

J.W. Luna
jwluna@LunaLawNashville.com

March 31, 2010

VIA HAND DELIVERY

Chairman Sara Kyle
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-00505

10-00049

RECEIVED
2010 MAR 31 PM 3:24
T.R.A. DOCKET ROOM

Re: Chattanooga Gas Company's Asset Management Agreement

Dear Chairman Kyle:

By Order dated July 15, 2008, in Docket No. 08-00012 ("Order"), the Tennessee Regulatory Authority ("TRA") approved the Asset Management and Agency Agreement between Chattanooga Gas Company ("CGC") and Sequent Energy Management, L.P. ("Sequent"), effective April 1, 2008 ("Agreement"). The initial term of the Agreement will expire March 31, 2011.

In its Order, the TRA required that by one year prior to the expiration of the initial term (which is March 31, 2010), CGC shall file notice with the TRA of its intent to exercise its option to extend the Agreement as provided in Section 11 of the Agreement.

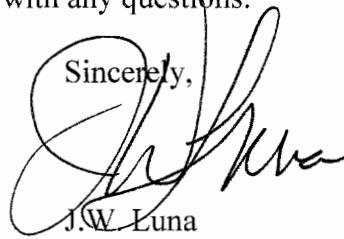
Sequent has provided excellent performance in its management of CGC's assets under the Agreement that has provided significant value to ratepayers. However, response to the asset management arrangement with Sequent has become quite litigious in Tennessee, as evidenced by the Consumer Advocate challenging the currently approved asset management arrangement in Docket Nos. 07-00224 and 09-00183. Therefore, CGC believes that it is in the best interest of ratepayers to issue an RFP for management of CGC's capacity assets. Accordingly, CGC hereby notifies the TRA of its plan to issue an RFP for asset management services pursuant to the applicable provisions of CGC's tariff, on or before May 11, 2010, to maximize value of CGC's assets. In accordance with the TRA's September 23, 2009 Order in Docket No. 07-00224, CGC will file the RFP package for approval by the TRA on or before April 9, 2010.

March 31, 2010

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Please do not hesitate to call me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "J.W. Luna", written over the word "Sincerely,".

cc: Director Mary W. Freeman
Director Kenneth C. Hill
Director Eddie Roberson
Darlene Standley
Pat Murphy
Cynthia Kinser