocated to each Sequent customer for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response:

Sequent has no involvement with the allocation of pipeline and storage demand fees to CGC's customers. Pipeline and storage demand fees are not allocated on a customer by customer basis. In accordance with TRA Rule 1220-4-7 Demand costs which by definition include both pipeline and storage demand fees are recovered from CGC's firm customers. The allocation of the cost to the firm customer classes is based on the ratio of the demand determinates for each class to the total demand determinants.

Question 33:

Please provide the basis for allocation of common costs of Sequent to each Sequent customer and the amounts allocated to each Sequent customer for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007. Include in your response a narrative of the assumptions used in determining the basis for allocation of the common costs of Sequent.

Response

Sequent does not allocate its common costs to its customers.

Question 34:

Please provide copies of all asset management contracts between Sequent and entities other than CGC for the time period from January 1, 2004 through the present.

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 35:

Please provide copies of all asset management contracts between AGL affiliates and their asset managers for the time period from January 1, 2004 through the present.

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 36:

Please explain how the sharing formula and percentages were determined for the asset management contracts between CGC and Sequent for the time period from January 1, 2004 through the present.

Response:

The sharing provisions included in the asset management agreement between CGC and Sequent for the period of January 1, 2004-March 31, 2008 were negotiated by the parties. The sharing provisions in the agreement effective April 1, 2008 were determined through the RFP and bidding process included in CGC's Tariff approved by the Tennessee Regulatory Authority.

Question 37:

The Order Adopting Tariff Revisions, TRA docket nos. 04-00402 and 04-00403, December 5, 2006, page 2, says,
On July 21, 2006, Audit Staff filed a response concurring with the proposed RFP procedures. Audit Staff also explains that currently CGC refunds 100% of the profits earned from its asset management agreement with its affiliate to ratepayers, although the Interruptible Margin Credit Rider ("IMCR") tariff allows the Company to retain 50% of those profits. Audit Staff notes that CGC would likely opt to retain 50% of asset management fees if an agreement is signed with a third party and that the application of the IMCR tariff should be taken into account by the Authority when approving future asset management agreements.

(a) - Explain why CGC would reduce the consumers' portion of the sharing with the asset manager by 50%, if CGC were to sign an asset management agreement with a non-affiliate.

Response

As explained in the TRA's December 5, 2006 Order in dockets 04-00402 and 04-00403 the Company has not retained the full 50% portion of the asset management fee as provided in the tariff. Instead, the Company has elected to retain less than its share as provided in the tariff and instead has provided the customers more than their 50% portion. If the Company were to retain its full 50% share, it would be in compliance with the tariff and it would not reflect a reduction in the customers' portion as provided by the tariff.

(b) Admit that in the following hypothetical the asset management sharing would be better than the current sharing both for CGC and CGC's customers: Sharing of 20% for the asset manager and 80% for CGC/consumers, and in turn sharing of 10% for CGC and 90% for consumers, ultimately resulting in sharing of 20% for the asset manager, 8% for CGC, and 72% for consumers. If CGC does not admit the assertion, please explain.

Response:

Deny. The amount that an asset manager would be willing to bid is dependent on its opportunity to retain a portion of the value that it is able to create through the management of the assets.

In a circumstance when retention of 20% of the total asset management value results in a reduced incentive to the asset manager and thus less overall value available for sharing, one cannot assume that the speculative sharing scenario described in the questions would result in higher value to CGC's customers.

Question 38:

Produce copies of all documents that demonstrate requirements for or restrictions on CGC's dealings with affiliates.

Response:

Attachment A is a copy of the Affiliate Guidelines approved by the Tennessee Regulatory Authority (TRA) and included in CGC's tariff.

Attachment B are provisions included in the NARUC Uniform System of Accounts adopted by the Tennessee Administrative Rule 1220-4-1-.11 (c) and the FERC Uniform System of Accounts that address transactions involving a utility and an affiliated company.

Dealings between CGC and Sequent relative to the management of CGC's gas supply assets and the purchase of natural gas are governed by the Asset Management and Agency Agreement between CGC and Sequent Energy Management, LP effective April 1, 2008 as approved by the TRA in Docket 08-00012. A copy of the agreement was previously provided in TRA Docket 08-00012.

Dealings between CGC and AGL Services Company, an affiliate, are governed by the AGL Services Agreement. A copy is provided in response to Question # 10.

Question 39:

Does CGC apply its tariff provisions consistently to all similar situated entities? If not, explain why not and document the circumstances, entities, dates, and rates which were not applied consistently with CGC's tariff.

Response:

Yes.

Question 40:

Does CGC give its gas asset management affiliate, Sequent, marketing preference over non-affiliated companies in natural gas supply procurement supply procurement activities? If so, document the circumstances, entities, data, and rates causing the marketing preference.

Response:

Given that Sequent does not provide gas supply services to customers behind the Chattanooga Gas Company delivery points, CGC assumes that this question is in regard to information provided to non-affiliated entities that could potentially provide asset management services to CGC. As part of the recent RFP process, the Company provided the same information to all parties regarding CGC's natural gas services.

Question 41:

Does CGC give its gas asset management affiliate, Sequent, marketing preference over non-affiliated companies in upstream capacity release activities? If so, document the circumstances, entities, data, and rates causing the marketing preference.

RESPONSE:

No.

Question 42:

Does CGC disclose to its marketing affiliate any information that the Local Distribution Company ("LDC") receives from a non-affiliated marketer, unless prior written consent is given? If so, document the circumstances, entities, data, and rates related to the marketing disclosure.

Response:

No.

Question 43:

Does CGC provide information related to its natural gas supply activities and upstream capacity release activities to all non-affiliated marketers that have submitted written requests for such information to CGC? If not, why not? Document the circumstances, entities, data, and rates related to the lack of disclosure.

Response:

Given that the asset manager does not provide gas supply services to customers behind the Chattanooga Gas Company delivery points, CGC assumes that this question is in regards to information associated with the asset manager's wholesale asset management activities. Gas sales and financial hedging activities represent competitive business processes used to generate value for CGC customers and are not available for public disclosure. Disclosure of this information would likely hurt the competitive position of the asset manager and thus reduce shareable value to the CGC customers. If the asset manager or CGC participated in any capacity release activities, such activities would be posted consistent with Federal Energy Regulatory Commission requirements via pipeline electronic bulletin boards.

Question 44:

Does CGC provide information related to its natural gas services being offered to its marketing affiliate to all non-affiliated marketers that have submitted written requests for such information to CGC? If not, explain why not and document the circumstances, entities, data, and rates related to the lack of disclosure.

Response:

Given that Sequent does not provide gas supply services to customers behind the Chattanooga Gas Company delivery points, CGC assumes that this question is in regards to information provided to non-affiliated entities that could potentially provide asset management services to CGC. As part of the recent RFP process, the Company provided the same information to all parties regarding CGC's natural gas services.

Question 45:

Does CGC document all transactions of assets, goods, services from their marketing affiliate including the fair market value and the related fully distributed costs?

Response:

Sequent provides asset management services consistent with price, terms, and conditions included in the agreement executed between CGC and Sequent. CGC does document services provided by Sequent under the agreement.

Question 46:

Does CGC obtain competitive bids for information, assets, goods or services subsequently purchased from an affiliated entity? If not, document the reasons and circumstances for which CGC deems competitive bids are neither necessary or appropriate. If CGC does obtain such competitive bids, provide copies of documents showing such competitive bids.

Response

CGC has demonstrated that it complied with the Authority's requirements with respect to competitively bidding its asset management arrangement. To the extent this question seeks additional information, CGC objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 47:

Explain why the "Cooperation" section in the current asset management contract, page 10, paragraph 14, should be included in future asset management contracts.

Response:

The asset management agreement contains the Cooperation provision because the company believes that it must memorialize the relationship that is necessary to maximize the value achieved by the asset management arrangement, especially since CGC did not know who would bid on or win the most current RFP and contract as well as future RFPs and contracts. To maximize reliability and value associated with asset management, it is necessary for CGC and the asset manager to engage in constant, consistent, and unfiltered communication regarding the distribution system condition, customer behavior, and operational capability. The Cooperation provision was included in the RFP and contract to ensure that a cooperative atmosphere between representatives of both CGC and the asset manager exist to encourage this type of communication.

Elimination of the Cooperation section may well result in personnel for the utility being inhibited in what information they may share with asset manager personnel until the data is verified and approved by management, because the utility personnel will be concerned that incomplete, speculative, and/or unverified data could be communicated by the Asset Manager during a regulatory proceeding out of context and complicate the understanding of regulators.

Question 48:

Explain why the "Early Termination" provision regarding the TRA's jurisdiction over the asset manager in the current asset management contract, page 14, paragraph 18.1(i), should be included in future asset management contracts.

Response:

The asset management agreement contains an early termination provision if the TRA should change its long-established legal policy and assert jurisdiction over third-party asset managers. Over the years, through communications with potential asset management service providers, it has become clear that these parties would not participate in asset management arrangements if their business should become regulated by a regulatory entity such as the TRA. Asset managers are non-regulated entities participating in a competitive business. To maximize the level of participation in the RFP process, CGC included in the asset management the provision that the asset manager could terminate the agreement should it fall under the regulation of the TRA.

CGC is a public utility under the laws of Tennessee and is regulated by the TRA. CGC is responsible for providing the TRA with information about its regulated assets when requested and as required under the rules and regulations of the TRA.

Question 49:

Explain in detail the process, including all communications, CGC went through in selecting Sequent as CGC's asset manager for the period January 1, 2004 through the present.

Response:

In compliance with the procedures provided in CGC's Tariff approved by the TRA, employees of AGL Services Company's Gas Control, Regulatory, and Legal Departments, acting on behalf of CGC, developed a written Request For Proposal (RFP) defining the Company's assets to be managed, detailing the Company's minimum service requirements, describing the content requirements of the bid proposals, and the procedures for submission and evaluation of the bid proposals. After approval by senior management of CGC, the RFP was provided to twenty seven potential asset managers and the TRA Staff on November 20, 2007. In addition, advertisements inviting other potential asset managers to submit proposals were published in Platts Gas Daily publication on November 27, 2007 and December 11, 2007. (A confidential copy of the RFP provided to the potential bidders and the TRA Staff and, a confidential copy of the list of potential bidders was previously provided in TRA Docket 08-00012.)

As a result of request from potential bidders the supplemental information included on Attachment A was provided to potential bidders on December 12, 2008.

Responses to the RFP that were received by 12:00 Noon, December 21, 2007, as provided in RFP, were evaluated between that date and January 3, 2008. On January 4, 2008 Sequent Energy Management was notified that it was successful bidder. (Copies of the confidential responses from all the bidders were previously provided in TRA Docket 08-00012 in response to the TRA Staff's Discovery Request #3.)

To the extent this request seeks information related to the previous asset management agreement, CGC objects as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 50:

Describe in detail all communications between CGC, AGL, and any affiliate of CGC concerning the asset management arrangements for the period from January 1, 2004 to the present.

Response:

As addressed in the response to request Item 49, employees of AGL Services Company's Gas Control, Regulatory, and Legal Departments, acting on behalf of CGC, developed a written Request For Proposal (RFP) that defined the Company's assets to be managed, detailing the Company's minimum service requirements, describing the content requirements of the bid proposals, and the procedures for submission and evaluation of the bid proposals. Sequent Energy Management, an affiliate of CGC, was included in the group of potential bidders that were provided a copy of the RFP on November 20, 2007. On December 12, 2007 supplemental information was provided to the potential bidders, including Sequent Energy Management. On January 4, 2008 Sequent was notified that its proposal had been accepted. After Sequent was notified that it was the successful bidder there was communication with Sequent addressing the procedural schedule for obtaining approval and discussion concerning what information included in the AMA agreement that should be classified as confidential. There was no communication between CGC and other affiliates concerning the AMA.

To the extent this request seeks information related to the previous asset management agreement, CGC objects as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 51:

Provide all documents of all communications between CGC, AGL and any affiliate of CGC concerning the asset management arrangements for the period from January 1, 2004 to the present.

Response:

The RFP provided to Sequent was filed in TRA Docket 08-00012, and the supplemental data provided to potential bidders is included in response to question 50.

Attached is a copy of an e-mail sent to Sequent providing the procedural schedule for TRA Dockets 08-00012 and 07-00224.

To the extent this request seeks information related to the previous asset management agreement, CGC objects as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 52:

Describe in detail the work history of all Sequent employees for the past ten years.

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 53:

Describe in detail all information supplied to Sequent pertinent to Sequent's valuation of the subject asset management arrangement.

Response

Please see the response to question 51 for a list of all information provided to Sequent and all potential bidders relating to CGC's most recent Asset Management RFP.

Question 54:

Describe in detail all information supplied to all other bidders in TRA docket no. 08-00012, which is in any way pertinent, or could be pertinent, to each bidder's valuation of the asset management arrangement.

Response:

Please see the response to question 51 for a list of all information provided to Sequent and all potential bidders relating to CGC's most recent Asset Management RFP.

Question 55:

Confirm that CGC has reduced its firm delivery capacity from East Tennessee by 5,000 dekatherms from the quarters labeled 200610 to 200701. If CGC cannot confirm this, then please provide data showing the correct amounts.

Response:

Yes.

Question 56:

Confirm that as of January 2008, CGC's current contracts provide for the firm delivery of 41,350 dekatherms. If CGC cannot confirm this, then please provide data showing the correct amounts.

Response:

As of January 2008, CGC's total East Tennessee contracts total to 41,350 dekatherms of firm citygate delivery rights.

Question 57:

Regarding the peak days of 2005 and 2006 described in East Tennessee's segmentation reports to FERC, explain fully the reasons for the differences in the scheduling at each point, including the advantages or disadvantages that accrued to CGC or any affiliated entity as a result of the changed scheduling procedures, and explain any additional costs to CGC's ratepayers.

Response:

East Tennessee allows firm shippers to schedule gas to any delivery point in their system if they do not have an Operational Flow Order or Maximum Allowable Delivery Alert in effect for that day. The Pipeline uses an operational balancing agreement to handle differences in customer burns and actual deliveries to any one point. East Tennessee takes a shipper's total firm deliveries to all points and nets them against the total customer burn each day. On Jan. 23, 2005 Chattanooga scheduled 46,250 dths to delivery points 59001, 59007, 59014, 59016, 59017, 59024, 590106, 59108 and 59142. The other supply scheduled on that day was from third parties using their own transportation capacity. On Feb. 13, 2006, Chattanooga scheduled 46,350 dths to delivery point 59024. The other supply scheduled on that day was from third parties using their own transportation capacity. There were no advantages or disadvantages accrued to CGC or any affiliated entity as a result of this scheduling practice. There were no additional costs to CGC'S ratepayers.

Question 58:

Regarding the peak days of 2005 and 2006, Table 3 shows CGC's maximum contractual capacity as 17,330 at point 19767, but Table 2 shows Scheduled amounts of 18,481 in 2005 and 48,816 in 2006. Explain fully the reasons for scheduling more capacity at a point than what the contract maximum specifies. Include in your response the advantages or disadvantages that accrued to CGC or any affiliated entity and to CGC's ratepayers as a result of this practice.

Response:

See the response to question 57.

Question 59:

Regarding the peak days of 2005 and 2006 explain fully the reasons why CGC is allowed by the pipeline to schedule more capacity at a point than the contract specified maximum.

Response:

CGC has not scheduled more capacity in total on East Tennessee's system than its contracted minimum firm transportation amount. Please see the response to 57.

Question 60:

To the extent that the sum of the scheduled deliveries approximate the actual deliveries, explain, for example, why CGC does not or did not place all the nominations on just 1 meter, such as scheduling 61,000 dekatherms at meter 59014?

Response

CGC has in the past scheduled all deliveries to just one point. As explained in question 57, CGC does not receive any benefit or penalty for scheduling deliveries to one point or multiple points if East Tennessee does not have an Operational Flow Order or Maximum Allowable Delivery Alert in effect for that day.

Question 61:

Are the scheduled deliveries at meter 59014 the sum of separate schedules for Sequent and CGC? If they are the sum of separate schedules, explain fully how the separate schedules are created and provide any documentation, including emails, memos, spreadsheets or other written material to support your response. Also provide the daily record for the dekatherms scheduled at meter 59014 per contract 410203-R1 and per contract 410206-R1 from January 1, 2005 through December 31, 2007.

Response

The scheduled deliveries at meter 59014 are not the sum of separate schedules for Sequent and CGC. There may also be gas scheduled to 59014 for firm or interruptible markets in the Atlanta area that may be purchased by other third parties.

Attached is the daily record from the East Tennessee bulletin board showing the gas scheduled to 59014 on contract 410203-R1, and on contract 410206-R1 from January 1, 2005 through December 31, 2007.

Please see attached for support, note that downstream delivery locations and customer names have been redacted.

Question 62:

Explain fully how actual usage at meter 59014 is separated between energy used by Sequent and energy delivered to CGC for its customers.

Response

All of the actual usage (burn) at 59014 is for third party usage not CGC.

Question 63:

Explain fully how CGC prevents its activities related to contract 410203-R1 from being commingled with Sequent's activities regarding contract 410206-R1.

Response

Gas scheduled on Sequent's contract 410206 to meter 59014 is scheduled for other third party deliveries. Volumes scheduled to meter 59014 for CGC use under the CGC Tennessee contracts or Sequent's contract 410206 is shown on a scheduling summary spreadsheet denoting the gas is to be used at other CGC meters.

Question 64:

Does CGC use or has CGC used energy delivered to Sequent at meter 59014 to meet the needs of CGC's ratepayers?

Response:

One single day, January 16, 2007, CGC purchased 5000 dths delivered on Sequent's contract 410206 to the meter 59014. This gas was denoted on a scheduling summary for CGC usage at other meters. If gas is scheduled to 59014 for CGC use, it is denoted on a scheduling summary for CGC use and it is not considered delivered to Sequent.

Question 65:

If Sequent acquires gas which is delivered to any transportation customers at or behind CGC's meter points, identify the customers.

Response:

Sequent has never sold to individual customers behind CGC's gate.

Question 66:

Confirm that the amounts displayed in the last row of Table 3 are the firm delivery amounts by meter number for the quarter of January 2008. If CGC cannot confirm these, then please provide data showing the correct amounts.

Response:

CGC capacity shown in table 3 for January 2008 is correct.

Question 67:

Confirm that the amounts displayed in Tables 17 and 18 are correct. If CGC cannot confirm these, then please provide data showing the correct amounts.

Response:

The data in the last row of Table 17 and the data in the last 4 rows of Table 18 are correct.

Question 68:

Explain fully how CGC communicates to the pipelines that Sequent is CGC's asset manager for CGC's contracts with the pipeline. Provide copies of all FERC forms, and all CGC written material including emails, letters, or other documents which show and explain this process.

Response

CGC does this consistent with the pipeline's tariff requirements, which include providing agency agreements. See the attached agreements. Note that ETNG does not require an agency agreement. Its system provides for an affiliate notation, which allows Sequent, as an affiliate of CGC to act on CGC's behalf. Per the Asset Management Agreement, Sequent may only act at the direction of CGC.

Question 69:

If Sequent, rather than CGC, communicates to the pipelines that Sequent is CGC's asset manager for CGC's contracts, then provide copies of all FERC forms, and all CGC written material including emails, letters, or other documents which show Sequent informing the pipeline that Sequent is CGC's asset manager.

Response:

See response to 68.

Question 70:

Is CGC the operator of SONAT point 19966, shown in Table 18?

Response:

Both CGC and Sonat have operating responsibilities at point 19966.

Question 71:

Is CGC the operator of any of CGC's points for East Tennessee pipeline? If so, which points? If not, what entity is the operator of CGC's points for East Tennessee pipeline?

Response

Both CGC and East Tennessee have operating responsibilities at CGC's delivery points.

Question 73:

Did Sequent submit a bid for the most recent Atmos Energy asset management contract?

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence and seeking privileged, confidential, proprietary and/or trade secret information.

Question 74

Confirm that Sequent is not and has never been an operator of any delivery point where East Tennessee delivers gas to CGC. If such confirmation cannot be made, please explain.

Response

Sequent is not and has never been an operator of any delivery point where East Tennessee delivers gas to CGC.

Question 75:

Is there a balancing agreement between CGC and East Tennessee which includes meter 59014?

Response

Yes. Meter 59014 is a CGC firm delivery point.

Question 76:

Is there a balancing agreement between Sequent and East Tennessee?

Response

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence and seeking privileged, confidential, proprietary and/or trade secret information.

Question 77:

If the response is "Yes" to either of the two requests immediately above, then provide copies of all Operating Balance Agreements between CGC and East Tennessee Natural Gas Pipeline, between Sequent and East Tennessee Natural Gas Pipeline, and between AGL and East Tennessee Natural Gas Pipeline.

Response

**Rate Schedule LMS-PA
Load Management (Pooling Area) Service**

1. AVAILABILITY

- 1.1 Transporter shall provide a monthly balancing service to parties (herein referred to as "Balancing Parties") who have executed an Operational Balancing Agreement ("OBA") for use at receipt points. A Receipt Point OBA will be available to:
- (a) the operator of connecting facilities at a receipt point(s) on Transporter's system;
 - (b) a pipeline operator whose facilities interconnect with Transporter's system;
 - (c) A supply aggregator ("Aggregator") who has obtained consent from two or more receipt point operators authorizing the Aggregator to operate such points, which authorization shall include, but not be limited to, changing physical flow at receipt points; provided however that the sum of all the MDROs at all points covered by one Aggregator's Balancing Agreement shall not exceed 5,000 Dth.

2. APPLICABILITY

The terms, conditions, and charges set forth in this Rate Schedule governing daily variances and monthly balancing shall apply to all gas flowing through meters covered by a Receipt Point OBA. A Receipt Point OBA may cover an unlimited number of points designated as Primary Receipt Points under FT-A and/or FT-GS Agreement(s), or an unlimited number of points designated as Primary Receipt Points under an FT-L Agreement, subject to the limitation in Section 1.1(c) above. A single Receipt Point OBA may not cover points on that portion of Transporter's system designated as an Incremental Lateral and points on that portion of Transporter's system not designated as an Incremental Lateral.

3. SCHEDULING AND CONFIRMATION BY BALANCING PARTY

The Balancing Party will submit confirmations to Transporter via LINK® by Transporter's confirmation deadline(s) set forth in Section 15 of Transporter's General Terms and Conditions. The Balancing Party's confirmation shall specify the quantity to be transported by each Shipper to or from Balancing Party's receipt point.

4. DAILY VARIANCES

- 4.1 The daily variance shall be the difference between the total Scheduled Quantity at that point and the actual quantity delivered into Transporter's system at that point on any day.

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East Tennessee Natural Gas, LLC

FERC Gas Tariff

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Rate Schedule LMS-PA
Load Management (Pooling Area) Service (Continued)

- 4.2 A Balancing Party may be subject to an Action Alert Penalty or a Balancing Alert Penalty for quantities delivered above the Daily Limit as set forth in Section 5.
- 4.3 Based upon the best information available, a Balancing Party shall take action to correct any imbalances occurring during the month by making adjustments in nominations or receipts. If Balancing Party fails to take such corrective action, then Transporter may, upon 48 hours notice, adjust Balancing Party's scheduled receipts over the remainder of the calendar month in order to maintain a balance of receipts and nominations.

5. DELIVERIES IN EXCESS OF DAILY LIMIT

- 5.1 On any day on which Transporter has issued an Operational Flow Order ("OFO") affecting Balancing Party's point pursuant to Section 14 of Transporter's General Terms and Conditions, and Balancing Party delivers gas in excess of the Daily Limit

applicable to the receipt point, such Balancing Party shall be subject to an Action Alert Penalty or a Balancing Alert Penalty, as applicable, as set forth in Section 14.9 of Transporter's General Terms and Conditions for each dth of excess quantities delivered beyond a two percent allowable variation. The Daily Limit shall be stated in the OFO.

- 5.2 In addition to the remedy set forth in 5.1 above, in the event Balancing Party delivers gas in excess of the Daily Limit applicable to the receipt point and Transporter believes it is necessary to take actions (i.e., buying or selling gas, etc.) to maintain system integrity or to prevent interrupting firm service, Transporter shall have the right, but not the obligation, to take such remedial actions as it deems necessary. If Transporter takes these actions, it shall be made whole by the Balancing Party that failed to observe the Daily Limit for all costs that Transporter incurs.
- 5.3 Any penalty revenue collected by Transporter pursuant to this Section 5 will be credited to Non-offending LMS-PA Balancing Parties pursuant to Section 47.4 of the General Terms and Conditions of this FERC Gas Tariff.

6. IMBALANCE TRADING

LMS-PA Balancing Parties will be allowed to trade imbalances occurring during the month.

Transporter shall allow LMS-PA Balancing Parties to trade imbalances with other LMS-MA or

LMS-PA Balancing Parties within the same Operational Impact Area, as defined in Section

1

of the General Terms and Conditions, if the two Balancing Parties' imbalances are offsetting balances for the month, such that the net imbalance for each Balancing Party after the completion of the trade would be reduced to a quantity closer to zero. A Balancing Party may trade any imbalance with another Balancing Party, provided that the trade shall not result in a transportation path which crosses a Posted Point of Restriction, as defined in Section 1 of the General Terms and Conditions, for that month.

A Transportation Component for each imbalance to be traded will be calculated and applied pursuant to Section 8.4 of Rate Schedule LMS-MA.

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Rate Schedule LMS-PA
Load Management (Market Area) Service (Continued)

Transporter will provide the ability to post and trade imbalances at any time during the gas flow month, and until the seventeenth Business Day after the end of the month during which the imbalances occurred. To facilitate the trading process, Transporter will, upon receipt of an LMS-PA Balancing Party's authorization, post an LMS-PA Balancing Party's imbalance quantity on its Web site. Authorizations to Post Imbalances that are received by Transporter by 11:45 a.m. will be effective by 8:00 a.m. the next Business Day (central clock time). An Authorization to Post Imbalances will remain in effect until cancelled by the LMS-PA Balancing Party. Imbalances previously authorized for posting will be posted as they become available, but no later than the ninth Business Day of the month; however, Transporter will not be required to post zero imbalances. The information posted will identify the LMS-PA Balancing Party, the contract number, the Operational Impact Area and the gas flow month applicable to the posted imbalance quantity. Transporter will provide to all Customers the ability to view, and upon request, download posted imbalance information.

Transporter shall enable the imbalance trading process by (i) receiving the Request for Imbalance Trade, (ii) receiving the Imbalance Trade Confirmation, (iii) sending the Imbalance Trade Notification to all affected parties, and (iv) reflecting the trade prior to or on the next monthly Shipper Imbalance or cash-out. When trading imbalances, the quantity to be traded must be specified. After receipt of an Imbalance Trade Confirmation, Transporter will send the Imbalance Trade Notification to the initiating trader and the confirming trader no later than noon (central clock time) on the next Business Day. Imbalance trades can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. Imbalance trades are considered final when confirmed by the confirming trader and effectuated by Transporter. Transporter shall update the LMS-PA Balancing Party's imbalance data to reflect any final trades of imbalance quantities no later than 9:00 a.m. CT on the next Business Day after the trade is finalized.

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Rate Schedule LMS-PA
Load Management (Pooling Area) Service (Continued)

7. MONTHLY IMBALANCES

- 7.1 The LMS-PA Balancing Party's monthly imbalance shall be the net total of daily variances from all points covered by the LMS-PA Balancing Party's OBA(s) adjusted for make-up quantities and imbalance trading transactions, with the exception that monthly imbalances created on that portion of Transporter's system not designated as an Incremental Lateral shall not be netted against monthly imbalances created on that portion of Transporter's system designated as an Incremental Lateral. Unless Transporter and the Balancing Party mutually agree to correct the imbalance in kind on a nondiscriminatory basis, each month Transporter and the Balancing Party shall "cash out" any imbalance between Scheduled Quantities and actual receipts. To determine the % monthly imbalance, Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total scheduled quantities for all days of the month for all points covered by the Balancing Agreement, then multiply by 100.
- 7.2 (a) If the monthly imbalance is due to an excess of actual receipts relative to scheduled quantities, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party/Shipper shall sell to Transporter, and Transporter shall buy from the Balancing Party/Shipper, in accordance with the formula listed in Section 7.2(a) of this Rate Schedule. If the monthly imbalance is due to a deficiency in actual receipts relative to scheduled quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party/Shipper, and Balancing Party/Shipper shall buy from Transporter, in accordance with the formula listed in Section 7.2(a)(ii).

The amounts due hereunder shall be paid in accordance with

Section 16 of the General Terms and Conditions of
Transporter's FERC Gas Tariff.

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East Tennessee Natural Gas, LLC

FERC Gas Tariff

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Rate Schedule LMS-PA

Load Management (Pooling Area) Service (Continued)

- (i) The Balancing Party or Shipper (hereinafter referred to as the "Party") and Transporter shall "cash out" the actual monthly imbalance at the applicable price described below.
 - (A) For each month, the monthly "Low Price" or "LP" for each Market Area shall be established by taking the lowest weekly Market Area Region Price ("MARF") set forth in Tennessee's tariff pursuant to its Rate Schedule LMS-MA established for the Market Area applicable to the month.
 - (B) For each month, the monthly "High Price" or "HP" for each Market Area shall be established by taking the highest weekly MARF established for the Market Area applicable to the month.
 - (C) For each month, the monthly "Average Price" or "AP" for each Market Area shall be determined by taking the simple arithmetic average of the weekly MARF figures established for the Market Area applicable to the month.

In the event that these prices are no longer available or valid, Transporter will file to change its tariff and may, at its discretion, select a representative price in the interim period, subject to refund. In the event that a more representative posting is established, Transporter will file to change its tariff.

- (ii) For all Parties whose % monthly imbalance is less than or equal to 5% (as

calculated according to Section 7.1 of this Rate Schedule) or whose monthly imbalance (either actual or operational) is less than or equal to 1,000 Dth, the following definitions shall apply to the formula under which the Parties' imbalance volumes are "cashed out":

- "Total Positive Imbalance" or "P" shall mean the absolute value ("abv") of the sum of all actual positive imbalances under Section 7.2(a) of this Rate Schedule LMS-PA.
- "Total Negative Imbalance" or "N" shall mean the abv of the sum of all actual negative imbalances under Section 7.2(a) of this Rate Schedule LMS-PA.
- "Net Pipeline Imbalance" or "I" shall mean the difference between the Total Positive Imbalances and the Total Negative Imbalances ($I = P - N$).
- Each of the imbalances (P, N, and I) shall be calculated once, no later than the first billing of cash outs after the close of the month.

The Parties' actual imbalance volumes shall be "cashed out" according to the following formula:

(A) If $I > \text{or} = \text{zero}$ then:

- Price for negative imbalances and imbalances less than or equal to 1,000 Dth = AP
- Price for positive imbalances =
 $(\text{abv}(I) \times LP) + (N \times AP)$

$$\frac{\quad}{P} \quad \frac{\quad}{P}$$

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FERC Gas Tariff
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Rate Schedule LMS-PA
Load Management (Pooling Area) Service (Continued)

(B) If $I < \text{zero}$ then:

- Price for negative imbalances =

$$\frac{(\text{abv}(I) \times \text{HP})}{N} + \frac{(P \times \text{AP})}{N}$$
- Price for positive imbalances and imbalances less than or equal to 1,000 Dth = AP

(iii) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.1 of this Rate Schedule) and greater than 1,000 Dth, the actual negative imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier	Price
0 - 5%	100% of HP
> 5% - 10%	115% of HP
> 10% - 15%	130% of HP
> 15% - 20%	140% of HP
> 20% -	150% of HP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the HP. Volumes making up the remaining 2% of the imbalance are priced at 115% of the HP.

(iv) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.1 of this Rate Schedule) and greater than 1,000 Dth, the actual positive imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier	Price
0 - 5%	100% of LP

> 5%	- 10%	85% of LP
> 10%	- 15%	70% of LP
> 15%	- 20%	60% of LP
> 20%	-	50% of LP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the LP. Volumes making up the remaining 2% of the imbalance are priced at 85% of the LP.

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FERC Gas Tariff

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Second Revised Sheet No. 197

Rate Schedule LMS-PA

Load Management (Pooling Area) Service (Continued)

- (b) Access to Information - Transporter will make available within one Business Day following the day of gas flow the best information it has concerning the total physical receipts. Transporter will also make available by electronic means the best information it has concerning the scheduled and allocated receipts at all receipt points. This information will include electronic gas measurement data at meters where such data is used for billing purposes (Electronic Data). Transporter will designate where Electronic Data is available. No later than 11:00 a.m. Central Time on the third full Business Day following the day of gas flow, the information regarding the scheduled and allocated receipts shall become "Operational Data" and Operators will be entitled to rely on the Operational Data for purposes of correcting imbalances during the month. Imbalances will be cashed out on the basis of actual

receipts and scheduled quantities; provided that the Imbalance Tier and tiered pricing associated with imbalances will be based upon the lesser of (1) the monthly operational imbalance reported by Transporter based upon the Operational Data or (2) the monthly imbalance based upon actual receipts and receipts at such locations; provided that, if the monthly imbalance reported by Transporter as of the 20th day of the calendar month based upon Electronic Data is subsequently adjusted during the remainder of the month and (1) such adjustments materially increase the level of the imbalance and (2) the Balancing Party did not have adequate time to correct the imbalance by adjusting nominations or receipts, then the Imbalance Tier associated with imbalances at points where Electronic Data is available will be based upon the lesser of (a) the imbalance reported as of the 20th day of the calendar month plus the imbalance reported for each subsequent day in the calendar month or (b) the monthly imbalance based upon actual receipts at such points to the extent the Balancing Party documents the situation. Notwithstanding anything to the contrary, if the Electronic Data at any point is inaccurate, through no fault of Transporter, but rather as the result of the action or inaction of third parties, then the Imbalance Tier associated with monthly imbalances occurring at such points will be based upon actual receipts.

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East Tennessee Natural Gas, LLC

FERC Gas Tariff

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First Revised Sheet No. 198

Rate Schedule LMS-PA
Load Management (Pooling Area) Service (Continued)

- (c) Limitation on Tiered Pricing - Any imbalances caused by an event of force majeure as set forth in Section 24 of the

General Terms and Conditions of Transporter's FERC Gas Tariff or caused by Transporter's actions (1) will not be included in the calculation of the total monthly imbalance for purposes of determining the appropriate cash-out level and (2) will be cashed out at the 0-5% tolerance level, as set forth in 7.2 above.

- (d) Operational Integrity - Nothing in this Section 7 shall limit Transporter's right to take action as may be required to adjust receipts and deliveries of gas in order to alleviate conditions that threaten the integrity of its system.

8. DISPOSITION OF CHARGES

At the conclusion of each annual period, Transporter will determine the net cashout activity under its LMS Rate Schedules and Section 8 of Rate Schedule PAL. In the event that charges collected by Transporter under its cashout provisions exceed the actual cost of providing service under this Rate Schedule, Transporter shall credit such excess revenues to all eligible Balancing Parties. Credits shall be applied based on volumes transported during the past year. Any credits due hereunder shall be made within 45 days following approval by the Federal Energy Regulatory Commission of Transporter's report and refund plan concerning such credits. To the extent that the cashout activity in any annual period results in a negative balance, such balance will be carried forward and applied to the next annual determination of cashout activity. Within 150 days after each anniversary of the Implementation Date, Transporter will file a report and refund plan with the Commission.

9. GENERAL TERMS AND CONDITIONS

9.1 Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order by any duly authorized agency. Furthermore, any terms or conditions not specified in this Rate Schedule shall be determined consistent with the General Terms and Conditions of Transporter's FERC Gas Tariff, which are incorporated into this Rate Schedule.

9.2 In the event of a conflict between the provisions of this Rate Schedule and Transporter's General Terms and Conditions, the provisions of Transporter's General Terms and Conditions shall govern.

Issued by: D. A. McCallum, Director, Rates and Tariffs

Issued on: November 13, 2006

Effective on: December 14, 2006

East Tennessee Natural Gas, LLC

FERC Gas Tariff

Third Revised Volume No. 1

Sheet Nos. 199 - 210

Question 78:

Explain fully how Sequent's deliveries to meter 59014 are treated within the context of any balancing agreement that includes any of or all of CGC's meter points.

Response:

Sequent deliveries to meter 59014 are treated just like any other delivery to that meter. Contract 410206 is scheduled just like any other third party nomination. Gas scheduled on CGC contracts to meter 59014 is on a scheduling summary spreadsheet clearly denoting whether the gas is to be burned in CGC or at meter 59014. . All gas burned at meter 59014 is for firm and interruptible customers on AGLC's distribution system. The AGLC Gas Control department scheduling the volumes is then clear where the gas is to be burned (at 59014 meter or at CGC meters).

AGLC and CGC share an OBA with East Tennessee. The split out of the OBA has two parts.

- 1) **Measured Burns:** The measured burns (actual usage) at the meters is completely separate. All gas burned at meter 59014 is gas burned by firm and interruptible customers on AGLC's distribution system. All gas burned at the CGC meters is for CGC.
- 2) **Scheduled nominations:** The scheduled volumes are kept separate as well. All gas scheduled to CGC meters is for CGC burn. Gas scheduled to meter 59014 on non-CGC contracts is nominated in the Atlanta Gas Light Gas Operations System. Gas scheduled on CGC contracts to meter 59014 is on a scheduling summary clearly denoting whether the gas is to be burned in CGC or AGLC meters. Gas Control is then clear where the gas is to be burned (at meter 59014 or at CGC meters).

The East Tennessee OBA allows CGC to schedule gas to the 59014 meter and burn it at CGC meters. East Tennessee treats it as one OBA. East Tennessee looks at the difference between scheduled and burned for the sum of the CGC and the 59014 meters. There is one East Tennessee cash-out for the difference between scheduled and burned for the each month. AGLC and CGC separate this one OBA based on the separate scheduled volumes and separate burn volumes.

Question 79:

(a) Confirm that CGC, AGL or Sequent received a refund or credit from ET regarding ET's cashout for the 12-months-ending 200310 (October 2003). If CGC confirms, provide the amount of the credit or refund. If CGC cannot confirm, then explain.

Response:

The company received a \$32,259 refund from East Tennessee Natural Gas Co., which was credited on the July 2004 production month invoice. One hundred percent (100%) of the refund was passed to CGC ratepayers.

(b) If CGC confirms subpart (a) above, then also confirm that the refund or credit was passed on to CGC's ratepayers. Provide copies of any correspondence or data provided to the Tennessee Regulatory Authority regarding the refund. If CGC cannot confirm, then explain.

Response:

Per TRA staff suggestion, the refund of \$32,259 was included in the ACA filing ending June 2005 as reduction of commodity gas cost instead of filing a Supplier Refund Rider separately. Please refer to the response to question 17 for the ACA filing year ending June 2005 for support document.

Question 80:

(a) Confirm that CGC received a refund or credit from East Tennessee regarding East Tennessee's cashout for the 12-months-ending 200510 (October 2005). If CGC confirms, provide the amount of the credit or refund. If CGC cannot confirm, then explain.

Response:

The Company received a refund in the amount of \$181,994 from East Tennessee Natural Gas Co., which was credited on the June 2006 production month invoice. One hundred percent (100%) of the refund was credited to CGC ratepayers.

(b) If CGC confirms subpart (a) above, then also confirm that the refund or credit was passed on to CGC's ratepayers. Provide copies of any correspondence or data provided to the Tennessee Regulatory Authority regarding the refund. If CGC cannot confirm, then explain.

Response:

The refund of \$181,994 was included in the ACA filing ending June 2006 as reduction of commodity gas cost instead of filing a Supplier Refund Rider separately. Please refer to the response to question 17 for ACA filing year ending June 2006 for support document.

Question 82:

Explain fully all considerations and circumstances which led or caused CGC to relinquish 5,000 dekatherms of firm receipts volume at RidgeTop, and explain whether CGC would relinquish the capacity to any other company or marketer other than Sequent.

Response:

In evaluating the design day (peak day) load of the firm customers, the Company came to the conclusion that the needs of the customers could be met without the 5,000 dekatherms per day of firm transportation capacity associated with East Tennessee Pipeline contract number 410199, which was set to expire October 31, 2006. Therefore, CGC did not relinquish, release, or assign any capacity to Sequent. CGC exercised the rights it held under its contract with East Tennessee to turn back firm transportation capacity at the end of the contract term. It is possible that Sequent acquired rights to capacity from East Tennessee consistent with the pipeline's open access tariff.

Question 83:

Was any financial consideration provided by Sequent to CGC or its ratepayers for CGC relinquishing 5,000 dekatherms of firm receipts volume at RidgeTop, which were then acquired by Sequent in its fulfillment of contract 410206-R1? If none, then so state. If "yes," then explain and provide copies of any material you have to support your reply.

Response:

No. CGC did not relinquish, release, or assign any capacity to Sequent. CGC exercised the rights it held under its contract with East Tennessee to turn back firm transportation capacity at the end of the contract term. It is possible that Sequent acquired rights to capacity from East Tennessee consistent with the pipeline's open access tariff.

Question 84:

Did CGC demand any financial consideration from Sequent when CGC relinquished 5,000 dekatherms of firm receipts volume at RidgeTop. If none, then so state. If "yes," then explain and provide copies of any material you have to support your reply.

Response:

No. CGC did not relinquish, release, or assign any capacity to Sequent. CGC exercised the rights it held under its contract with East Tennessee to turn back firm transportation capacity at the end of the contract term. It is possible that Sequent acquired rights to capacity from East Tennessee consistent with the pipeline's open access tariff.

Question 85:

Did CGC know that the 5,000 dekatherms of firm receipts volume being relinquished at RidgeTop would be acquired by Sequent? If no, then so state. If "yes," then explain CGC's activities and provide copies of any material you have to support your reply.

Response:

No

Question 86:

In an excel spreadsheet and a hard copy, provide the daily record for the dekatherms scheduled at RidgeTop per contract 410203-R1 and per contract 410206-R1 from January 1, 2005 through December 31, 2007.

Response

Please see attached for Sequent's gas receipts at RidgeTop per contract 410203-R1 and per contract 410206-R1 from January 1, 2005 through December 31, 2007. Please note that the downstream delivery points and customers have been redacted. Also included as part of the attachment is an excel spreadsheet, which summarizes the information contained in the East Tennessee Service Requester Detail Activity Allocation Reports.

Question 87:

Explain fully why CGC has no storage capacity at Saltville Storage.

Response

Chattanooga Gas has not determined that Saltville Storage service would benefit its customers. Typically services available from salt dome storage services are best suited to providing supply and demand balancing. CGC's Southern Natural Gas CSS storage service provides adequate daily balancing service to meet the customers' needs.

Question 88:

Explain fully the extent to which CGC cooperates with Sequent and AGL regarding CGC's decisions to enter into and exit from pipeline contracts for storage and transportation, and the terms and conditions of such contracts, including the contract's duration.

Response:

Decisions related to pipeline storage and/or transportation contracts are made exclusively by CGC personnel and AGL Service Company employees working on behalf of Chattanooga Gas Company. Sequent and Atlanta Gas Light Company employees are not involved in the decisions.

Question 89:

How much profit has Sequent netted from contract 410203-R1 and contract 410206-R1?

Response:

As discussed in the response to question #31, Sequent cannot determine any of its net profits other than its overall net profit; which is contained in AGLR Resources Inc.'s SEC filings, see response to question #26. Sequent cannot either break down gross profits by transportation contracts for its contracts or any CGC contracts.

Question 90:

Explain fully why CGC's percentage reduction of delivery capacity from January 2004 to January 2007 substantially lags the percentage reduction in volume sales to consumers from January 2004 to January 2007.

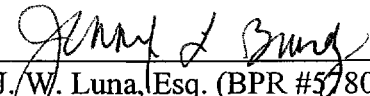
Response

The amount of firm citygate delivered capacity requirement is based upon the needs of CGC's customers on days of extreme weather conditions. While extremely cold weather days may not happen every year, the company needs to be prepared to serve customers when such conditions do occur. Decreasing the portfolio's deliverability has the potential to cause substantial customer outages on extremely cold days.

The sales volumes in a given year are determined by summing daily throughput, which is affected by fluctuating daily weather conditions including warm days and cold days. In 2004, the total annual Heating Degree Days ("HDD's") experienced were 6% greater than in 2007. This resulted in a lower throughput for the area. In addition, 2007 experienced a 16% decrease in total annual HDD's when compared to NOAA's normal weather pattern. While the total throughput was down in 2007 in comparison to 2004, the 2007 peak day was only 2 degrees lower than the 2004 peak day. Therefore, having the amount of supply needed to serve customers on all days should be disconnected from the throughput volumes experienced.

Respectfully submitted,

FARMER & LUNA, PLLC

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CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forwarded by hand delivery on this the 11th day of April, 2008, to the following:

Eddie Roberson, Chairman
Tennessee Regulatory Authority
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Kelly Cashman-Grams, Hearing Officer (response w/o attachments)
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