LUNA LAW GROUP
A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW
333 UNION STREET
SUITE 300
NASHVILLE, TENNESSEE 37201
TELEPHONE (615) 254-9146
TELECOPIER (615) 254-7123
WWW.LUNALAWNASHVILLE.COM

Jennifer L. Brundige
jbrundige@LunaLawNashville.com

March 26, 2010

VIA HAND DELIVERY

Chairman Sara Kyle
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-00505

filed electronically in docket office on 03/26/10

Re: Docket No. 09-00183

Dear Chairman Kyle:

Chattanooga Gas Company is filing in the above referenced docket a supplement response to Minimum Filing Guideline 50. Attachments 50-9 and 50-11 contain confidential information and are being submitted under seal pursuant to the Agreed Protective Order filed in this docket.

Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,

Jennifer L Brundige

Jennifer L. Brundige

Enclosures

cc: Gary Hotvedt, Esq.
Pat Murphy
Henry M. Walker, Esq.
Cynthia Kinser, Esq.
C. Scott Jackson, Esq.
Ryan McGehee, Esq.
T. Jay Warner, Esq.
Elizabeth Wade, Esq.
Archie Hickerson

FG-50

Provide the latest actuarial studies for pension expense and liabilities (FAS 87) and post employment benefits other than pensions (FAS 106).

Response:

Please see attached studies:

FG - 50-1 - AGL Resources Inc. Latest Actuarial Study - pension **(Confidential)**

FG - 50-2 - AGL Resources Inc. Latest Actuarial Study - OPEB **(Confidential)**

FG - 50-3 - Final FAS 106 (Post-Retirement Benefits Other than Pensions-PBOP) expense for 2009 and 2010 estimate. **(Confidential)**

FG - 50-4 - Forecast of CGC's pension contribution for 2010 through 2013.

FG - 50-5 - FAS 106 (Post-Retirement Benefits Other than Pensions-PBOP) Estimated Expense for 2011 and Estimated Contributions for 2010 and 2011. **(Confidential)**

FG - 50-6 - AGL Resources 2011 Pension Expense and AGL Resources Pension Plan contributions for 2010 and 2011. **(Confidential)**

FG - 50-7 - AGL Resources Inc. Actuarial studies as of 2007. **(Confidential)**

FG - 50-8 - AGL Resources Inc. Actuarial studies as of 2008. **(Confidential)**

With the exception of FG-50-4, the studies are marked confidential and are being filed under seal pending the issuance of a protective order in this docket. The Company filed a proposed protective order with its initial case filing.

Updated Response:

Please see updated attached studies:

FG -50 - 9 AGL Resources 2010 Pension and FAS 106 (Post-Retirement Benefits Other than Pensions-PBOP) **(Confidential)**

FG -50-10 Forecast of CGC's Pension contribution for 2010 through 2013.

FG – 50-11 AGL Resources 2010 and 2011 forecast Pension and FAS 106 (Post-Retirement Benefits Other than Pensions-PBOP) contributions for 2010 and Forecast Expense for 2011 **(Confidential).**

This response was prepared by or under the supervision of Ronald D. Hanson, Manager, Regulatory Analysis, AGL Services Company.

Craig Greenwald, FSA, EA
Principal

3560 Lenox Road, Suite 2400
Atlanta, GA 30326
+1 404 442 3172
Fax +1 404 442 3300
craig.greenwald@mercer.com
www.mercer.com

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GUY CARPENTER OLIVER WYMAN

Mr. Michael Morley
Director, Regulator Accounting and Reporting
AGL Resources Inc.
10 Peachtree Street
Atlanta, GA 30309

March 3, 2010

Subject: Estimated Funded Status and Estimated Contributions for Chattanooga Location

Dear Mike:

As you requested, please find below our updated illustrations of the estimated annual funded status and estimated fiscal year contributions for the Chattanooga location. We have provided results under three scenarios:

- **Scenario 1:** "Summary of Accounting Results" – Reflects FAS 87 liabilities previously calculated and assumes no contributions are allocated to Chattanooga from December 31, 2003 through December 31, 2010. For fiscal years 2011 and 2012, we have reflected the estimated minimum required contributions shown in Scenario 2A.

- **Scenario 2A:** Reflects an estimate of the contributions required for Chattanooga based on the rules in the Pension Protection Act (PPA) as if Chattanooga was a "stand alone" plan assuming these contributions reflect only the estimated minimum required contribution to be made during the 2009, 2010, 2011, 2012 and 2013 fiscal years.

- **Scenario 2B:** Reflects an estimate of the contributions required for Chattanooga based on the rules in the Pension Protection Act (PPA) as if Chattanooga was a "stand alone" plan, however, assuming these contributions reflect the greater of (i) the estimated minimum required contribution (2009, 2010, 2011, 2012 and 2013 fiscal years) and (ii) the contributions necessary to increase the funded status of Chattanooga to 80% on a PPA target liability basis (2009, 2010, 2011, 2012 and 2013 fiscal years).

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A description of the scenarios is provided below.

Please note that the scenarios have been updated (compared to our October 19, 2009 letter) to reflect the following:

- the discount rate used for the financial statement disclosures as of December 31, 2009 (6%); and
- the asset value as of December 31, 2009 for the AGL Resources Inc. Retirement Plan ("AGL Pension").

Scenario 1: Summary of Accounting Results

First, we have estimated the funded status of the Chattanooga location assuming no employer contributions through December 31, 2010. We understand this is consistent with the contribution allocation methodology in place since the acquisition of the Chattanooga group due to the funded status of the Chattanooga plan being considered overfunded. For fiscal years 2011 and 2012, we have reflected the estimated minimum required contributions shown in Scenario 2A. A summary of the results is shown below:

Scenario 1: Estimated Results for Illustrative Purposes

	Market Value of Assets (MV)	Projected Benefit Obligation (PBO)	Discount Rate used for PBO	Surplus / (Deficit)	Funded Percentage
December 31, 2003	$12,103,000	$10,293,000	6.25%	$1,810,000	117.6%
December 31, 2004	$12,635,000	$10,680,000	5.75%	$1,955,000	118.3%
December 31, 2005	$12,976,000	$11,698,000	5.50%	$1,278,000	110.9%
December 31, 2006	$13,893,000	$9,640,000	5.80%	$4,253,000	144.1%
December 31, 2007	$14,590,000	$12,691,000	6.40%	$1,899,000	115.0%
December 31, 2008	$9,440,000	$12,335,000	6.20%	($2,895,000)	76.5%
December 31, 2009	$10,364,000	$12,690,000	6.00%	($2,326,000)	81.7%
December 31, 2010	$10,562,000	$13,015,000	6.00%	($2,453,000)	81.2%
December 31, 2011	$11,488,000	$13,371,000	6.00%	($1,883,000)	85.9%
December 31, 2012	$12,521,000	$13,758,000	6.00%	($1,237,000)	91.0%

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As you can see in the chart above, the funded status of the Chattanooga location is estimated to be over 100% from December 31, 2003 through December 31, 2007. The economic turmoil experienced during 2008 (negative assets return of about 31% for the AGL Plan in total) explains the significant change in the funded status of the Chattanooga location. Funded status is expected to improve in 2011 and 2012 due to assumed contributions.

Scenario 2A: Estimated Funded Status Assuming Chattanooga as a Stand Alone Plan and Minimum Required Contributions Are Made

As instructed by AGL, we have estimated the funded status and the minimum required employer contributions for the Chattanooga location based on the rules in the Pension Protection Act (PPA) as if Chattanooga was a "stand alone" plan.

A summary of the results is shown below:

	Scenario 2A: Estimated Results for Illustrative Purposes					
Plan Year	2008	2009	2010	2011	2012	2013
Estimated PPA Target Liability	$12,782,000	$9,860,000	$11,955,000	$12,328,000	$12,739,000	$13,190,000
Estimated Actuarial Value of Assets (smoothed values)	$14,590,000	$10,384,000	$10,817,000	$10,426,000	$11,730,000	$12,514,000
Estimated Funding Shortfall	$0	$0	$1,138,000	$1,902,000	$1,009,000	$676,000
Estimated Minimum Required Contribution for the Plan Year	$0	$0	$370,000	$606,000	$510,000	$500,000
Estimated Funded Status	114.2%	105.3%	90.5%	84.6%	92.1%	94.9%

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Scenario 2A: Estimated Results for Illustrative Purposes

Fiscal Year	2009	2010	2011	2012	2013
Estimated Contribution to be Paid During the Fiscal Year	$0	$0	$691,000	$718,000	$531,000

Please note the following:

- The decrease (compared to our October 19, 2009 letter) in the estimated minimum required contribution for the plan years presented (2010-2013) and the estimated contribution to be paid during the fiscal years presented (2010-2013) is mainly due to the increase in the actual asset value as of December 31, 2009 for the AGL Pension.
- No contributions would be expected during 2009 and 2010 fiscal years since the estimated 2008 and 2009 plan year minimum required contributions are zero and the 2009 and 2010 plan year estimated required quarterly contributions are zero as well.
- The total 2011 fiscal year estimated contribution of $691,000 is based on three estimated 2011 plan year required quarterly contributions (4/15/2011, 7/15/2011 and 10/15/2011 of $93,000) and one estimated required contribution of $412,000 on 9/15/2011 in order to satisfy the 2010 plan year minimum contribution requirement.
- The total 2012 fiscal year estimated contribution of $718,000 is based on one estimated 2011 plan year required quarterly contribution (1/15/2012 of $93,000), three estimated 2012 plan year required quarterly contributions (4/15/2012, 7/15/2012 and 10/15/2012 of $115,000) and one estimated required contribution of $280,000 on 9/15/2012 in order to satisfy the 2011 plan year minimum contribution requirement.
- The total 2013 fiscal year estimated contribution of $531,000 is based on one estimated 2012 plan year required quarterly contribution (1/15/2013 of $115,000), three estimated 2013 plan year required quarterly contributions (4/15/2013, 7/15/2013 and 10/15/2013 of $113,000) and one estimated required contribution of $77,000 on 9/15/2013 in order to satisfy the 2012 plan year minimum contribution requirement.
- We have assumed that the employer contributions will be made at the latest required dates.

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Scenario 2B: Estimated Funded Status Assuming Chattanooga as a Stand Alone Plan and Contributions to be at 80% Are Made

As shown in Scenario 2A above, the funded status of the Chattanooga location as a stand alone plan is estimated to be above 80% for 2008, 2009, 2010, 2011, 2012 and 2013 plan years. Therefore, no additional contribution would be required in order to improve the estimated funded status above the 80% threshold based on a PPA target liability basis. Under this scenario, the estimated contribution to achieve an 80% funded status on a PPA target liability basis would be the same as the estimated minimum required contributions for the 2009, 2010, 2011, 2012 and 2013 fiscal years shown in Scenario 2A.

Calculations Methodology

The estimated market value of assets calculations were based on:

- The December 31, 2003 assets previously allocated to Chattanooga of $12,103,000 as provided to AGL on December 10, 2003 in the estimated balance sheet allocation by company as of December 31, 2003;
- Estimated Chattanooga benefit payments equal to the actual benefit payments for the total AGL Pension plan allocated based on the Chattanooga percentage of PBO at the beginning of each fiscal year; and
- Estimated Chattanooga net investment income equal to the same actual annual return for the total AGL Pension plan from December 31, 2003 through December 31, 2009 and equal to the annual expected return of assets as selected by AGL (8.75%) for the 2010, 2011 and 2012 fiscal years.

We have used the projected benefit obligation (PBO) as provided to AGL on the final balance sheet allocation as of the end of each fiscal year.

The estimated PPA target liability calculations were calculated based on:

- For 2008 and 2009 plan years, we have used the actual PPA target liability for the Chattanooga location using the same data, assumptions, methods and plan provisions as the 2008 and 2009 Specific AFTAP Certifications for the AGL Resources, Inc. Retirement Plan dated September 30, 2008 and September 30, 2009;
- For 2010, 2011, 2012 and 2013 plan years, we have calculated the estimated PPA target liability using September 2009 segment rates and the same estimated benefit payments as used to calculate the estimated market value of assets as of the beginning of the plan years. The estimated target liabilities were projected to the measurement dates using actuarial techniques as described in our presentation dated November 9, 2009.

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We have assumed that none of the AGL Resources Inc. Retirement Plan's credit balance will be allocated to the Chattanooga location since no contributions have been historically allocated to Chattanooga.

The 2010, 2011, 2012 and 2013 actuarial asset values (smoothed asset values under PPA) allocated to Chattanooga have been calculated by applying the ratio of (i) the total estimated AGL Resources Inc. Retirement Plan's actuarial asset value compared to its total estimated market asset value to (ii) the estimated 2010, 2011, 2012 and 2013 Chattanooga market asset values determined using the assumptions described above in this section.

Data, Assumptions, Methods and Plan Provisions

Except where noted in this letter, all other actuarial assumptions, methods, census data and plan provisions are the same as those used in the 2010 and 2011 estimated FAS 87 expense calculations dated February 5, 2010 and March 3, 2010 and the 2008 and 2009 Specific AFTAP Certifications for the AGL Resources, Inc. Retirement Plan dated September 30, 2008 and September 30, 2009. Where necessary, the results were projected to the measurement dates using standard actuarial techniques.

AGL Resources Inc. is solely responsible for the validity, accuracy and comprehensiveness of this information; the results can be expected to differ and may need to be revised if the underlying data or the plan provisions supplied are incomplete or inaccurate.

This letter has been prepared exclusively for AGL Resources Inc. to estimate the funded status for Chattanooga for December 31, 2003 through December 31, 2012 and estimate the 2009, 2010, 2011, 2012 and 2013 contributions for the Chattanooga location. This letter may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any such unauthorized use.

This letter and illustrated material includes projections of future accounting and funding costs. To prepare these projections, various *actuarial assumptions*, as described above were used to project a limited number of scenarios from a range of possibilities. However, the future is uncertain, and the plans' actual experience will likely differ from the assumptions utilized and the scenarios presented; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results.based on those assumptions would be different. This letter has been created for a limited purpose, is presented at a particular point in time and should not be viewed as a prediction of the plans' future financial condition. To prepare the results shown in this letter, various *actuarial methods*, as described above were used.

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Professional qualifications

I'm available to answer any questions on this material or to provide explanations or further details as appropriate. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I'm not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest that would impair the objectivity of our work.

Please do not hesitate to call me if you have any questions 404 442 3172.

Sincerely,

Craig Greenwald, FSA, EA
Principal

Copy:
Jennifer Fiorenza - AGL Resources Inc.
Shannon Garmon - AGL Resources Inc.
Ron Hanson - AGL Resources Inc.
Chasity Miller - AGL Resources Inc.
Scott Allen - Mercer
Valerie Bolduc - Mercer
Pierce Noble - Mercer

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