

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

October 16, 2009

IN RE:

**REQUEST OF CHATTANOOGA GAS
COMPANY FOR APPROVAL OF
SPECIAL CONTRACT**

Docket No. 09-00174

**REQUEST OF CHATTANOOGA GAS COMPANY FOR
APPROVAL OF SPECIAL GAS EXTENSION CONTRACT
WITH VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA
OPERATIONS, LLC**

T.R.A. DOCKET ROOM

2009 OCT 16 AM 11:11

RECEIVED

Chattanooga Gas Company ("CGC" or "Company") respectfully requests that the Tennessee Regulatory Authority ("TRA" or "Authority") review and approve the Special Gas Extension Contract ("Contract") between CGC and Volkswagen Group of America Chattanooga Operations, LLC ("Volkswagen"), pursuant to TRA Rule 1220-4-1-.07, which a redacted version of the contract is attached hereto as Exhibit 1 and a complete copy is attached under seal as Exhibit 2. CGC cannot begin the gas extension work on the Volkswagen property until this Contract is approved, and time is of the essence. At a later date, CGC will be submitting a second contract for the service of natural gas for the TRA's review and approval.

The Volkswagen project involves the construction of a large manufacturing facility in Chattanooga, Tennessee, with the projected usage being based on the profile of the anticipated equipment to be installed. The actual equipment that is ultimately

installed may differ from that anticipated, and the resulting usage may be materially greater or less than that estimated and used in the computation of the allowed investment. As a result, the Contract negotiated between CGC and Volkswagen recognizes this unusual circumstance and provides that the allowance may be adjusted if actual usage is greater or less than estimated.

The Contract provides that, within the later of (i) twelve (12) months of the date of completion of the extension or (ii) October 1, 2011, the customer (i.e., Volkswagen) will have usage at the level used to compute the allowable investment. If usage is less than that used to compute the allowable investment, the customer will be required to make an additional contribution, and if the usage is greater than that used to compute the allowable investment, the customer will be given a credit.

Under CGC's tariff, the usage is analyzed within one year after the completion of the extension. If actual usage is not at the level used to compute the allowable investment, the customer must make an additional contribution. The tariff does not currently provide for the customer to receive a credit if actual usage is greater than that used to compute the allowance.

The Contract allows the customer the option of paying the contribution in aid of construction ("CIAC") in monthly installments over ten (10) years. CGC's tariff is silent and does not currently provide for monthly payments. This provision in the Contract recognizes the significant amount of contribution required for this project and the benefit to the Chattanooga area and the entire State of Tennessee that will result from the construction and operation of this new manufacturing facility. The monthly payments are designed to provide a return on the outstanding balance equal to CGC's authorized rate of

return thereby insuring that other CGC customers are not adversely impacted as a result of CICA being paid in monthly installments.

In summary, in light of the significance of this project to the Chattanooga area and the State of Tennessee, CGC respectfully requests that the TRA expeditiously review and approve the attached special contract pursuant to TRA Rule 1220-4-1-.07, and if possible, be considered at the TRA Conference scheduled for October 26, 2009.

Respectfully submitted,

LUNA LAW GROUP, PLLC

By: 

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

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

333 Union Street, Suite 300

Nashville, TN 37201

(615) 254-9146


Attorneys for Chattanooga Gas Company

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forwarded by hand delivery on this the 16th day of October, 2009, to the following:

Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

J. Richard Collier, Esq.
General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505





CHATTANOOGA GAS COMPANY VOLKSWAGEN SPECIAL GAS EXTENSION CONTRACT

#815.07
STATE OF TENNESSEE
COUNTY OF Hamilton
DATE: 10/13/2009

NO 040691 BCA ID 31823
APPLICANT Volkswagen Group of America Chattanooga Operations, LLC.
LOCATION 7351 Enterprise South Blvd., Chattanooga, TN, 37416
MAILING ADDRESS 605 Chestnut Street, Chattanooga, TN, 37450

THIS VOLKSWAGEN SPECIAL GAS EXTENSION CONTRACT ("the AGREEMENT"), entered into by and between, Chattanooga Gas Company, hereinafter called Company, and Volkswagen Group of America Chattanooga Operations, LLC, hereinafter called Applicant, witnesseth:

WHEREAS, Applicant owns, or occupies as lessee, certain property in Land Lot No. of the District of Hamilton County, TENNESSEE, being at the address 7351 Enterprise South Blvd., in the City of Chattanooga; and has made application for gas to be supplied by Company to above property; and

WHEREAS, Applicant had other site options for the automotive manufacturing plant to be located at the above property ("Plant"), but selected the above property such that Company agreed to pursue a special gas extension contract with the Tennessee Regulatory Authority ("Authority"); and

WHEREAS, Company desires to serve Applicant's Plant in Chattanooga, Tennessee, which is projected to bring significant economic development and employment to Tennessee; and

WHEREAS, facilities of Company are not now available; and Company is willing to make its facilities available to Applicant, subject to its Rules and Regulations as hereinafter referred to, unless and until the same is disapproved by the Authority; and

NOW, THEREFORE, in consideration of the premises and the mutual benefits to be derived therefrom, the parties hereto bind themselves, their personal representatives, successors and assigns, as follows:

(1) Company will install gas facilities to serve Applicant in accordance with the Company's Rules and Regulations, including all revisions, effective as of September 1, 2009, and filed with the Authority as TRA No. 2, all of which are incorporated herein and made apart hereof. The Company will install gas facilities, substantially as configured in Attachment A, including 1 gas meter(s) set to serve the total equipment load indicated in Schedule A at a delivery pressure of 40 psig. Any changes to these facilities or their configuration required by the Applicant will be provided by the Company and paid for by the Applicant at the Company's current material and labor rates.

(2) Applicant represents to Company that the gas usage within the later of (i) twelve month (12) months of the date of completion of the extension or (ii) October 1, 2011 (such date, the "Calculation Date"), will be that indicated by Schedule A hereof, on which the Company has relied in computing the Total Allowable Investment for facilities allowed free to the Applicant and the advance, if any, to be paid by Applicant to Company and that such usage will continue for a period of ten (10) years thereafter.

(3) Applicant shall pay to Company the contribution required by Applicant ("Contribution") set forth on Schedule A either by paying (i) a one-time payment of the Contribution in full upon execution of this Agreement or (ii) monthly payments of the Monthly Payment Amount set forth on Schedule A, for one hundred twenty (120) months (the "Payment Term"), as such amount may be adjusted as set forth herein from time to time. If Applicant elects to pay the Monthly Payment Amount, Applicant shall also agree to pay immediately upon demand made by Company to Applicant therefor, any and all reasonable attorney's fees and costs of counsel to Company in connection with the enforcement of this Agreement or the collection of any amounts due and owing hereunder, or otherwise incurred in connection with the exercise of Company's rights and remedies under this Agreement in the event of any default by Applicant hereunder. The Monthly Payment Amount shall be billed by Company to Applicant under a separate line entry on Applicant's bill from the Company or separately stated from any other charges when presented in any other form of demand for payment, as applicable. Said charges shall be due fifteen (15) days after said bill is rendered and late payments shall be assessed a late payment fee of one (1) percent of the outstanding balance per month. Applicant may pay the entire balance of the Contribution and any other associated charges, including without limitation, any late payment charges or other charges applicable pursuant to this Agreement, at any time without penalty. Any partial payment by Applicant above the monthly billed amount, or any credit due Applicant pursuant to the provisions of Section 6 below, shall be applied by Company to offset the monthly payments due under the Agreement at the end of the Payment Term, starting with the last monthly payment due under the Payment Term and, if such offset amount is greater than such last monthly payment, offsetting as applicable each monthly payment just prior to such last monthly payment until such offset amount is satisfied. Any debt due from Applicant pursuant to the provisions of Section 6 or 7 below, shall be applied by Company to add to the payment due under the Agreement at the end of the Payment Term.

(4) If at any time Applicant: (a) fails to timely pay the Monthly Payment Amount or any other Company charges when due and payable as set forth herein; or (b) becomes subject, as debtor, to any voluntary or involuntary bankruptcy proceeding; or (c) admits

in writing its inability to pay its debts as they become due or that it is insolvent, (d) ceases operation of the Plant, or (e) its negotiated contract with Company for firm intrastate transportation service is terminated for any reason, then (i) each such failure or event, as applicable, shall constitute an immediate event of default under this Agreement by Applicant, (ii) in connection with such event of default, the Company may elect to take any or all of the following steps: (A) by written notice from Company to Applicant accelerate the payment of the entire amount of the Contribution, in which case the entire amount of the Contribution shall become immediately due and payable, provided, however, that no such notice or any other action by Company shall be required in the case of any bankruptcy proceeding of the Applicant and, in such case, the entire amount of the Contribution and all other related charges hereunder shall automatically and immediately become due and payable, (B) exercise any and all rights and remedies under the applicable law against Applicant to recover any and all amounts due and payable by Applicant to Company pursuant to this Agreement including, without limitation the entire Contribution and any other related charges hereunder that are due and owing, together with all reasonable fees and expenses of legal counsel in collecting the Contribution and any other related charges hereunder or otherwise in enforcing Company's rights and remedies under this Agreement and applicable law in connection with any such events of default, and (C) at its option, impose a default rate of interest on the outstanding balance of the Monthly Payment Amounts at the rate of one percent (1%) per month, payable on demand, which default interest shall be added to and constitute part of the Monthly Payment Amount as defined above.

(5) Within ninety (90) days of the Calculation Date, the Company will determine if the Estimated Annual Revenues in accordance with Schedule A has been met.

(6) If based upon this determination, there is a lesser Allowable Investment than that originally granted, and a payment is required in addition to the prior payment by the Applicant, if any, such additional payment shall be paid by the Applicant. The total payment(s), if any, by the Applicant shall not exceed the Estimated Cost to Service indicated in Schedule A unless changes in facilities are required by the Applicant. If based on this determination, there is a greater Allowable Investment than that originally granted, such additional Allowable Investment shall be credited to the Applicant. The total credit(s), if any, to the Applicant shall not exceed the Contribution Required by Applicant. Any calculated credit or debit shall be applied to the Applicant's invoice (i) within sixty (60) days of calculation, if the Applicant has paid the Contribution pursuant to Section 3(i) of this Agreement and (ii) at the end of the Payment Term, pursuant to Section 3 of this Agreement, if the Applicant has elected to pay the Contribution pursuant to Section 3(ii) of this Agreement.

(7) Other than as provided in Section 6 of this Agreement, there will be no refunds associated with any payments, contributions or advances hereunder. If the Applicant fails to take service or fails to consume sufficient gas to produce the Estimated Annual Revenues, the Company may calculate and bill the Applicant and the Applicant shall pay an amount according to the Company's non-residential main and service extension Rules and Regulations in effect at the time the extension was made as if service had been requested on the basis of the actual equipment installed and utilized.

(8) No assignment of this Agreement by applicant shall be effective unless prior written approval shall have been granted by Company.

(9) Two or more parties may make a joint advance on the same facilities extension. In such cases the total free length thereof will be considered to be the sum of the individual allowances that are applicable to be under the Rules and Regulation of the Company. The amount to be advanced by the members of the group shall be apportioned among them in such manner as they shall mutually agree upon.

(10) No failure or delay on the part of the Company in exercising any right or remedy hereunder and no course of dealing between Applicant and Company shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise of any right or remedy thereof or the exercise of any other right or remedy hereunder. No written notice to or written demand on Applicant is required hereunder or constitute a waiver of the rights of the Company to any other or further action in any circumstances without notice or demand.

(11) Legal and equitable title to all mains, service lines and appurtenances installed under this Agreement shall be and remain in the Company, and the Company shall have the right, without the consent of, or any refund to, the Customer, (a) to extend the gas main or connect additional gas mains to any part of it, and (b) to serve new additional customers at any time through service connections attached to such main or to extended to connected gas mains.

(12) This Agreement is subject to all Rules and Regulation of the Company which are now or may hereafter be issued, approved, or otherwise made effective, by the Authority, or any other governmental body having jurisdiction with respect to the Company. References herein to certain portions of such Rules and Regulation, as they now exist, shall not be construed as exclusive, and all other portion in effect from time to time shall apply as fully as though they had been specifically referred to herein. The

Company may rescind this offer if either party fails to execute the contract within 45 days of this day and year above. This Agreement is entered into pursuant to the Rules and Regulations of the Company to support significant regional economic impact. The parties agree that good faith negotiation has determined the terms and provisions of this Agreement. The Company is required to submit this Agreement to the Authority for approval. The Authority may disapprove the Agreement, in which case this Agreement shall no longer be effective and shall terminate. In such event, the parties shall enter into a replacement Non-Residential Gas Extension Contract according to the Company's non-residential main and service extension Rules and Regulations in effect at the time. Applicant agrees to cooperate in the filing of any such petition and in the submission of necessary information to seek approval of this Agreement. This Agreement shall be terminated if any necessary regulatory authority causes it to be revoked, canceled, or terminated. Applicant agrees that it will cooperate with the Company in good faith to secure all regulatory authority necessary to the effectiveness of this Agreement, including, without limitation, authority to enter into a protective order of the Authority to find that the information filed is confidential.

(13) Applicant acknowledges that in executing this Agreement that they have not relied upon any representation by the Company relating to the estimated completion date of the gas extension covered by this Agreement.

(14) Company acknowledges that there is extensive construction activity underway at the above property ("Site"). Company shall reasonably coordinate with Applicant necessary access to the Site for installation of the gas facilities prior to commencement of service (the "Work"), subject to the rights and obligations of Company and Applicant under the Rule and Regulations. Company has maintained and shall comply with a safety program that, at a minimum, complies with all local, state, and federal safety standards. Company shall also comply with those reasonable safety standards and requirements established by Applicant and communicated in writing to Company by Applicant in advance of commencement of the Work, including, without limitation, those set forth in the Master Project Safety Manual for the Site ("Safety Program"). Company shall require its contractors and subcontractors to comply with the Safety Program. Notwithstanding the foregoing, the following components of the Safety Program will not apply to Company or its contractors and subcontractors: (i) participation in the Owner Control Insurance Program (OCIP) and the related OCIP rules and regulations; (ii) drug and alcohol testing and policy requirements beyond Company's current Department of Transportation-compliant drug and alcohol testing policy, program and procedures, except solely for initial drug and alcohol testing required of all Site personnel during Applicant's orientation program, which shall be supplied by Applicant at its expense; and (iii) the requirement to have a safety manager (Company shall arrange for a safety representative). Company will maintain, and will require all of its contractors and subcontractors to maintain, insurance coverages, with commercially reasonable liability limits, including general liability, vehicle, and workers compensation coverages, which requirements may be met through a self insurance program or captive insurance company. Upon request, Company will provide Applicant evidence of insurance.

Schedule A		
A	Estimated Cost of Facilities to Serve	\$818,252.76
B	Customer Gas Equipment	
UseCode		Cubic Feet/Hour
CBS	Boiler, Steam	97,000
CMA	Heater, Make-up Air	95,000
C	Estimated Annual Revenue	
C.1	Minimum Annual Use (Dekatherms)	
D	Contribution Required by Applicant	\$526,408.32
	Monthly Payment Amount option:	\$7,139.19
	*All terms and conditions are subject to TRA approval	

IN WITNESS WHEREOF, the parties hereto have set their hands and affixed their seals

APPLICANT Volkswagen Group of America Chattanooga Operations, LLC

PRINT NAME THOMAS LOFFMAN

BY [Signature]

TITLE Director of Purchasing

DATE 10/7/2009

WITNESS [Signature]

PRINT NAME Patricia Mayer

BY [Signature]

TITLE EVP Finance

DATE 10/8/09

WITNESS AA

CHATTANOOGA GAS COMPANY

BY [Signature]

TITLE President

DATE 10/13/09

WITNESS Carolyn Pointer

