

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

February 8, 2008

IN RE:

**REQUEST OF CHATTANOOGA GAS
COMPANY FOR APPROVAL OF
ASSET MANAGEMENT AGREEMENT**

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Docket No. 08-00012

CHATTANOOGA GAS COMPANY'S STATUS REPORT

Pursuant to the Hearing Officer's directions on February 6, 2008, Chattanooga Gas Company ("CGC" or "Company") is filing this Status Report regarding "the potential issues" in this docket. Docket 08-00012 has been convened for the Tennessee Regulatory Authority ("TRA" or "Authority") to evaluate whether CGC has complied with its Tariff in bidding and awarding this new asset management agreement and whether the new agreement should be approved for the benefit of CGC's customers. As demonstrated through the information filed by CGC in this docket, CGC has complied with the RFP procedures in its Tariff. CGC has awarded a new asset management contract that provides the greatest benefit to CGC's customers, and CGC requests that the agreement be approved without delay so that asset management services may continue after March 31, 2008. The Company believes that there are no other issues for this docket.

BACKGROUND

In its April 24, 2007 Order in Docket 05-00322, the Tennessee Regulatory Authority ("TRA" or "Authority") ordered Chattanooga Gas Company ("CGC" or "Company") to rebid its

asset management agreement prior to the end of March 31, 2008, when the current asset management agreement terminates. The TRA further ordered the Company to submit the new agreement to the TRA for approval.

Upon bidding the asset management agreement, CGC followed the RFP procedures in its Tariff. These procedures resulted from the Company's working with the TRA Staff as directed by the TRA. The TRA approved the RFP procedures in its written Order on December 5, 2006 in Dockets 04-00402 and 04-00403.

CGC has provided the TRA and the Consumer Advocate with a copy of the RFP and the executed contract. CGC has responded to the TRA Staff's data requests and has provided information about the bidders and their bids. CGC has offered to provide the TRA and the Consumer Advocate with any additional information that may be needed for the TRA to decide whether to approve the executed agreement pending in this docket.

CGC'S POSITION

The TRA has pending before it the executed asset management agreement between CGC and Sequent Energy Management, L.P. ("Sequent") that resulted from the RFP issued by CGC pursuant to its Tariff. This docket is not about negotiating the provisions in the new asset management agreement. The provisions and terms of the agreement have already been determined as a result of the RFP process. This agreement, if approved by the TRA, is a legally binding contract between CGC and Sequent based on the contract provisions that were bid through the RFP process. If approved, asset management services will go forward, and CGC will provide significant guaranteed benefits to its customers during the term of the contract. If the agreement is not approved, CGC will not have an asset manager after March 31, 2008, and CGC's customers will lose.

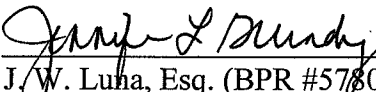
The Consumer Advocate has identified to CGC its potential issues which focus on re-negotiating the terms and provisions of the agreement. However, the purpose of the current docket is to determine whether the agreement pending before the TRA provides benefit to CGC's customers and should be approved. If the contract is approved, it is a binding agreement based on its terms and provisions for the duration of the agreement. If it is not approved as written, Sequent is no longer bound to its bid and the executed agreement, and there will be no asset management agreement in place. CGC believes that a subsequent contract would be significantly less beneficial to CGC's customers.

CONCLUSION

CGC under its current asset management arrangement has been successful in returning approximately \$7.9 million over thirty-nine months to its customers. The new asset management agreement provides a minimum guarantee that will ensure that CGC's customers continue to receive great benefits. The Company placed this asset management contract out for bid as ordered by the TRA so that the market could determine and ensure that CGC's customers receive the greatest benefit that the market will allow. This is exactly what has occurred; thus, the agreement should be approved without delay.

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 electronic mail on this the 8th day of February, 2008, to the following:

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