

AGL Resources  
Atlanta Gas Light  
Chattanooga Gas  
Elizabethtown Gas  
Elkton Gas  
Florida City Gas  
Virginia Natural Gas  
AGL Networks  
Sequent Energy Management

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2207 Olan Mills Drive  
Chattanooga TN 3742

October 30, 2008

Chairman Hargett  
Tennessee Regulatory Authority  
Attention Sharla Dillon  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Chattanooga Gas Company Annual Report of Actual Gas Cost and Applicable  
Indices for the twelve months ended June 30, 2007.

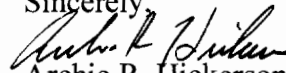
Dear Chairman Hargett,

Pursuant to the provisions of the Performance Based Ratemaking Mechanism approved by the Tennessee Regulatory Authority's January 8, 2002 Order in Docket 01-00619, Chattanooga Gas Company (CGC) is filing an original and thirteen copies of the report of actual gas cost and the applicable index cost for each month of the plan year ended June 30, 2008 (Attachment A). As shown on Attachment A, the commodity cost of gas purchased by CGC during the plan year was approximately 0.23% above the index cost and therefore was within the 1% range as provide in the CGC's tariff.

For the Authority's convenience, spreadsheets showing the volumes of gas, the indices, and the purchase prices for each month and each day are provided as Attachments B & C respectively. Chattanooga Gas Company considers the detailed information on Attachments B & C to be confidential and proprietary. As a result these Attachments are being filed under seal.

Should there be any questions, I will be pleased to discuss this filing in further detail. I can be reached at 757-616-7510

Sincerely,

  
Archie R. Hickerson

Director-Regulatory Affairs

C: Ms. Amanda Hwang  
Mrs. Pat Murphy



Chattanooga Gas

Chattanooga Gas Company  
PBR Filing For ACA Year Ended June 30, 2008  
Summary Sheet  
Gas Cost Over (Under) Benchmark  
July 1, 2007 through June 30, 2008

|         | SONAT<br>(FOM) | Tenn/Z0<br>(FOM) | Tenn/500leg<br>(FOM) | Tenn/800leg<br>(FOM) | Tenn/Z1<br>(FOM+Nora) | SONAT<br>(FOM-Storage) | Tenn/Z1 & Z0<br>(FOM-Storage) | Tenn/Z1<br>(FOM-City Gate) | SONAT<br>(Gas Daily) | Tenn/Zone 0<br>(Gas Daily) | Tenn/Zone 0<br>(Gas Daily - Storage) | Tenn/500L<br>(Gas Daily - Storage) | Tenn/800L<br>(Gas Daily - Storage &<br>City Gate) | Tenn/500L<br>(Gas Daily -<br>NORA) |    |
|---------|----------------|------------------|----------------------|----------------------|-----------------------|------------------------|-------------------------------|----------------------------|----------------------|----------------------------|--------------------------------------|------------------------------------|---------------------------------------------------|------------------------------------|----|
| Jul-07  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ -                  | 0.00                   | (3.00)                        | -                          | 3.20                 | (0.05)                     | (1.36)                               | -                                  | 1.30                                              | -                                  | \$ |
| Aug-07  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ -                  | 0.00                   | (1.39)                        | -                          | -                    | (133.60)                   | (439.77)                             | -                                  | (767.57)                                          | -                                  | \$ |
| Sep-07  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ -                  | 0.00                   | (2.06)                        | -                          | (2.93)               | 1.39                       | 8.47                                 | -                                  | 2.04                                              | -                                  | \$ |
| Oct-07  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ -                  | -                      | (6.18)                        | -                          | 1.47                 | 0.18                       | (0.83)                               | -                                  | (1.74)                                            | -                                  | \$ |
| Nov-07  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ 28,629.31          | -                      | -                             | -                          | -                    | (1,204.49)                 | -                                    | -                                  | 2,136.69                                          | -                                  | \$ |
| Dec-07  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ 47,801.05          | -                      | -                             | -                          | 0.01                 | (37.06)                    | -                                    | -                                  | 1.76                                              | -                                  | \$ |
| Jan-08  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ 39,889.69          | -                      | -                             | -                          | 15,559.57            | (44.59)                    | -                                    | -                                  | (683.20)                                          | -                                  | \$ |
| Feb-08  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ 26,686.90          | -                      | -                             | -                          | 0.01                 | 5,410.37                   | -                                    | -                                  | 176                                               | -                                  | \$ |
| Mar-08  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ 41,991.23          | -                      | -                             | -                          | -                    | (5.65)                     | -                                    | -                                  | (10.22)                                           | -                                  | \$ |
| Apr-08  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ -                  | -                      | (54.73)                       | -                          | (96.72)              | 2.06                       | (8.13)                               | -                                  | 373.06                                            | -                                  | \$ |
| May-08  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ -                  | -                      | 13.25                         | -                          | -                    | -                          | (3.48)                               | -                                  | (238.94)                                          | -                                  | \$ |
| Jun-08  | \$ -           | \$ -             | \$ -                 | \$ -                 | \$ -                  | -                      | (0.30)                        | -                          | (85.53)              | -                          | 65.86                                | -                                  | (4.53)                                            | -                                  | \$ |
| % Bench | 0.0000%        | 0.0000%          | #DIV/0!              | 0.0000%              | \$ 184,998.17         | 0.00                   | (54.41)                       | #DIV/0!                    | \$ 15,379.07         | \$ 3,988.57                | (379.45)                             | #DIV/0!                            | 813.31                                            | #DIV/0!                            |    |
|         |                |                  |                      |                      | 3.1344%               | 0.0000%                | -0.0021%                      |                            | 0.0927%              | 0.0628%                    | 0.0000%                              |                                    | 0.0088%                                           |                                    |    |

Total CGC Purchase Gas Cost  
Total Benchmark Purchase Gas Cost