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October 8, 2010

**VIA EMAIL AND HAND DELIVERY**

Chairman Mary W. Freeman  
c/o Ms. Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

FILED ELECTRONICALLY IN DOCKET OFFICE ON 10/08/10


Re: Docket 10-00049 Request of Chattanooga Gas Company for Approval of  
An RFP For An Asset Management Agreement and A Gas Purchase And  
Sales Agreement

Dear Chairman Freeman:

Enclosed please find the original and four (4) copies of Chattanooga Gas Company's filing of its Asset Management Agreement with the Tennessee Regulatory Authority ("TRA" or "Authority") for approval. Chattanooga Gas Company respectfully requests that this matter be considered at the Authority's October 25, 2010 Conference if possible.

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

Sincerely yours,



Jennifer L. Brundige

Enclosures

cc: Shannon Pierce, Esq.  
Archie Hickerson  
Service List

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

**October 8, 2010**

<b>IN RE:</b>	)	
	)	
<b>REQUEST OF CHATTANOOGA GAS</b>	)	
<b>COMPANY FOR APPROVAL OF AN</b>	)	<b>Docket No. 10-00049</b>
<b>RFP FOR AN ASSET MANAGEMENT</b>	)	
<b>AGREEMENT AND A GAS PURCHASE</b>	)	
<b>AND SALES AGREEMENT</b>	)	
	)	

**CHATTANOOGA GAS COMPANY'S FILING OF ITS  
ASSET MANAGEMENT AGREEMENT FOR APPROVAL**

Pursuant to the Tennessee Regulatory Authority's ("TRA" or "Authority") approval at the July 26, 2010 Authority Conference, Chattanooga Gas Company ("CGC" or "Company") issued its Request for Proposal ("RFP") for bids to contract for asset management services, inclusive of a gas purchase agreement which was attached as an exhibit to the asset management agreement. As a result of the bidding process, CGC has awarded the new contract to the winning bidder, Sequent Energy Management, L.P. ("Sequent"). CGC is submitting a copy of the executed Asset Management and Agency Agreement ("AMA") between CGC and Sequent to the TRA for approval. The executed AMA with the annual fixed fee amount in paragraph 4 redacted is attached hereto as Exhibit A. The executed AMA with the confidential annual fixed fee amount in paragraph 4 unredacted is attached hereto as Confidential Exhibit B, which is filed under seal pursuant to the July 26, 2010 Agreed Protective Order entered in this Docket.

## BACKGROUND

Upon receiving approval from the TRA, CGC issued its RFP on August 10, 2010. A copy of the issued RFP is attached hereto as Exhibit C. The RFP required that all bid proposals be submitted to the Company on or before Noon Eastern Time on September 10, 2010, and provided that the Company would evaluate the proposals and award the new contract to the winning bidder on or before September 20, 2010.

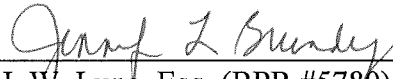
In accordance with CGC's Tariff, CGC identified and notified potential bidders and advertised the RFP in the Platts Gas Daily publication on August 10, 2010, August 23, 2010, and September 7, 2010. Through this process, CGC provided copies of the RFP to over thirty (30) potential bidders as identified in Confidential Exhibit D, which is filed under seal pursuant to the Agreed Protective Order in this Docket.

CGC has evaluated the bids received in accordance with the Tariff and has provided the TRA with a copy of its internal documentation of the basis for selecting the winning bidder. Both the bids and internal documentation are attached hereto as Confidential Exhibit E and are being filed under seal pursuant to the Agreed Protective Order in this Docket. Upon a careful evaluation of the bids, one bid clearly demonstrated the projected greatest net benefit to CGC and its customers. On September 17, 2010, CGC awarded the contract to this bidder, pending the TRA's approval.

As the new contract for asset management services provides the greatest benefit to CGC's customers, the Company respectfully requests that the TRA approve the new contract between CGC and Sequent without delay so that asset management services may continue after March 31, 2011.

Respectfully submitted,

LUNA LAW GROUP, PLLC

By:   
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Jennifer L. Brundige, Esq. (BPR #20673)  
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*Attorneys for Chattanooga Gas Company*

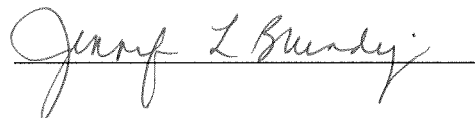
**CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the foregoing has been forwarded by hand delivery on this the 8<sup>th</sup> day of October, 2010, to the following:

Director Kenneth Hill, Hearing Officer  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Cynthia Kinser, Deputy  
Vance Broemel  
Mary Leigh White  
T. Jay Warner  
Assistant Attorney General  
Office of the Tennessee Attorney General  
Consumer Advocate and Protection Division  
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Richard Collier  
General Counsel  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243





**ASSET MANAGEMENT AND AGENCY AGREEMENT**  
**BETWEEN**  
**CHATTANOOGA GAS COMPANY**  
**AND**  
**SEQUENT ENERGY MANAGEMENT, L.P.**

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EXHIBIT B - DAILY OPERATIONAL PROCEDURES

EXHIBIT C - GAS PURCHASE AND SALE AGREEMENT

EXHIBIT D - NET MARGIN

EXHIBIT E - INJECTION SCHEDULE

## ASSET MANAGEMENT AND AGENCY AGREEMENT

**THIS ASSET MANAGEMENT AND AGENCY AGREEMENT** ("Agreement")<sup>1</sup> is made, entered into, and effective as of April 1, 2011 by and between Chattanooga Gas Company ("CGC" or "Company")<sup>2</sup> and Sequent Energy Management, L.P. ("Asset Manager"), both CGC and Asset Manager sometimes referred to herein collectively as "Parties" or singularly as "Party".

**WHEREAS**, in order to facilitate the management of CGC's physical assets (the "Physical Assets") and contractual assets (the "Contracts") listed on Exhibit A (collectively, the "Assets"), the Parties agree that Asset Manager will assume such obligations and act as agent for CGC, as necessary to effectuate such purpose;

**WHEREAS**, in connection with its role as Asset Manager, the Parties have agreed to enter into a Gas Purchase and Sale Agreement designed to meet the firm full gas supply requirements of CGC under favorable terms and conditions throughout the term of this Agreement;

**WHEREAS**, to the extent certain Assets may be unused after Asset Manager has supplied CGC's full gas supply requirements, Asset Manager is willing to assume the obligations and risks that may lead to financial loss which accompany the potential for financial gain in connection with the value optimization of such otherwise unused assets;

**WHEREAS**, Asset Manager acknowledges that it is obligated at the end of the term hereof unless otherwise agreed, or upon earlier termination pursuant to the terms hereof, to discontinue its management of the Assets which are subject to this Agreement;

**WHEREAS**, Asset Manager acknowledges that it is paramount in its role as Asset Manager, that it take no action nor omit to take any action, under any circumstances, the result of which would impair or adversely affect the reliability of CGC's system or service to its customers; and

**NOW, THEREFORE**, in consideration of the mutual agreements, covenants and conditions herein contained, CGC and Asset Manager agree as follows:

**1. Agency.** To the extent required to manage the Assets, Asset Manager shall be CGC's exclusive agent for the purposes set forth herein, and Asset Manager hereby agrees to such appointment and authorization. In order to effectuate Asset Manager's authority to act as CGC's agent, the Parties agree to execute such documents that may be required from time to time which evidence such agency or authority of Asset Manager.

**2. Duties.** As Asset Manager and Agent for CGC, Asset Manager shall perform its duties in a prudent manner consistent with usual and customary standards in the industry and shall have the authority to undertake the following:

<sup>1</sup> The Gas Purchase and Sale Agreement dated April 1, 2011, between Company and Asset Manager is incorporated herein by reference, including any defined terms used in the Agreement.

<sup>2</sup> AGL Services Company ("AGLSC") acts on behalf of CGC pursuant to an Agreement between CGC and AGLSC.

(a) Supply firm gas consistent with CGC nominations;

(b) Schedule volumes on pipeline systems;

(c) Manage CGC's Assets as listed in Exhibit A, as well as any additional physical or contractual assets acquired by CGC during the Term of this Agreement, as defined in Section 11, below, and included in Exhibit A, subject to the provisions of Section 6. Upon agreement of the Parties pursuant to Section 6, CGC shall provide a revised Exhibit A to Asset Manager within seven (7) business days of any such revision; provided, however in all matters concerning the daily deployment of CGC's Assets under this Agreement, CGC and Asset Manager shall confer in accordance with the Daily Operational Procedures set forth in Exhibit B. Management of the CGC Assets shall include, but not be limited to finding markets for fallow capacity resources. The Parties also agree that in order to protect the integrity of CGC's system, CGC will consider Asset Manager's plan, but ultimately shall determine the optimum daily deployment of such Assets. Further, Asset Manager shall comply with all Tennessee Regulatory Authority ("TRA") orders;

(d) Following the determination of the daily deployment of CGC's Assets, Asset Manager shall be responsible, consistent with the terms of this Agreement and the underlying agreements pertaining to the Contracts, to manage the use of such Assets, acting in its capacity as agent for CGC, including the use of such Assets in transactions with third parties; provided, however, in all matters concerning the daily deployment of CGC's Assets, CGC and Asset Manager shall confer on a daily basis and coordinate such daily asset deployment;

(e) Prudently manage on behalf of CGC, CGC's storage inventory accounts in relation to the Contracts shown in Exhibit A, and to cycle and trade such inventory as necessary and feasible to attempt to maximize the benefits of such inventory, including, without limitation, the injection and withdrawal of natural gas from inventory on CGC's behalf consistent with and in accordance with the provisions of this Agreement, and the Gas Purchase and Sale Agreement (a copy of which is attached hereto as Exhibit C) executed by the Parties. CGC's daily withdrawal rights will remain unaffected by Asset Manager's management of the storage capacity. The storage capacity shall be filled consistent with Exhibit E or as directed by CGC. Asset Manager will be solely responsible for replacing any gas in storage that is borrowed by Asset Manager. Such use by Asset Manager will in no way reduce CGC's Logical available storage. **Unless explicitly stated in this Agreement, Asset Manager's rights to storage and associated transportation are secondary to CGC's rights;**

(f) To sell gas or release capacity from time to time to third parties as agent for CGC, which transactions utilize the Assets of CGC which would not be required to meet the firm full gas supply requirements of CGC and would otherwise be fallow. Asset Manager will make reasonably prudent efforts to maximize the value received from such sales and releases. In addition, Asset Manager shall not effectuate the release of any capacity or enter into any gas transactions with third parties which are not subject to recall provisions under the tariff of the applicable pipeline or that impair in any way whatsoever the use of CGC's Assets without prior approval of CGC;

(g) Take such other action on behalf of CGC where appropriate as the Parties may agree upon from time to time. The Parties agree that authorization for such actions need not be reduced to a written agreement and incorporated into this written Agreement, provided, however, any subsequent written confirmation of such action shall be faxed or emailed between the Parties within five (5) business days;

(h) Establish a system of accounts in which any and all transactions, both physical and financial, that have been entered into as a result of using the Company's Assets, may be tracked and audited by the Company and the Tennessee Regulatory Authority ("TRA") pursuant to Section 21;

(i) Maintain Asset Manager's contracts with counterparties and manage counterparty credit risk under such contracts;

(j) Book and account for off-system transactions; and

(k) Maintain data integrity and adherence to internal controls.

CGC shall have the following duties hereunder:

(l) Forecast demand both long & short term;

(m) Determine base load purchase levels;

(n) Determine logical use of assets;

(o) Approve alternate delivery options;

(p) Determine use of peaking resources;

(q) Determine if balancing provisions of tariff are to be put into effect; and

(r) Verify contract compliance and asset manager invoice.

3. **Monthly Reports.** At the written request of CGC, Asset Manager will provide CGC with monthly management reports in a form, including, without limitation by enumeration, supporting data, satisfactory to CGC, detailing all activities undertaken for CGC pursuant to this Agreement, including, but not limited to the monthly revenue and expenses associated with such activities and any balancing accounts with the pipelines.

4. **Consideration for Management Services.** In consideration for the services provided hereunder, the Asset Manager shall pay or cause to be paid to Company [REDACTED] ("Annual Fixed Fee"). The Asset Manager will remit the Annual Fixed Fee for each contract year no later than April 30th of that contract year.

Any late payments shall accrue interest at 1.5% per month, or any portion of the month, as applicable. Failure to make the Annual Fixed Fee payment may be consider breach of this Agreement.

In addition, Asset Manager agrees to execute a full requirements gas supply agreement for the Company in the form attached hereto as Exhibit C (Gas Purchase and Sale Agreement) to meet the gas supply requirements of the Company as such requirements may be determined from time to time during this Agreement. Asset Manager shall bear all costs associated with providing services under this Asset Management Agreement and Gas Purchase and Sale Agreement (Exhibit C), including, but not limited to, scheduling and nomination costs, except as otherwise specifically provided for herein.

5. **Net Margin.** Notwithstanding the Annual Fixed Fee to be paid to the Company, Asset Manager shall calculate all revenues net of expenses attributable to the service performed by Asset Manager, which shall be determined, accounted for and provided to the Company in accordance with the procedures set forth in Exhibit D. Asset Manager shall account for all transactions which are subject to the Net Margin calculation set forth in Exhibit D and shall maintain appropriate accounting and supporting documentation for the Net Margin computation. Such documentation shall be submitted to the Company by Asset Manager within thirty (30) days of a request by the Company.

Asset Manager and CGC agree that asset management transactions (storage and transportation) which utilize index flat pricing (either first of month or gas daily) to determine the value of commodity will be deemed to be at the market as of that time and that the appropriate flat indexes will be the basis upon which revenue and cost will be calculated.

Subject to the Annual Fixed Fee due to the Company, the sole consideration the Asset Manger shall retain for performing such services is the Net Margin calculated in accordance with Exhibit D hereto.

6. **New Contracts.** Asset Manager understands that CGC shall continue to diligently monitor its load patterns and forecasts during the Term. To the extent CGC determines that it needs to enter into a new Contract, the parties will jointly evaluate whether such Contract should be included as an Asset in this Agreement. If any new Assets are included in this Agreement, the parties will re-evaluate the Annual Fixed Fee as set forth in this Agreement. For the avoidance of doubt, any Assets in effect at the time of execution of this Agreement that CGC renews during the term will remain Assets under the Agreement and will not require an adjustment to the Annual Fixed Fee.

7. **Penalties/Imbalance Charges.** Asset Manager shall bear sole financial responsibility for any penalties or damages under any Agreements or Assets to the extent such penalties or damages result from the Asset Manager's failure to perform any obligation for which it has assumed or been assigned responsibility under this Agreement. Asset Manager shall bear sole financial responsibility, and shall pay to the applicable pipeline company (or reimburse CGC if CGC is required to pay) any imbalance or overrun penalty, cost, charge, or cash-out cost

(collectively referred to in this Agreement as an "Imbalance Charge") assessed as a result of an over-delivery or under-delivery of gas. Notwithstanding the foregoing, the Asset Manager shall bear no such responsibility for any Imbalance Charge to the extent that an Imbalance Charge is assessed as a result of Asset Manager's following CGC's written or verbal instructions.

8. **Not a Partnership.** This Agreement is not intended to create, and shall not be construed to create, any relationship of partnership or joint venture between the Parties. CGC shall, upon request by the Asset Manager, execute such additional powers of attorney or other instruments as may be necessary to enable Asset Manager to carry out its responsibilities and give effect to the terms of this Agreement.

9. **Severability.** If any provision of this Agreement is determined to be invalid, illegal or otherwise unenforceable for any reason by a court or regulatory authority of competent jurisdiction, and in the event that the overriding purpose of this Agreement is not frustrated by such determination, the remaining terms and conditions of this Agreement shall remain in full force and effect to the fullest extent permitted by law. In the event this Agreement remains in full force and effect, the Parties agree to make a good faith effort to replace, modify or amend the affected provisions. The obligation to perform all of the terms and conditions shall remain in effect regardless of the performance of any invalid term by the other Party.

10. **Issue Resolution.** Any dispute, controversy or claim between the Parties relating to, arising out of or in connection with this Agreement (or any subsequent agreements or amendments thereto), including as to its existence, enforceability, validity, interpretation, performance or breach or as to indemnification or damages, including claims in tort, whether arising before or after the termination of this Agreement (any such dispute, controversy or claim being herein referred to as a "Dispute") shall be settled without litigation and only by use of the following alternative dispute resolution procedure:

(a) At the written request of a Party, each Party shall appoint a knowledgeable, responsible representative to meet and negotiate in good faith to resolve any Dispute. The discussions shall be left to the discretion of the representatives. Upon failure to reach agreement, the representatives may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations. Discussions and correspondence among the Parties' representatives for purposes of these negotiations shall be treated as confidential information developed for the purposes of settlement, exempt from discovery and production, and without the concurrence of both parties shall not be admissible in the arbitration described below, or in any lawsuit or administrative proceeding. Documents identified in or provided with such communications, which are not prepared for purposes of the negotiations, are not so exempted and may, if otherwise admissible, be admitted in the arbitration.

(b) If negotiations between the representatives of the Parties do not resolve the Dispute within 30 days of the initial written request, the Dispute shall be submitted to binding arbitration by a single arbitrator pursuant to the Commercial Arbitration Rules, as then amended and in effect, of the American Arbitration Association (the "Rules"). Either Party may demand such arbitration in accordance with the procedures set out in the Rules. The arbitration shall take place in Atlanta, Georgia. The arbitration hearing shall commence within 60 days of such



Party's demand for arbitration. The arbitrator shall have the power to and will instruct each Party to produce evidence through discovery subject to appropriate confidentiality restrictions (i) that is reasonably requested by the other Party to the arbitration in order to prepare and substantiate its case and (ii) the production of which will not materially delay the expeditious resolution of the dispute being arbitrated; each Party hereto agrees to be bound by any such discovery order. The arbitrator shall control the scheduling (so as to process the matter expeditiously) and any discovery. The Parties may submit written briefs. At the arbitration hearing, each Party may make written and oral presentations to the arbitrator, present testimony and written evidence and examine witnesses. No Party shall be eligible to receive, and the arbitrator shall not have the authority to award exemplary, indirect, consequential or punitive damages except as otherwise provided for in the Agreement, including the Gas Purchase and Sale Agreement. The arbitrator shall rule on the Dispute by issuing a written opinion within 30 days after the close of hearings. The arbitrator's decision shall be binding and final. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction.

(c) Each Party will bear its own costs and expenses in submitting and presenting its position with respect to any Dispute to the arbitrator; *provided, however*, that if the arbitrator determines that the position taken in the Dispute by the non-prevailing Party taken as a whole is unreasonable, the arbitrator may order the non-prevailing Party to bear such fees and expenses, and reimburse the prevailing Party for all or such portion of its reasonable costs and expenses in submitting and presenting its position, as the arbitrator shall reasonably determine to be fair under the circumstances. Except as ordered by the arbitrator, each Party to the arbitration shall pay one-half of the fees and expenses of the arbitrator and the American Arbitration Association.

(d) Notwithstanding any other provision of this Agreement, (i) either Party may commence an action to compel compliance with this Section and (ii) if any Party, as part of a Dispute, seeks injunctive relief or any other equitable remedy, including specific enforcement, then such Party shall be permitted, without requirement to post bond, to seek such injunctive or equitable relief in any federal or state court or competent jurisdiction before, during or after the pendency of a mediation or arbitration proceeding under this Section.

**11. Term.** The primary term of this Agreement shall commence on the effective date of the Agreement and terminate on March 31, 2014 unless a Party gives the other Party one (1) year notice for an extension of up to one year and such extension is mutually agreed upon by the parties and approved by the TRA. This Agreement may be terminated prior to the end of a Term pursuant to the provisions of this Agreement. Either party may terminate this Agreement for a material breach of the Agreement by the other party that remains uncured twenty (20) days after receipt from the non-breaching party of notice of such breach. Notwithstanding the foregoing, the terms and conditions of this Agreement shall survive solely as to any individual transactions under this Agreement that had previously been approved by CGC in effect as of the date of such termination until such transactions are terminated or expire at the earliest date permitted by their terms. CGC, upon written notice to the Asset Manager, may at any time demand that Asset Manager discontinue its management of the Assets that are the subject of this Agreement for any reason including, but not limited to, an Order by the TRA directing CGC to discontinue this Agreement.

12. **Indemnity.** Each Party ("**Indemnitor**") shall indemnify, defend and hold harmless the other Party ("**Indemnatee**"), and its officers, directors, employees, heirs, successors and assigns from and against any and all third-party claims, demands, suits, actions, liabilities, losses, damages, judgments, and legal or other expenses (collectively "Claims") that may arise directly from or in connection with the performance or non-performance of Indemnitor's obligations under this Agreement. If a claim is asserted or action brought against Indemnatee as to which it believes it is entitled to indemnification under this Article, Indemnatee shall promptly notify Indemnitor in writing of such Claim. Prompt notice as contemplated in the preceding sentence shall mean such notice as would be required to enable Indemnitor to assert and prosecute appropriate defenses relative to such Claim or action in a timely manner. If Indemnatee fails to give Indemnitor prompt notice of any claim or action as provided in this Section, Indemnitor shall have no obligation to indemnify pursuant to this Article. Upon receipt of a notice of request for indemnification, Indemnitor shall promptly make a determination of whether it is required to indemnify and shall promptly notify Indemnatee in writing of that determination. Notwithstanding the foregoing, the indemnification under this Section shall not be available with respect to any claim to the extent any claim results from the gross negligence, breach or willful misconduct of the Indemnatee.

13. **Conflicting Agreements.** CGC will not, during the term of this Agreement, contract with any other party or entity for services that duplicate the services provided by the Asset Manager under this Agreement and the Asset Manager shall serve as CGC's exclusive asset management agent. Moreover, CGC agrees that, during the term hereof, it will not undertake any asset management initiatives on or for its own account except for any Asset management activities permitted by CGC's tariff, and Asset Manager agrees that during the term hereof, it will not undertake to manage any assets that may conflict with its responsibility to perform its obligations under this Agreement.

14. **Cooperation.** Asset Manager agrees to use its best efforts to maintain a good working relationship with the Company. As such, except in accordance with this Section, the Asset Manager and its affiliates shall be prohibited from providing written or oral testimony before any court or regulatory body or filing any other pleading with any court or regulatory body that is adverse to the Company or inconsistent with a position taken by the Company during the term of this Agreement and the three years succeeding this Agreement. In accordance with this restriction, the Asset Manager and its affiliates shall be prohibited from filing rebuttal testimony or protest in response to any filing made by the Company at any regulatory body, including but not limited to, the TRA and the Federal Energy Regulatory Commission ("FERC") during the term of this Agreement and the three years following the termination of this Agreement. Nothing in this Section 14 prohibits Asset Manager from responding to inquiries from the TRA, the FERC or any other regulatory body or governmental agency having jurisdiction over this Agreement and/or the services contemplated herein.

15. **Confidentiality.** The Parties acknowledge that, in the course of performing its duties under this Agreement, Asset Manager may receive certain Proprietary Information (whether in oral, written or electronic form) from or about the Company or its affiliates. As used in this Agreement, "Proprietary Information" means any and all information that

is conveyed, observed or presented in written, oral or electronic form (a) that relates to Company's or its affiliates' business plans, list of prices, exhibitors, suppliers and customers, inventions, discoveries, computer systems, programs, hardware, and software or any other aspect of Company's or its affiliates' business, and/or (b) belongs to third parties and was obtained by Company under restrictions on disclosure and/or use. "Proprietary Information" specifically includes, but is not limited to, Developments. "Developments" mean any invention, development, improvement, design, trade secret or original work of authorship (such as any computer software or data or any literary, audio-visual, or artistic work), conceived or developed by Asset Manager under or in the performance of this Agreement. Proprietary Information may be marked "Confidential" or "Proprietary" when in tangible form but Proprietary Information will include unmarked information that the Asset Manager should, considering the information disclosed and the circumstances of disclosure, reasonably conclude to be of a confidential or proprietary nature. The Asset Manager will hold the Proprietary Information in strictest confidence using such measures as it uses to protect the confidentiality of similar information belonging to it, but in no event less than reasonable care. The Asset Manager will use the Proprietary Information solely to perform or to exercise its rights under this Agreement and will, under written agreement of confidentiality only, disclose Proprietary Information only to others with a need to know such information for those purposes only. The Asset Manager represents that it has agreements with its employees, agents, and subcontractors that obligate them to comply with the Asset Manager's confidentiality obligations under this Agreement. The Asset Manager and its employees agree that, upon termination of this Agreement, all such materials its possession and/or their agents' and subcontractors' possession shall be immediately returned to the Company. This Section shall survive for five years beyond the termination of this Agreement. This Agreement may be filed with the TRA under seal, or with any other regulatory agency or body having jurisdiction in accordance with applicable procedures designed to ensure the trade secret and confidential status of the Agreement, to the extent required. In addition, each Party shall be free to disclose such facts as may be required by applicable statute, rule, regulation, court, or regulatory body, or as may be necessary to implement the agency established by this Agreement, including disclosure to the pipelines limited to the existence of this Agreement, without need of securing the prior permission of the other party. The Parties agree, however, that either Party may require any third party to execute an acceptable Confidentiality Agreement prior to its receipt of this Agreement and/or disclosure of any of its terms, conditions, obligations, duties, promises, benefits or liabilities contained herein. The terms of this Agreement, including but not limited to, the price paid for Gas, the quantities of Gas purchased, and all other material terms of this Agreement shall be kept confidential by the Parties except to the extent that any information must be disclosed for the purpose of effectuating transportation of the Gas or as required by law. This Section shall not be construed to prevent filing the Asset Management Agreement publicly with the TRA, except to the extent that the consideration provided for in Section 4 may be redacted.

16. **Force Majeure.** If either Party is rendered unable, wholly or in part, by Force Majeure to perform its obligations under this Agreement, other than the obligation to make payments then,

or subsequently, due attributable to Gas delivered prior to the event of Force Majeure, it is mutually agreed that performance of the respective obligations of the Parties, so far as they are affected by such Force Majeure, shall be suspended without liability from the inception of any such inability until it is corrected but for no longer period. No Party shall, however, be required against its will to settle any labor disputes.

**16.1** The term "Force Majeure" means an event that (i) was not within the control of the Party claiming its occurrence; and (ii) could not have been prevented or avoided by such Party through the exercise of due diligence. Events of Force Majeure include, without limitation by enumeration, acts of God, earthquakes, epidemics, fires, floods, landslides, lightening, hurricanes, tropical depressions, numbered or named storms by the U.S. National Weather Service, washouts and other similar severe natural calamities, acts of public enemy, wars, blockades, insurrections, riots, civil disturbances, explosions, breakage or freezing of lines of pipe used to enable Asset Manager to deliver or CGC to receive or subsequently transport or use Gas under this Agreement, imposition by a regulatory agency, court or other governmental authority having jurisdiction of binding laws, conditions, limitations, orders, rules or regulations that prevent or prohibit either Party from performing, provided such governmental action has been resisted in good faith by all reasonable legal means, or any other cause of a similar type.

**16.2** Neither Party shall be entitled to the benefit of provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation; (ii) the Party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; (iii) economic hardship; and (iv) the loss of storage facilities, in whole or in part, unless, and only to the extent that, such occurrence results in, or is the direct result of, a recognized Force Majeure event under the underlying Storage Agreement (listed in Exhibit A) for the storage service provider.

**16.3** The Party whose performance is prevented by Force Majeure must provide prompt notice to the other Party. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other Party, the affected Party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither Party shall be deemed to have failed in such obligations to the other during such occurrence or event. **However, due to the paramount supply obligations of CGC to its customers, any declaration of Force Majeure by Asset Manager must be first approved and accepted in writing by CGC in its sole discretion, before any such declaration of Force Majeure by Asset Manager shall take effect between the CGC and Asset Manager.** Provided, however, such approval and acceptance shall not be unreasonably withheld. In addition, once Company has received a timely written notification from Asset Manager, if Company does not approve and accept or reject such declaration of Force Majeure within two business days, Company shall be deemed to have approved and accepted such declaration. Absent CGC's written approval and acceptance of a declaration of Force Majeure by Asset Manager, or waiver by CGC as set forth herein, such Force Majeure declaration shall have no legal effect between CGC and Asset Manager.

**16.4** In the event Asset Manager issues a declaration of Force Majeure, Asset Manager agrees to first completely honor and satisfy CGC's needs and requirements under this Agreement to the extent possible using the Assets covered by this Agreement before Asset Manager undertakes to deliver gas to any of its other markets or customers.

**17. Adequate Assurance.** When reasonable grounds for insecurity of performance arise, CGC may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by CGC, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to CGC or performance bond or guarantee by creditworthy entity. CGC may, from time to time, request from Asset Manager such credit information as may reasonably be required to determine the creditworthiness of Asset Manager.

**18. Events of Default and Early Termination.**

**18.1** Early Termination. The following events, which shall be characterized as events of default, or events of early termination shall be grounds for a Party (the "Terminating Party") to terminate the Agreement. Notwithstanding any provision of this Agreement or the Gas Purchase and Sale Agreement to the contrary, a termination of any Agreement will terminate all, and no less than all, agreements between Asset Manager and CGC:

(a) If the Asset Manager fails to make payment of any amounts due under any provision of the Agreement, which failure continues for a period five (5) Days after receipt of written notice of such non-payment.

(b) If any representation or warranty made by the Asset Manager under the Agreement shall prove to have been false or misleading in any material respect when made or deemed to be repeated.

(c) If the Asset Manager, unless excused by reason of Force Majeure, fails on any Day (the "Default Day") to comply with its gas delivery obligation under the Gas Purchase and Sale Agreement and such failure by Asset Manager causes CGC to curtail sales to some or all of its firm customers or utilize peaking assets needed to meet firm load under peak load conditions.

(d) If the Asset Manager fails to comply substantially with any material provision of this Agreement, which failure continues for a period of five (5) Days after written notice of such non-compliance.

(e) If the Asset Manager shall: (i) make an assignment or any general arrangement for the benefit of creditors, (ii) file a petition or otherwise commence, authorize or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors, or have such petition filed against it, or (iii) be unable to pay its debts as they fall due.

(f) If the TRA acts in a manner concerning any Agreement which CGC determines, in its sole judgment, to be either unfavorable or which has the effect of prohibiting or rescinding the transfer of Assets to Asset Manager, or if the TRA's action requires a modification of any of the Agreement that is not agreeable to both Parties.

(g) For either Party, if existing federal, state and local regulatory rules, regulations and policies that serve as the basis for the transactions described in the Agreement and that are generally applicable to similarly situated parties (including the FERC's current use of a straight fixed variable rate design for pipeline rates and its Capacity Release program) shall be eliminated or otherwise modified in any manner that would be reasonably likely to have a material adverse effect on such Party or the benefits it anticipates deriving from the transactions described in the Agreement.

(h) For either Party, if: (i) a court or governmental agency with jurisdiction (including without limitation the TRA) reverses, withdraws or otherwise modifies, with a result unacceptable to such Party in its sole discretion, any TRA order, ruling, opinion or other determination believed to be necessary to proceeding with the transactions contemplated under the Agreement, (ii) such change causes the impacted Party to incur any material capital or operating cost, or loss of opportunity, related to the provision or receipt of services contemplated herein, and (iii) the Parties are unable, after good faith negotiations, to renegotiate the Agreement to comply with such reversal, withdrawal or modification and maintain the same level of service or benefit.

(i) For Asset Manager, if a court or governmental agency with jurisdiction determines that Asset Manager is subject to the jurisdiction of the TRA during the Term as a result of the execution, delivery or performance of any Agreement.

(j) If Asset Manager fails to provide any Adequate Assurance to be provided to the other Party within three (3) Business Days of a written request.

(k) If a governmental agency having competent jurisdiction determines through investigation or a court or governmental agency having competent jurisdiction issues an order finding that the Asset Manager has violated federal or state antitrust laws during the performance of its obligations under the AMA.

## **18.2 Early Termination and Remedies.**

(a) In the event one of the events described in Section 18.1 has occurred and is continuing, the Terminating Party may, at its sole election, immediately withhold and/or suspend deliveries or payments upon written notice to the other Party (the "Terminated Party") and or terminate the Agreement. If an event giving rise to a right of termination has occurred and is continuing, the Terminating Party shall have the right to designate a day, by giving written notice of the day (the "Early Termination Date") and the reasons therefore to the Terminated Party, which Early Termination Date shall be effective no earlier than the second

(2nd) day after such notice is given (or four (4) hours in the case of a default under Section 18.1(c)) and no later than twenty (20) days following the receipt of said notice.

(b) If CGC elects to terminate the Agreement for the reasons set forth in Section 18.1(a), (b), (c), (d), (e), (j), or (k) then the sole remedy available to CGC shall be that, subject to Sections 18.4 and 18.5 below, Asset Manager shall lose its interests in the Assets, including, without limitation, the right to administer the Assets as CGC's agent and Asset Manager shall be liable to CGC for any other Direct Damages resulting from the early termination of the Agreement. Once all such payments are made and all capacity is reassigned to CGC, each Party shall be relieved of all obligations and liabilities under the Agreement, except for other costs, refunds or credits from any service provider that accrued before the Early Termination Date that have not yet been reconciled between the Parties.

(c) Each Party shall use every reasonable effort to mitigate any damages resulting from a breach and/or termination of the Agreement.

(d) If CGC elects to terminate the Agreement for the reasons set forth in Section 18.1(f), (g), or (h), then CGC shall either (1) pay Asset Manager its costs to initiate any early unwinding of hedges necessary to effectuate the Early Termination to match the unwinding of physical gas it has parked or borrowed in CGC's accounts. The results of these transactions, if the Parties decided not to leave the original hedges in place as of the date of termination, would yield revenues (or costs) calculated based on Net Margin pursuant to Exhibit D which would be shared on a 50:50 basis between the Parties as the transactions were realized or (2) if acceptable to the applicable counterparty to any such transaction(s), accept an assignment of those existing transactions. Once all such payments are made and all capacity is reassigned to CGC, each Party shall be relieved of all obligations and liabilities under the Agreement, except for other costs, refunds or credits due from any service provider that accrued before the Early Termination Date that have not yet been reconciled between the Parties.

(e) If Asset Manager elects to terminate the Agreement for the reasons set forth in Section 18.1(f), (g), (h) or (i), then CGC's obligations shall be those set forth in Section 18.2(d). Once all such payments are made, and all capacity is reassigned to CGC, each Party shall be relieved of all obligations and liabilities under the Agreement, except for other costs, refunds or credits due from any Service Provider that accrued before the Early Termination Date that have not yet been reconciled between the Parties.

**18.3 Unwinding.** Subject to Sections 18.2(b), (c), or (e), and as the result of a declaration of an Early Termination Date or at the expiration of the Term, (a) Asset Manager's agency under the Assets shall expire or be revoked, and at CGC's request Asset Manager shall assist CGC in very promptly advising any Counterparty of such expiration or revocation, (b) any amounts due and owing either Party under any Agreement shall be paid or netted against other amounts owed pursuant to the terms of such Agreement and any corrections or adjustments to payments previously made shall be determined and any refunds due to either Party shall be made at the earliest possible time and in any event no later than thirty (30) Days, and (c) title to excess or deficient Gas in storage shall be handled in accordance with Sections 18.4 and 18.5 of this Agreement.

**18.4 Summer Period.** If this Agreement terminates during a Summer Period and on the termination date the storage assets contain a physical quantity of Gas less than the quantity of Gas shown on CGC's books in such storage assets as of the termination date ("Deficiency Quantity"), then Asset Manager shall either, at CGC's sole discretion, (i) have thirty (30) days following the termination date to deliver to CGC's storage asset a quantity of Gas equal to the Deficiency Quantity, or (ii) pay CGC, at a market price determined by CGC, an amount per dekatherm for the Deficiency Quantity. If on the termination date the storage assets contain a physical quantity of Gas greater than the quantity of Gas shown on CGC's books in such storage assets as of the termination date ("Excess Quantity"), then Asset Manager shall either at CGC's sole discretion: (a) sell and CGC shall purchase the Excess Quantity at a market price mutually agreed to by CGC and Asset Manager, or (b) Asset Manager shall transfer such Excess Quantity to a storage contract held in Asset Manager's name; or (c) withdraw the Excess Quantity.

**18.5 Winter Period.** If this Agreement terminates (a) during a Winter Period and on the termination date there remains a physical quantity of Gas within the storage asset that is less than the quantity of Gas shown on CGC's books in such storage assets as of the termination date ("Storage Quantity Deficiency"), notwithstanding anything to the contrary contained in this Agreement, Asset Manager shall pay CGC, at a market price determined by CGC, an amount per dekatherm for the Storage Quantity Deficiency or (b) during a Winter Period and on the termination date there remains a physical quantity of Gas within the storage asset that is greater than the quantity of Gas shown on CGC's books in such storage assets as of the termination date ("Storage Excess Quantity") Asset Manager shall, at CGC's sole discretion, either (1) sell and CGC shall purchase the Storage Excess Quantity at a market price mutually agreed to by CGC and Asset Manager, or (2) transfer the Storage Excess Quantity to a storage contract held by Asset Manager.

**18.6** The obligations of the Parties under Sections 18.1, 18.4 and 18.5 shall survive termination of this Agreement.

**18.7** Notwithstanding anything to the contrary in this Article 18, either Party shall have the right to settle its remaining obligations by cash payment, as reasonably agreed to by the other Party.

**18.8 Set-Off.** Upon the occurrence of the declaration of an Early Termination Date under Section 18.2 in respect of a party under any Agreement or any other agreement between the parties concerning the matters which are the subject of this Agreement (including, but not limited to, the agreements set forth in the Exhibits hereto), the Terminating Party may, without prior notice, setoff (including by setoff, offset, combination of accounts, retention, or withholding across or within each or all of the foregoing agreements) any sum, amount or other obligation (whether physically or financially settled, matured or unmatured) owed by the Terminating Party to the Terminated Party against any sum, amount or obligation (whether physically or financially settled, matured or unmatured) owed by the Terminated Party to the Terminating Party.



**18.9 Audit.** Either Party shall be entitled, at its sole expense, to audit those applicable books and records of the other Party to verify the accuracy of any unwinding cost calculation or any other calculations under the Agreement or the other Party's controls and procedures that may be relevant to the activities under the Agreement, at such other Party's offices and at a time during reasonable business hours acceptable to both Parties. In the alternative, if Asset Manager engages a third party to perform a SAS 70 review of its gas control, procurement and management operations, CGC shall be entitled to a copy of such final report at no cost.

**19. Damages.** Neither Party shall be liable for punitive, exemplary, consequential or incidental damages arising from any breach or default under this agreement or from any act or omission under or in connection with this agreement except as otherwise set forth herein or in the Gas Purchase and Sale Agreement.

**20. Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties, their successors and assigns. Neither Party shall assign this Agreement without the prior written consent of the other Party, which consent may be withheld at a Party's sole discretion, and prior approval by the TRA; provided, however, that either Party may assign this Agreement to a wholly-owned affiliate or an entity that succeeds as a result of merger or reorganization without the consent of the other Party subject to prior TRA approval so long as such wholly-owned affiliate or other entity agrees in writing to be bound by the terms of this Agreement following such assignment.

**21. Necessary Authorizations.** The Agreement is subject to all present and future valid orders, rules, and regulations of any regulatory body having jurisdiction. Each party represents that it has all necessary regulatory and other governmental authorizations for the transactions contemplated hereunder. The Parties agree to timely make all regulatory filings, that may be needed to effectuate this Agreement.

The Parties further agree that they will carry out their respective obligations hereunder, in compliance with all valid and existing laws, orders, rules or regulatory requirements currently in existence or which may be enacted in the future.

**21.1** The Parties expressly recognize that CGC may have certain reporting requirements to the TRA in connection with this Agreement. Asset Manager expressly covenants to timely provide to CGC any information in its possession necessary for such reports and in no event to provide such information to CGC no less than five (5) days prior to the due date for such reports, provided however that Asset Manager be given no less than seven (7) days to respond after a request for information.

**21.2** The Parties expressly recognize that CGC may have to respond to certain data requests related to this Agreement from the TRA, any other governmental body, or any other party participating in a regulatory proceeding involving CGC. Asset Manager shall provide CGC the information needed to respond to any data requests within the timeframe specified by CGC.

**21.3** The Parties expressly recognize that both the Company and the TRA have audit rights with respect to any and all financial and/or physical transactions undertaken in connection

with this Agreement. As such the Asset Manager must provide work space for said audit(s) and appropriate personnel at its own expense.

**21.4** Asset Manager shall provide the Company and/or TRA the opportunity for periodic local reviews of Asset Managers operations and systems, as may be required by the Company and/or the TRA.

**22. Notice/Waiver.** The failure of a Party to give notice to any other Party or to take any other steps in exercising any right, or in respect of the breach or not of any provision of this Agreement, shall not operate as a waiver of that right, breach or provision nor shall any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in law or in equity or otherwise.

**22.1** Any notice, request, demand or statement which either Party may desire to give to the other, shall be in writing and may be mailed by registered or certified mail, return receipt requested, to the post office address of the Parties shown below, or by facsimile transmission followed by written confirmation by regular mail, unless otherwise provided in this Agreement:

**ASSET MANAGER: Notices**

Sequent Energy Management, L.P.  
Attn: Contracts  
1200 Smith Street, Ste. 900  
Houston, Texas 77002  
Phone (832) 397-1700  
Telecopy (832) 397-1781

**Operational Matters**

Sequent Energy Management, L.P.  
Attn: Alfonso Trabulsi  
1200 Smith Street, Ste. 900  
Houston, Texas 77002  
Phone (832) 397-1713  
Telecopy (832) 397-1709

**Billing Inquiries**

Sequent Energy Management, L.P.  
Attn: Accounting  
1200 Smith Street, Ste. 900  
Houston, Texas 77002  
Phone (832) 397-1714  
Telecopy (832) 397-3711

**CGC:**

**Operational Matters**

Chattanooga Gas Company  
c/o AGL Services Company  
Attn: Sr. Capacity Planning Analyst or Manager, Gas Control

Phone (404) 584-3076 or (404) 584-4114  
Telecopy (404) 584-3499

**Notices**

Chattanooga Gas Company  
c/o AGL Services Company  
Attn: Manager, Capacity Planning or Managing Director, Gas  
Supply and Capacity Planning  
Dept. Code 1309  
P.O. Box 4569  
Atlanta, GA 30302-4569  
Phone (404) 584-4031 or (404) 584-3826  
Telecopy (404) 584-3499

**Billing Inquiries**

Chattanooga Gas Company  
c/o AGL Services Company  
Attn: Gas Accounting  
P.O. Box 4569  
Location 1180  
Atlanta, GA 30302-4569  
Phone: (404) 584-4508  
Telecopy: (404) 584-4233

Notice shall be deemed received five (5) business days following mailing if by registered or certified mail or upon sender's receipt of transmission confirmation if by facsimile transmission.

**22.2** Either of the Parties may from time to time designate a different address. Routine communications may be delivered by registered, certified or ordinary mail, or by telephone or telecopy if the Parties agree.

**23. Document Retention.** The Parties shall preserve all pertinent books and records relating to activities performed under this Agreement for a period of at least two (2) years after the termination of this Agreement or such other time period required to support any related regulatory filings or audits by the TRA. Each Party shall have the right, from time to time, to audit the books of the other Party as they pertain to the activities performed under this Agreement. A Party's rights under this paragraph shall survive for two years after the termination of this Agreement.

**24. Entire Agreement.** This Agreement together with its Exhibits constitutes the entire understanding and agreement of the Parties with respect to the management of the Assets and effective upon the execution of this Agreement by the respective Parties, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and of no further force or effect.

25. **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Tennessee.

26. **Definitions.** Any capitalized term not defined in this Agreement shall have the meanings assigned such terms in the Gas Purchase and Sale Agreement.

27. **Counterparts.** This Agreement may be executed in multiple identical counterparts, each of which shall have the force and dignity of an original and all of which shall constitute but one and the same Agreement. Transmission by telecopier of a facsimile of the signature page hereof will be conclusive evidence of the due execution of this Agreement.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be duly executed as of the day and year first written above, by their duly authorized Representatives.

**CGC:**

CHATTANOOGA GAS COMPANY

By: \_\_\_\_\_

Title: \_\_\_\_\_

*[Signature]* <sup>SVP</sup>  
*VP & General Manager* (JR)

**ASSET MANAGER:**

SEQUENT ENERGY MANAGEMENT, L.P.

By: \_\_\_\_\_

Title: \_\_\_\_\_

*[Signature]*  
Darlyn R. Jones  
SVP, Risk Control

*Jat*  
*OK*  
*PM*

Chattanooga Gas Company  
Docket 10-00049

Exhibit A

Exhibit A  
Agency Contracts Schedule  
Chattanooga Gas Company  
Supply and Capacity Assets

CONTRACT PARTY	Contract Number	Tariff Rate	Deliverability			Storages			Receipt Point	Delivery Point	Effective Term	Index Point
			Daily (Dth)	Annual (Dth)	Max w/d (Dth)	Max Inj (Dth)	Capacity (Dth)	Days Avail.				
FIRM TRANSPORT  Southern Natural Gas Co.	FSNG130	FT	5,105	1,863,325				365	Logansport Meter Station - #050075		8/31/2013	
	FSNG130	FT	1,246	454,790				365	Main Pass 289 - VK Enterprise #018450		8/31/2013	
	FSNG130	FT	2,124	775,260				365	Breton Sound 32 - #020300		8/31/2013	
	FSNG130	FT	3,788	1,382,620				365	Breton Sound 32 - #020300	Chattanooga - #790200	8/31/2013	Southern Natural, La.
	FSNG130	FT	623	190,895				365	Term - Toca to SNG - #503802		8/31/2013	
	FSNG130	FT	436	159,140				365	Sabine - Sabine to SNG #605200		8/31/2013	
	48082	FT-A	1,519	554,435				365	Brazos Block 397 - #01437		10/31/2015	Tennessee Zone 0
	48082	FT-A	1,034	377,410				365	E Cameron Block 62A - #010503		10/31/2015	Tennessee, La. 800 Leg
	48082	FT-A	595	217,175				365	Lowry Plant - #010671		10/31/2015	Tennessee, La. 800 Leg
	48082	FT-A	4,930	1,739,450				365	Ship Shoal 154E - #010932		10/31/2015	Tennessee, La. 500 Leg
Tennessee Gas Pipeline	48082	FT-A	695	253,675				365	S Marsh Island - #011119		10/31/2015	Tennessee, La. 500 Leg
	48082	FT-A	450	164,250				365	Eugen Island 365A - #011220		10/31/2015	Tennessee, La. 500 Leg
	48082	FT-A	1,403	512,095				365	S Marsh Island 260 - #011422		10/31/2015	Tennessee, La. 800 Leg
	48082	FT-A	1,915	698,975				365	Ship Shoal 198J - #011802	E Lobelville Tenn - #020042 (20,903 dths) & Greenbrier Tenn 2 - #020289 (16,916 dths)	10/31/2015	Tennessee, La. 800 Leg
	48082	FT-A	2,401	876,365				365	Wharton Co Tport - #011911		10/31/2015	Tennessee Zone 0
	48082	FT-A	451	164,615				365	S Marsh Island 78B - #011971		10/31/2015	Tennessee, La. 500 Leg
	48082	FT-A	22	8,030				365	Fallurrias Tport - #012020		10/31/2015	Tennessee Zone 0
	48082	FT-A	1,858	678,170				365	E Cameron Block 17 - #012024		10/31/2015	Tennessee, La. 800 Leg
	48082	FT-A	7,148	2,609,020				365	Monte Cristo Exchange - #012088		10/31/2015	Tennessee Zone 0
	48082	FT-A	13,398	4,890,270				365	Bear Creek Storage Withdrawal - #070017		10/31/2015	Tennessee Zone 0
East TN Natural Gas Co.	410203	FT-A	2,472	802,280				365	EI Paso - Lobelville Rec. #53201	ETNG Meter #s: 59014, 59142, 59108, 59106, 59024, 59017, 59016, 59007, 59001	10/31/2012	
	410203	FT-A	10,528	3,842,720				365	EI Paso - Ridgely Rec. # 53101		10/31/2012	
	410204	FT-A	20,439	7,460,235				365	EI Paso - Lobelville Rec. #53201	ETNG Meter #s: 59014, 59142, 59108, 59106, 59024, 59017, 59016, 59007, 59001	10/31/2015	
	410204	FT-A	3,012	1,099,380				365	EI Paso - Ridgely Rec. # 53101		10/31/2015	
Total	410204	FT-A	4,899	1,788,135				365	Dickenson Co. #59315		10/31/2015	
			92,391									

Chattanooga Gas Company  
Docket 10-00049

Exhibit A  
Agency Contracts Schedule  
Chattanooga Gas Company  
Supply and Capacity Assets

CONTRACT PARTY	Contract Number	Tariff Rate	Deliverability			Storages			Receipt Point	Delivery Point	Effective Term	Index Point
			Daily (Dth)	Annual (Dth)	Max w/d (Dth)	Max inj (Dth)	Capacity (Dth)	Days Avail.				
FIRM TRANSPORT ASSOCIATED WITH STORAGE												
Tennessee Gas Pipeline	22923	FS-PA	13,659	4,985,535	13,659			365	TGP Meter #070017	E Lobelville Tenn - #020042 (20,903 dths) & Greenbrier Tenn	10/31/2015	
Tennessee Gas Pipeline	3947	FS-MA	7,741	2,825,465	7,741			365	TGP Meter #070025	2 - #020289 (16,916 dths)	11/1/2015	
Total			21,400									
STORAGE												
Tennessee Gas Pipeline	22923	FS-PA	13,659		13,659	13,616	2,042,390	150	TGP Meter #070017	E Lobelville Tenn - #020042 (20,903 dths) & Greenbrier Tenn	10/31/2015	
Tennessee Gas Pipeline	3947	FS-MA	7,741		7,741	5,682	852,286	110	TGP Meter #070025	2 - #020289 (16,916 dths)	11/1/2015	
Total			21,400				2,894,676					
FIRM TRANSPORT ASSOCIATED WITH STORAGE - (UTILITY RETAINED) (Assets are not eligible for optimization by Asset Manager / Seller. Asset Manager / Seller responsible for nominating these assets)												
Southern Natural Gas Co.	FSNG130	FTNN	14,346	5,236,290	14,346			365	Bear Creek/Muldon Field	Chattanooga - #790200	8/31/2011	
Total			14,346									
STORAGE (UTILITY RETAINED) (Assets below are not eligible for optimization by Asset Manager / Seller. Asset Manager / Seller responsible for nominating these assets)												
Southern Natural Gas Co.	SSNG69	CSS	14,346		14,346	5,465	710,484	50	Bear Creek/Muldon Field	Chattanooga - #790200	8/31/2011	
Total			14,346				710,484					
PEAKING												
On System LNG		LNG	60,000				1,207,574	20		On System		
Total			60,000				1,207,574					

1,207,574

20

On System

Exhibit B

**DAILY OPERATIONAL PROCEDURES**

**Physical Dispatch**

Prior to 10:00 a.m. Eastern Clock Time ("ECT") each day CGC<sup>3</sup> and Asset Manager will communicate to establish the "Daily Plan" described below, based upon system operational parameters of CGC. CGC will provide Asset Manager with the Four-Day Gas Demand Forecast for CGC. Asset Manager will provide CGC with Asset Manager's Two-Day Physical Gas Supply Plan. Asset Manager will maintain the records of the Gas Supply Plan and will provide copies as needed to CGC. CGC will consider Asset Manager's plan, but ultimately shall determine the optimum "Daily Plan" for deployment of the CGC's Assets.

For daily nominations:

i) Asset Manager will be responsible for submitting nominations on the Electronic Bulletin Board ("EBB") of CGC and on the interstate pipelines of CGC with such nominations to be completed pursuant to the applicable pipeline tariff. Asset Manager will be responsible for submitting a scheduling summary to CGC reflecting the pipeline nominations, Gas Operations System nominations and contingency rankings for asset utilization based on the outcome of the asset management meeting each day. The Asset Manager will send a scheduling summary to CGC for the current day by 12PM (CST) and by 2PM (CST) for the next day.

ii) CGC will be responsible for confirming Asset Manager's nominations, provided such nominations are both in GOS and the pipeline EBB, on its behalf at the City Gate Delivery Points, such confirmations to be completed pursuant to the applicable pipeline tariff. The exception to this rule is when gas is scheduled on East Tennessee Natural Gas ("ETNG") to the CGC gate at delivery point 59014. Gas scheduled to delivery point 59014 will be scheduled on the ETNG EBB and listed on the scheduling summary in the manual confirmation section. The gas must be scheduled on the pipeline EBB and be documented on the scheduling summary to be confirmed. Gas that is scheduled on the pipeline but not identified on the summary will not be confirmed.

iii) Prior to 5:00 p.m., ECT of each day, CGC will provide an update of the Four-Day Gas Demand Forecast when the weather warrants a significant change and shall provide additional updates throughout the day when warranted due to a significant change.

iv) Both Parties shall confer and make revisions to the daily nominations as described in Exhibit C. If such revisions require nomination changes, Asset Manager will make any intra-day nomination changes. CGC will confirm any intra-day nomination changes and Asset Manager shall submit a revised scheduling summary reflecting such changes.

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<sup>3</sup> AGL Services Company ("AGLSC") acts on behalf of CGC pursuant to an Agreement between CGC and AGLSC.

Nominations by Asset Manager and confirmations by CGC will be completed pursuant to the applicable pipeline tariff.

v) Prior to 5:00 p.m. ECT of each day CGC will provide Asset Manager with final data on consumption levels for the prior day via the afternoon Daily Operating Report "DOR".

After finalization of Next Day-2 ("ND2") scheduled volumes of each day, CGC will provide Asset Manager with final data on consumption levels for the prior day via the afternoon (PM) DOR.

### **Logical Dispatch**

CGC will nominate gas quantities to be purchased on a monthly basis, at requested receipt points with delivery to CGC's citygate, as well as purchases for storage injections, no later than 9:00 a.m. ECT three business days prior to the last day of NYMEX settlement for the following month. By 9:00 a.m. ECT each business day for the next day flow, on Fridays for weekend and Monday flow, and on the business day prior to a holiday, CGC will provide Asset Manager its logical dispatch for the appropriate day. Included in such logical dispatch will be instructions on how the nomination is to be changed based on actual required flows.

A 4-day forecast of customer requirements and asset utilization will be provided to Asset Manager by CGC for planning purposes.



**EXHIBIT C**

**GAS PURCHASE AND SALE AGREEMENT**

Between

**CHATTANOOGA GAS COMPANY**

and

**SEQUENT ENERGY MANAGEMENT, L.P.**

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## GAS PURCHASE AND SALE AGREEMENT

Effective April 1, 2011, this Agreement<sup>1</sup> is made and entered into by and between Chattanooga Gas Company ("Buyer")<sup>2</sup>, and Sequent Energy Management, L.P. ("Seller"), both Buyer and Seller sometimes referred to collectively as ("Parties") or singularly as "Party."

The Buyer and Seller hereby agree as follows:

### **I. Definitions**

**1.1 "Agreement"** means the provisions of this document as it may be amended from time to time subject to prior approval by the TRA.

**1.2 "Buyer's Purchase Requirement" or "BPR"** shall mean for any day, the Logical quantity of Gas required by Buyer, if any, not including BSRR, NNW, or NSW. Therefore  $BPR = DDR + NIQ - NNW - NSW - LNGW$ . BPR shall be inclusive of all fuel requirements including, but not limited to, system fuel, company use and unaccounted-for Gas on Buyer's system and that of Transporter.

**1.3 "Buyer's Storage Refill Requirement" or "BSRR"** shall mean Buyer's Storage Refill Requirement which is that quantity of Gas needed by Buyer to be injected into its storage inventories over each Summer Period, which is referred to in Section 4.1 and determined by Buyer prior to the beginning of the Summer Period.

**1.4 "Btu"** (British Thermal Unit) means the amount of heat energy required to raise the temperature of one pound of water from fifty-nine-degrees Fahrenheit (59°F) to sixty degrees Fahrenheit (60°F), as determined on a dry basis.

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<sup>1</sup> The Asset Management and Agency Agreement between Buyer and Seller, dated April 1, 2011, is incorporated herein by reference, including any defined terms in the Agreement.

<sup>2</sup> AGL Services Company ("AGLSC") acts on behalf of Buyer pursuant to an Agreement between Chattanooga Gas Company and AGLSC.

**1.5** "Cavern" shall be the applicable in-ground storage facility contracted between the Buyer and the Transporter.

**1.6** "Day" shall mean that period of twenty-four (24) consecutive hours as defined in the Transporter's FERC Tariff.

**1.7** "Daily Demand Requirement" or "DDR" shall mean the Buyer's forecasted demand for any given day as defined in Exhibit B.

**1.8** "Daily Purchase Requirement" or "DPR" shall mean that daily Logical quantity of gas nominated for purchase from Seller from time to time during any month in accordance with Buyer's daily operating procedures as defined in Exhibit B.

**1.9** "Daily Storage Injection Quantity" or "DSIQ" shall mean that portion of the BSRR Logically nominated for delivery at the Receipt Points for a given day. DSIQ shall be inclusive of all Transporter's fuel requirements.

**1.10** "Daily Index Cost of Gas" or "DICO" shall mean an amount per MMBTU equal to the midpoint of the Daily Price Survey in Gas Daily published by Platts, a division of the McGraw Hill Companies, for the applicable pipeline Receipt Points for the Gas Transportation Contracts of Buyer listed in Exhibit A. Buyer and Seller specifically recognize that from time to time Seller's actual costs of gas may be above or below flat index. This shall not have any effect on the determination of DICO.

**1.11** "Dekatherm" or "dt" shall mean the quantity of heat energy which is equivalent to one (1) MMBtu.

**1.12** "Delivery Point(s)" means the delivery point or points designated from time to time in Buyer's transportation agreements with Buyer's Transporter where Buyer receives Buyer's Transporter(s) Gas into its system.

**1.13** "ECT shall mean Eastern Clock Time.

**1.14 "FERC"** means the Federal Energy Regulatory Commission or any successor government authority.

**1.15 "FOM Index Price"** means an amount per MMBtu equal to the first of the month indices published in Inside FERC's Gas Market Report by Platts, for the applicable pipeline Receipt Points for the Gas Transportation Contracts of Buyer listed in Exhibit A. Buyer and Seller specifically recognize that from time to time Seller's actual costs of gas may be above or below flat index. This shall not have any effect on the determination of FOM Index Price.

**1.16 "Gas" or "Natural Gas"** means the effluent vapor stream (including liquid hydrocarbons) in its natural state produced from wells, including all hydrocarbon and nonhydrocarbon constituents and including casinghead gas produced with crude oil, and residue gas resulting from the processing of well gas or casinghead gas and, at the time of delivery from Seller to Buyer, satisfying the quality specifications as set forth in Transporter's FERC approved tariff. Gas shall also include liquefied natural gas ("LNG").

**1.17 "LNGW"** means Buyer's withdrawals from its on-system LNG facility or its LNG contracts with others.

**1.18 "Logical" or "Logically"** refers to the virtual supply or transportation path as determined by Buyer and used for billing purposes.

**1.19 "Maximum Daily Quantity" or "MDQ"** shall mean the maximum quantity as identified in Buyer's firm transportation contracts.

**1.20 "Mcf"** means one thousand (1,000) cubic feet of Gas as determined on the measurement basis set forth in this Agreement.

**1.21 "MMBtu"** means one million (1,000,000) Btu.

**1.22 "Month"** shall have the same meaning as that in Transporter's FERC Tariff.

**1.23** “**Monthly Purchase Requirement**” or “**MPR**” shall mean the Logical quantity of gas nominated by Buyer each month for daily ratable purchases to be determined by Buyer in accordance with Section 2.2.

**1.24** “**Most Cost Effective Transportation Path**” shall mean the lowest cost method of effectuating the Logical delivery of quantities from the applicable receipt points to the delivery points utilizing the Assets consistent with supply reliability considerations, and shall be determined by Buyer and provided to Seller pursuant to Section 2. The determination of the Most Cost Effective Transportation Path shall be relevant for determining prices under Section 5 of this Agreement. Seller shall have no obligation to follow such determination in arranging physical deliveries of gas under this Agreement.

**1.25** “**Nominated Injection Quantity**” shall be the quantity of gas Buyer agrees to buy and Seller agrees to deliver during any day, month, or longer period as requested by Buyer and scheduled into the applicable Cavern or LNG facility by the Transporter consistent with this Agreement and exclusive of the NNI.

**1.26** “**Nominated Storage Withdrawals**” or “**NSW**” shall mean the quantity of gas nominated from Buyer’s inventory in Caverns or LNG facilities.

**1.27** “**No-Notice Injections**” or “**NNI**” shall mean the quantity of gas injected into the Buyer’s capacity in storage Caverns via No-Notice.

**1.28** “**No-Notice Withdrawals**” or “**NNW**” shall mean the quantity of gas delivered to Buyer’s city gate pursuant to the Transporter’s tariff.

**1.29** “**Physical**” or “**Physically**” refers to the actual supply or transportation path used for system dispatch.

**1.30** “**Receipt Points**” shall mean such Receipt Point(s) designated from time to time in Buyer's transportation agreements with Transporter.

**1.31 "Summer Period"** shall mean the period from April 1<sup>st</sup> through October 31<sup>st</sup> of each year unless for a particular storage service the period is extended or reduced by mutual agreement of Buyer and Seller to be consistent with the injection period as defined by Transporter.

**1.32 "Third Party Gas" or "TPG"** shall mean that quantity of gas that Buyer purchases from a supplier other than Asset Manager and is delivered to Buyer's city gate or into Buyer's East Tennessee Receipt Points arranged by Seller.

**1.33 TRA** shall mean the Tennessee Regulatory Authority or any successor governmental authority.

**1.34 "Transporter"** shall mean the pipeline taking Buyer's Gas at the Receipt Points and effectuating delivery of Gas to Buyer's Delivery Points or the pipeline effectuating delivery of TPG to Buyer's city gate.

**1.35 "Winter Period"** shall mean the period from November 1 through March 31<sup>st</sup> unless for a particular storage service the period is extended by mutual agreement of Buyer and Seller to be consistent with the withdrawal period as defined by Transporter.

## **II. Sale and Purchase**

**2.1** Subject to the terms of this Agreement, each Day if and to the extent requested by Buyer, Seller agrees to Physically deliver and Logically sell, and Buyer agrees to Physically receive and Logically purchase from Seller, quantities of gas as instructed by Buyer. Sales and purchase quantities will be based on Buyer's Logical nominations and deliveries and receipts will be based on Buyer's Physical dispatch.

**2.2 Logical Monthly Nomination.** Each month, no later than 9:00 a.m. ECT three business days prior to the day of the NYMEX settlement for the following month, Buyer shall notify Seller in writing of (i) the MPR for the following month and (ii) the mix of the Assets, including the Most Cost Effective

Transportation Path from receipt point(s) to delivery point(s), that Buyer designates to effectuate delivery to the City Gates of the MPR.

**2.3** Logical Daily Nominations. Each business day no later than 9:00 a.m. ECT for next day flow, on Fridays for weekend and Monday flow, and on the business day prior to a holiday, Buyer will provide Seller its nomination for DPR for the appropriate day and the quantity of storage deemed to be withdrawn for the day, as applicable. For the avoidance of doubt, the phrase “deemed to be” as used in this agreement shall refer to the Logical nomination and shall mean that Seller shall have no obligation to actually inject or withdraw such quantity from storage and that Seller may satisfy Buyer’s requirements through other sources of supply. Accordingly, Seller shall not be obligated to Physically arrange any nomination in accordance with Buyer’s nominations, so long as Seller otherwise complies with this Agreement. Included in such nomination will be instructions on how the nomination is to be changed based on actual required flows. For clarification, Buyer’s nomination of the DPR over a weekend or holiday that results in the Asset Manager purchasing non-ratable daily quantities shall result in such non-ratable quantities to be priced at a mutually agreeable price. Buyer shall provide Seller in writing with Buyer’s initial DPR for the appropriate day, including the Most Cost Effective Transportation Path from receipt point(s) to delivery point(s).

**2.4** If Buyer’s nominations for any day results in surplus gas purchased and such surplus gas is not injected into storage, Buyer will sell back to Seller such excess gas at the appropriate market flat daily index price if Seller is informed by 9:00 a.m. ECT for day-ahead gas flow, or at a mutually agreeable price if such notification is after 9:00 a.m. ECT for day ahead gas flow or is for a non-ratable volume over a weekend or holiday. Buyer may use NNI rights to satisfy surplus gas. If Buyer’s nominations do not result in sufficient gas to satisfy Buyer’s requirements and Buyer has adequate capacity to move additional gas on



an intra-day basis, then Buyer shall request and Seller shall sell the additional gas required at a mutually agreeable price. Buyer may use NNW rights to satisfy the insufficient gas requirement.

**2.5** In the event the Parties must negotiate a mutually agreeable price for the volumes as provided in this Section 2, Buyer shall have the option to obtain price quotes for such volumes from third parties, and Seller shall have the right to match the lowest quote obtained by Buyer. Otherwise, Buyer shall have the right to purchase such volumes from third parties.

**2.6** Seller will be solely responsible for all nominations of assets listed in Exhibit A. Seller will be responsible for submitting nominations on the Gas Operating System ("GOS") of Buyer and on the pipelines of the Buyer with such nominations to be completed pursuant to the applicable pipeline FERC approved tariff rules.

**2.7** Buyer and Seller agree that Buyer shall have the right to utilize all assets listed in Exhibit A as described below:

- (a) Buyer shall utilize SNG CSS and associated transportation to meet system balancing and operation needs;
- (b) Buyer shall have sole operational and dispatch control over on-system LNG asset;
- (c) All remaining assets will be Logically nominated by Buyer and delivered as seen fit by Seller consistent with the physical needs and limitations of the Buyer.

### **III. Delivery of BPR, DSIQ, NIQ, NNW, NSW, and/or TPG**

**3.1** Subject to the terms and conditions of this Agreement, and the transportation and storage agreements between Buyer and Transporter(s), Seller shall nominate or cause to be nominated with Transporter the BPR, if any, the DSIQ, if any, the NIQ, if any, and the NSW, if any at Buyer's Receipt Points or secondary firm Receipt Points into Buyer's firm transportation or at Buyer's city gate. Each Day Seller agrees to nominate and tender for delivery to Buyer, and Buyer agrees to receive from Seller if

nominated and tendered at the Receipt Points (or Buyer's city gate and/or into Buyer's East Tennessee Receipt Points in the case of TPG), the BPR, if any, the DSIQ, if any, the NIQ, if any, and the NSW, if any for such Day. However, Seller's obligation to nominate and tender to Buyer the agreed BPR, DSIQ, NIQ, and/or NSW on any Day shall be reduced to the extent that Buyer gives notice to Seller that it cannot receive the BPR, DSIQ, NIQ, and/or NSW for any reason including Force Majeure.

**3.2** In determining Buyer's BPR, DSIQ, NIQ, and/or NSW, the Parties agree to adhere to the daily set up and nomination procedures as specified in Exhibit B of the Asset Management and Agency Agreement between Buyer and Seller.

**3.3** Unless excused pursuant to Section 3.1 hereof or by Force Majeure, if, on any Day Seller fails to Physically deliver quantities of gas adequate to meet the BPR for such Day, then Buyer's remedy shall be to obtain alternate supplies of Gas to cover the quantity of Gas not delivered by Seller (such alternate supplies obtained by Buyer are referred to as "Deficiency Gas"). Buyer shall also be entitled to collect from Seller an amount equal to the positive difference, if any, between the total costs incurred by Buyer to obtain the Deficiency Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), and the cost Buyer would have paid for such Deficiency Gas under this Agreement. Buyer is under no obligation to utilize LNGW to obtain Deficiency Gas. If Buyer is unable to obtain Deficiency Gas, then Buyer shall be entitled to pursue against Seller all available remedies for breach of this Agreement. If Seller fails to meet the Physical inventory level requirements pursuant to Section 2(d) of the Asset Management and Agency Agreement and such failure is not otherwise excused, then the remedies set forth in this subsection shall be available to Buyer, if in Buyer's sole judgment, obtaining Deficiency Gas is necessary to ensure that the BSRR will be achieved or that winter inventory levels are at satisfactory levels.

**3.4** A breach of this Agreement by either Party may entitle the non-breaching Party to direct damages, which shall be any costs incurred, or contractual entitlements that result from a breach of any of the Agreement by either Party. In the case of a breach by Seller, Buyer's Direct Damages include, but are not limited to (i) incremental commercially reasonable costs incurred by Buyer to find and secure an alternate supplier for what would have been the remaining Term of the Agreement, (ii) any positive difference in the costs that Buyer would have incurred under the Agreements and the costs that Buyer incurs under any replacement agreement(s) for what would have been the remaining Term of the Agreement, or (iii) where applicable, the damages determined under the Gas Purchase and Sale Agreement.

#### **IV. Determination of Summer Period BSRR**

**4.1** For each Summer Period during the term of this Agreement consistent with Exhibit E, Buyer will Logically purchase and Seller will Logically deliver a quantity of Gas designated the Summer Period BSRR for the services as listed in Exhibit E calculated using the following equation:

$$\text{Summer Period BSRR} = \text{BTIL} - \text{AIL} + \text{SIF}$$

Where:

Summer Period BSRR = the BSRR to be injected during the Summer Period;

BTIL = Buyer's Target Inventory Level for each storage service as such targets are specified by Buyer.

AIL = Buyer's estimated inventory level in the applicable storage services on April 1 of each Summer Period at the time Buyer provides Seller with the required BSRR quantities; and

SIF = Fuel(s) retained by Buyer's Transporter and/or Storage Operator from the Receipt Point(s) into the applicable Cavern.

All other storage fill shall be managed through Buyer's scheduling of NIQ.

#### **V. Price**

**5.1** The price per MMBtu for any quantity included in this Agreement shall be calculated as follows:

(a) For Buyer's MPR,

(i) All volumes shall be priced at the flat FOM Index Price at the receipt points identified by Buyer in the Most Cost Effective Transportation Path as set forth in Section 2.2. To the extent that the FOM Index Price is unavailable, the Parties shall mutually agree upon a price.

(ii) In the event Buyer desires to purchase a portion of its MPR on a fixed price basis, then the Parties shall negotiate a mutually acceptable fixed price.

(b) For Buyer's DPR,

(i) All volumes shall be priced at the DICOG at the receipt points identified by Buyer in the Most Cost Effective Transportation Path as set forth in Section 2.3. To the extent that the DICOG is unavailable, the Parties shall mutually agree upon a price.

**5.2** Buyer shall be responsible to nominate gas from Seller in a manner to fill storage assets described in Section 2.7(a). The price for Buyer's BSRR for storage assets described in Sections 2.7(b) and (c) shall be the FOM Index Price at Buyer's Receipt Points on the applicable pipe of receipt based upon a ratable injection from April 1 through October 31. BTIL for each storage service shall be determined by Buyer prior to the commencement of each Summer Period and communicated in writing to Seller for management purposes pursuant to the terms of the Asset Management and Agency Agreement between the Parties;

**5.3** Daily supply /demand imbalances will be managed through the use of Buyer's NNI or NNW rights.

**5.4** Charges for Logical storage gas withdrawn will be for fuels and variables only based on the storage deemed to be withdrawn by Buyer in accordance with Section 2.2.

**5.5** The price for Buyer's NIQ at the Receipt Point(s) to Buyer's transport, if any, shall be priced at the appropriate pricing depending upon whether MPR or DPR volumes are scheduled for injection.

**5.6** In the event the Parties must negotiate a mutually agreeable price for the volumes as provided in this Section 5, Buyer shall have the option to obtain price quotes for such volumes from third parties, and Seller shall have the right to match the lowest quote obtained by Buyer. Otherwise, Buyer shall have the right to purchase such volumes from third parties.

**5.7** Asset Manager and CGC agree that gas sale and purchase transactions (for CGC's own use in the form of storage fill or firm burn) which utilize index flat pricing (either first of month or gas daily) to determine the value of commodity will be deemed to be at the market as of that time and that the appropriate flat indexes will be the basis upon which revenue and cost will be calculated.

## **VI. Transportation and Penalties**

**6.1** Seller shall be responsible for all transportation and gathering upstream of Buyer's Transporter necessary for Seller to deliver Gas to Buyer's Receipt Point(s). Seller shall also be responsible for all transportation and gathering necessary for Seller to deliver TPG to Buyer's city gate or into Buyer's East Tennessee Receipt Points.

**6.2** The rules, guidelines, and policies of the Transporter shall define and set forth the manner in which the Gas sold under this Agreement is measured and transported. Buyer and Seller recognize that the receipt and delivery, on the Transporter's pipeline facilities, of Gas purchased and sold under this Agreement shall be subject to the operational procedures of the Transporter as well as the terms of Transporter's transportation service agreement(s) with Buyer.

**6.3** In the event the Transporter, or any other pipeline upstream or downstream of the Buyer's Receipt Point(s), elects to transport in accordance with the General Terms and Conditions of its then effective FERC Gas Tariff, or equivalent state-approved tariff, which may allow the pipeline to (i) impose penalties, scheduling fees, cash-out costs or similar charges for imbalances, or (ii) clear physical imbalance by delivering Gas at a net loss to either Party (collectively "imbalance charges"), Buyer and Seller shall be

obligated to use their best efforts to avoid imposition of such imbalance charges. If during any month Buyer or Seller receives an invoice from a transporting pipeline which is downstream of the Buyer's Receipt Points that includes an imbalance charge, both Parties shall be obligated to use their best efforts to determine the validity, as well as the cause, of such imbalances charges. If the Parties determine that the imbalance charge was imposed as a result of Buyer's actions which shall include, but not be limited to, Buyer's failure to accept from a transporting pipeline a daily quantity of Gas equal to the nominated quantity, adjusted for contractual NNW and NNI rights, not to exceed the MDQ, then Buyer shall pay for such imbalance charge. If the Parties determine that the imbalance charge was imposed as a result of Seller's actions (which shall include, but not be limited to, Seller's failure to deliver to a transporting pipeline a daily quantity of Gas equal to the MDQ) then Seller shall pay such imbalance charge. If the non-responsible party has paid or shall pay such imbalance charges, the responsible party shall reimburse the non-responsible Party no later than fifteen (15) days after the non-responsible has delivered to the responsible Party a copy of the related invoice.

**6.4** Buyer and Seller recognize that the Transporter or pipeline upstream or downstream may be authorized to issue Operational Flow Orders ("OFO"), or the equivalent, however described in the Transporter's FERC Gas Tariff, or any successor provision. Buyer and Seller also recognize that the Transporter may issue an OFO that obligates the Buyer or the Seller to take action that may be contrary to the terms of this Agreement, including, without limitation, the delivery and taking of gas in violation of nomination procedures or in quantities contrary to prior nominations made by Seller on Buyer's behalf. In such event, Buyer and Seller agree that compliance with any duly authorized OFO will not constitute a breach of this Agreement, provided that: (i) the Party receiving an OFO notify the other Party as soon as possible, and (ii) the Parties use their best efforts to minimize the operational and economic consequences of compliance with the OFO by all means at their disposal. This Section will not apply to the extent an OFO is

issued to Buyer or Seller as a result of Buyer's or Seller's actions under any relevant provision of Transporter's FERC Gas Tariff. In the event that Seller concludes that an OFO was improperly or unlawfully issued by the Transporter with the result that Buyer suffers adverse consequences under this Agreement, and in instances where Seller decides not to pursue any rights or remedies it may have against the Transporter associated with the issuance of the OFO, Seller will, to the extent permitted by law or regulation, assign any such rights and remedies to Buyer to the extent required to permit Buyer to take legal or regulatory action against the Transporter. In the event an OFO is issued, Asset Manager agrees to first completely honor and satisfy CGC's needs and requirements under this Agreement to the extent possible using the Assets covered by this Agreement before Asset Manager undertakes to deliver gas to any of its other markets or customers.

## **VII. Payment**

**7.1** (a) On or before the tenth (10th) Day of each Month, Seller shall render to Buyer a statement and invoice setting forth the charges for gas delivered to Buyer which separately identifies any and all quantities attributable to Buyer's DPR, MPR, DSIQ, NIQ, and TPG during the immediately preceding Month, separately identified by category of storage services. Buyer shall pay the invoiced amounts on or before the 25<sup>th</sup> day of such month. If presentation of a statement by either Party is delayed after the tenth Day of a Month, then the time for payment shall be extended a corresponding period of time, unless the other Party is responsible for such delay.

(b) Amounts that Seller may owe Buyer under this Agreement, shall be invoiced and paid in accordance with the procedure established in this Section.

**7.2** Invoices shall be sent to Buyer at:

Chattanooga Gas Company  
c/o AGL Services Company  
Attn: Gas Accounting  
P. O. Box 4569

Location 1180  
Atlanta, GA 30302-4569  
Phone: (404) 584-4508  
Telecopy: (404) 584-4233

Invoices shall be sent to Seller at:  
1200 Smith Street, Ste. 900  
Houston, Texas 77002  
Attention: Eric Caleb  
Phone: (832) 397-1714  
Telecopy: (832) 397-3711

**7.3** If Buyer presents to Seller reasonable evidence supporting Buyer's good faith belief that the amount of the invoice is incorrect, Buyer shall pay the undisputed amount. If Seller can demonstrate, to Buyer's reasonable satisfaction, that Buyer's position is incorrect, Buyer shall immediately pay any remaining amount owed. Late payments and all amounts withheld by Buyer and subsequently acknowledged or determined to be owed shall bear interest running from the original due date until paid at a rate equal to the then effective base rate on corporate loans posted by commercial United States banks and listed under "Prime Rate" published under the section "Money Rates" by The Wall Street Journal (Eastern Edition) on the first business day of the relevant Month. Should Buyer fail to pay undisputed amounts when due, and such failure continues for a period of thirty days or more, Seller shall be entitled to suspend deliveries of Gas to Buyer upon the furnishing of written notice of suspension to Buyer. Seller shall resume deliveries of Gas to Buyer no later than forty-eight hours following Buyer's payment of all undisputed amounts then due.

**7.4** If either Party discovers that the amount billed in any statement or payment rendered under this Agreement is incorrect, such inaccuracy shall be adjusted within thirty days of its discovery, together with interest at the rate provided for in Section 7.3. No adjustments shall be made for any inaccuracy not



claimed within twenty-four months of the date of the original statement. A Party's rights under this section shall survive termination of this Agreement.

**7.5** The Parties shall each preserve all test data, meter records, charts and other similar records pertaining to Gas sold and delivered under this Agreement for a period of at least three years following the termination of this Agreement. Upon at least twenty-four hours advance notice, each Party shall have the right during normal business hours to examine the books and records of the other Party to the extent necessary to verify the accuracy of any statement, charge, computation, or demand made under or pursuant to this Agreement. A Party's rights under this section shall survive for three years following the termination of this Agreement.

### **VIII. Adequate Assurance**

**8.1** The Adequate Assurance Provisions in the Asset Management and Agency Agreement shall also apply to this Agreement.

### **IX. Responsibility**

**9.1** Title to Gas delivered under this Agreement (other than TPG) shall pass from Seller to Buyer at the Receipt Point(s) into Buyer's transportation. Title to TPG delivered under this Agreement shall pass from Seller to Buyer at Buyer's city gate or into Buyer's East Tennessee Receipt Points, as applicable. As between the Parties, Seller shall be deemed to be in control and possession of the Gas delivered to the Receipt Point(s) (or Buyer's city gate and/or Buyer's East Tennessee Receipt Points in the case of TPG) and shall be responsible for any damage or injury caused by the Gas until it has been delivered to or for the account of Buyer at the Receipt Points (or Buyer's city gate and/or Buyer's East Tennessee Receipt Points in the case of TPG), after which delivery as it applies to this Gas Purchase and Sale Agreement Buyer shall be deemed to be in custody of the Gas and responsible for any damage or injury caused by the Gas.

**9.2** Except as provided in Section VI above, all charges, expenses, fees, taxes, damages, injuries, and other costs incurred in or attributable to the purchase and transfer, transportation, handling, and sale of the Gas delivered in accordance with this Agreement prior to, and including, delivery to Buyer at the Receipt Points (or Buyer's city gate and/or at the Buyer's East Tennessee Receipt Points in the case of TPG) shall be the responsibility of Seller. As between the Parties, Seller shall indemnify, defend, and hold Buyer harmless from all such charges, expenses, fees, taxes, damages, injuries, and other costs.

**9.3** Except as provided in Section VI above, all charges, expenses, fees, taxes (including sales, or transfer taxes and any other taxes levied on or in connection with the transactions under this Agreement by the state, or other government subdivision, in which the Gas is consumed or otherwise used regardless of the point at which the tax is assessed), damages, injuries, and other costs incurred in or attributable to the downstream purchase and transfer, transportation, and handling of the Gas delivered in accordance with this Agreement, occurring after delivery of Gas to Buyer at the Receipt Points (or Buyer's city gate and/or at the Buyer's East Tennessee Receipt Points in the case of TPG) shall be the responsibility of Buyer. As between the Parties, Buyer shall indemnify, defend, and hold harmless Seller from all such charges, expenses, fees, taxes, damages, injuries, and other costs. In the event Seller is required by law to collect any such taxes, and Buyer claims an exemption from the taxes, Buyer shall, upon Seller's request, furnish Seller with a copy of Buyer's exemption certificate.

**9.4** Except as provided in Article XV below, Buyer warrants that it has all necessary regulatory approvals and authorizations for its purchase of Gas from Seller under this Agreement.

**9.5** Except as provided in Article XV below, Seller warrants that it has all necessary regulatory approvals and authorizations for its sale of Gas to Buyer under this Agreement.

## **X. Term**

**10.1** The Term of this Agreement shall correspond with the Term of the Asset Management and Agency Agreement.

## **XI. Quality and Measurement**

**11.1** Gas delivered by Seller to the Receipt Point(s) shall meet the quality and pressure specifications set forth in the Transporter's gas tariff on file with the FERC. If Gas delivered by Seller to the Receipt Points is rejected by the Transporter for failure to meet its quality specifications, Buyer shall be relieved of the obligation to receive such Gas. TPG delivered by Seller to Buyer's city gate shall meet the quality and pressure specifications set forth in the Transporter's FERC gas tariff. To the extent that the TPG does not meet the quality specifications, Buyer may reject the Gas and shall be relieved of the obligation to receive such Gas. Such event would not relieve Seller of its obligation to deliver Buyer's BPR, DSIQ or NIQ, if Buyer has notified Seller on a timely basis and Seller is provided an opportunity to cure. To the extent that the Transporter accepts Gas tendered by Seller for Buyer's account at the Receipt Points, Seller shall be deemed to have fully complied with the quality specifications of this Agreement.

**11.2** Buyer and Seller agree that the volume and heating value of Gas sold and delivered hereunder (other than TPG) will be measured at or near the Receipt Points by the Transporter, using equipment owned or controlled by, and measuring procedures employed by the Transporter. Buyer and Seller agree that the volume and heating value of TPG gas shall be measured at or near the Delivery Point of the Buyer using the equipment owned or controlled by, and measuring procedures employed by the Transporter. The measurements made by the Transporter shall be accepted by Buyer and Seller, provided, however, the measuring equipment and procedures used must conform to the Transporter's filed tariffs and to generally recognized industry standards.

## **XII. Processing**

**12.1** Subject to the quality specifications of Article X, Seller may process the Gas to remove any Liquid Hydrocarbons or Liquifiable Hydrocarbons prior to the delivery of the Gas to Buyer at the Receipt Points. In the event Seller elects to process the Gas, any hydrocarbons so removed shall be Seller's sole responsibility and all costs (including additional transportation costs attributable to such processing) shall be the responsibility of the Seller.

### **XIII. Force Majeure**

**13.1** The Force Majeure provisions of the Asset Management and Agency Agreement, shall also apply to this Agreement.

### **XIV. Seller's Warranties and Gas Supply Obligations**

**14.1** Seller warrants title or the right to deliver title to all Gas sold by it to Buyer and that such Gas is free from all liens and adverse claims. Seller agrees to indemnify and hold Buyer harmless from, and with respect to, all suits, actions, debts, accounts, damages, costs, losses and expenses (including but not limited to reasonable attorneys' fees) arising from or out of any adverse claims of any and all persons related to title to such Gas.

**14.2** Seller agrees to take all reasonable efforts to assure that the Gas supply contracts entered into by Seller to satisfy Buyer's firm requirements are administered in a manner that will assure the satisfaction of Seller's obligations pursuant to the terms of this Agreement.

### **XV. Governmental Authorizations**

**15.1** This Agreement is subject to all valid laws, orders, rules and/or regulations of any and all duly constituted governmental authorities, Federal, State or local, to the extent such laws, regulations, and orders are applicable and effective from time to time; provided, however, that if any such governmental authority shall take any action or assert any jurisdiction whereby the sale, delivery, receipt, or use of Gas as contemplated hereunder will be subjected to terms, conditions, or restraints that in the sole judgment of the

Party affected are unduly burdensome or unacceptable, then such Party, within thirty (30) days after learning of such action or assertion of jurisdiction, may cancel and terminate this Agreement effective one day prior to the effective date of such governmental action. In the event of such termination, the Parties agree that all Gas received by Buyer hereunder prior to cessation of deliveries shall be paid for by Buyer at the rate in effect immediately prior to the termination of this Agreement and that any existing fixed price transactions will be liquidated at current market values and appropriate adjustments will be made as agreed to by the Parties. If the Parties cannot reach an agreement, the procedure set forth in Section 21 will be followed. Provided further, to the extent Seller has not delivered the full volume of Gas paid for by Buyer, Seller shall be obligated to deliver such Gas to Buyer within thirty (30) days of such termination.

**15.2** Upon execution of this Agreement, each of the Parties agrees to seek such government certificates, permits, licenses and authorizations which, in its sole discretion, it deems necessary to perform its obligations under this Agreement.

**15.3** Upon execution of this Agreement, and from time to time throughout its term, each of the Parties shall make all filings required by any regulatory bodies having jurisdiction over the activities covered by this Agreement and upon request of the other Party shall promptly provide copies of such to the other Party.

**15.4** Neither Party will knowingly enter into agreements nor undertake any activities or filings that would interfere with or frustrate the other Party's efforts to obtain the necessary regulatory approvals to fulfill its obligations under this Agreement.

## **XVI. Assignments**

**16.1** The Assignment provisions in the Asset Management and Agency Agreement shall also apply to this Agreement.

## **XVII. Curtailment**

**17.1** In the event of Force Majeure that causes Seller to curtail its deliveries under this Agreement, Seller will perform its obligations under this Agreement prior to supplying any interruptible sales undertaken by Seller in accordance with the Asset Management and Agency Agreement between Seller and Buyer. Seller shall be obligated to curtail deliveries to third party interruptible sales customers prior to curtailing any deliveries to Buyer, in the event, and only to the extent, that such curtailment increases the supply of gas available for delivery to the Receipt Points (or Buyer's city gate and/or Buyer's East Tennessee Receipt Points in the case of TPG). Notwithstanding the foregoing, nothing in this Section shall be construed to require Seller to curtail deliveries to sales customers on a pipeline other than Transporter and to divert the curtailed quantity of Gas to Buyer if such diversion of Gas would result in a breach or violation of a firm sales agreement between Seller and any other firm sales customer on a pipeline other than Transporter.

#### **XVIII. Confidentiality**

**18.1** The Confidentiality provisions in the Asset Management and Agency Agreement shall also apply to this Agreement.

#### **XIX. Miscellaneous**

**19.1** No waiver by either Party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any other default or defaults, whether of a like or of a different character.

**19.2** If any provision of this Agreement is determined to be invalid, illegal or otherwise unenforceable for any reason by a court of competent jurisdiction, the remaining terms and conditions of this Agreement shall remain in full force and effect to the fullest extent permitted by law. In such an event, the Parties agree to make a good faith effort to replace the affected provisions.

#### **XX. Other**

**20.1** Buyer shall not be liable for punitive, exemplary, consequential or incidental damages arising from any breach or default under this Agreement or from any act or omission under or in connection with this Agreement except as otherwise set forth herein or in the Asset Management Agreement. However, no provisions in the Agreement shall release Seller from punitive, exemplary, consequential or incidental damages under this Agreement, in tort (including negligence and strict liability) or otherwise, arising from Seller's failure to perform its obligations to Buyer.

**20.2** Buyer reserves the right to direct Seller to purchase gas for a longer term than one month and/or to allow Buyer discretion to implement any financial hedging program accepted or approved by the TRA. Buyer will separately manage any financial hedging that may be associated with such hedging program.

**20.3** The failure of a Party to give notice to any other Party or to take any other steps in exercising any right, or in respect of the breach or not of any provision of this Agreement, shall not operate as a waiver of that right, breach or provision nor shall any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in law or in equity or otherwise.

## **XXI. Issue Resolution**

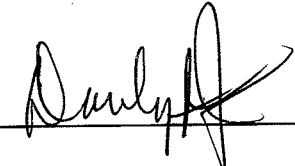
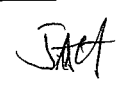

**21.1** The Issue Resolution provisions of the Asset Management and Agency Agreement shall also apply to this Agreement.

## **XXII. Cooperation**



**22.1** The Cooperation provisions in the Asset Management and Agency Agreement shall also apply to this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first written above, by their duly authorized Representatives.

SELLER:  
SEQUENT ENERGY MANAGEMENT, L.P.

By:   
Darilyn R. Jones  
SVP, Risk Control  
  


BUYER:  
CHATTANOOGA GAS COMPANY

By:  20  




**EXHIBIT D**

Documentation of Net Margin, attributable to the transactions which use the Company's Assets, shall be provided to the Company in accordance with Section 5 of the Asset Management and Agency Agreement. The Parties agree that the computation of Net Margin shall be determined as follows:

Net Margin = (Revenue - Cost) + Recognized Financials + LCM adjustments - Fees - TVM - Other Fees as designated by the TRA where:

<b>Revenue</b>	=	gross revenue attributable to use of Company Assets (revenue from BSRR shall be calculated based upon actual volumes injected)
<b>Cost</b>	=	total cost attributable Asset Manager's commodity costs for fixed price, FOM Index Price and DICO supply
<b>Recognized financials</b>	=	financial transactions expiring during or prior to current period
<b>Lower of Cost or market (LCM) Adjustment to inventory</b>	=	adjustment recorded to inventory to reflect cost being higher than market.
<b>Fees</b>	=	injection, withdrawal, and transport fuel charges and any variable costs including surcharges
<b>Time Value of Money (TVM)</b>	=	Asset Manager's intercompany cost of funds (which approximates Asset Manager's weighted average cost of capital) incurred on the use of money to effectuate injection of gas into storage and parking of that gas until it is withdrawn and sold
<b>Other Fees</b>	=	such costs that the TRA may determine from time to time which relate to this Agreement and should be reflected in the "Net Margin" determination

**Exhibit E**  
**Injection Schedule**

**Chattanooga Gas Company**

<b>Pipeline</b>	<b>Storage</b>	<b>Volume</b>	<b>Injection Period</b>
Tennessee Gas Pipeline	FS-PA	Ratable	April 1 - Oct 31
Tennessee Gas Pipeline	FS-MA	Ratable	April 1 - Oct 31
Southern Natural Gas Co.	CSS	To be filled by Chattanooga Gas	
LNG - On System		To be filled by Chattanooga Gas	

**August 10, 2010**

**Chattanooga Gas Company**

**Asset Management Agreement  
Gas Purchase & Sales Agreement  
Request for Proposal ("RFP")  
Page 1 of 2**

Chattanooga Gas Company ("CGC") will entertain Bids to contract for Asset Management services inclusive of gas purchase and sales for storage injection and possible system balancing. This RFP is being issued consistent with the Tennessee Regulatory Authority's ("TRA") oversight regarding CGC's Asset Management Agreement. The service will commence on April 1, 2011 and will continue for an initial term of three (3) years with provisions to extend the agreement. Best and final bids must be received by CGC by 12:00 Noon Eastern Time, September 10, 2010.

**Terms:**

Bids must have a term of three (3) years with the option to continue if both parties are so inclined.

Bids are binding. CGC has the sole right to accept or reject any Bid. Bids will be awarded no later than September 20, 2010.

Bids must include the following components:

- Completion of attached Bid Form with supporting documentation including the following:
  - Annual Fixed Fee payment commitment from Asset Manager (as set forth in Section 4 of the Asset Management Agreement ("AMA"))
  - Express its willingness and ability to comply with the audit requirements of the agreement
  - Demonstration of technical capability/expertise as more fully described below
- Two partially executed originals of the attached agreements (with the Annual Fixed Fee filled in for Section 4)

To be considered an eligible bidder for consideration, the bidder must either: 1) have, itself, investment grade senior unsecured debt rating of no less than Baa3 from Moody's or BBB- from S&P; or 2) must provide CGC with some form of investment grade security from a source of equal or greater rating than provided above, including letters of credit, guarantees or surety bonds, each in form and substance acceptable to Company in its reasonable discretion.

August 10, 2010

Asset Management Agreement  
Gas Purchase & Sales Agreement  
Request for Proposal ("RFP")  
Page 2 of 2

Bidders must be willing to accept in their entirety the attached Asset Management Agreement and Gas Purchase and Sale Agreement and Exhibits ("Agreements") as the contract that will be executed by both parties and shall indicate such in a letter signed by an Officer of the Bidder with the appropriate authority pursuant to the instructions in the attached Bid Form. CGC has the sole right to reject any Bid, without further evaluation, that proposes changes in the terms and conditions of the Agreements other than correcting typographical errors and/or filling in the blanks contained in the Agreements. Bidders should include in its bid two original partially executed agreements for each such agreement. Further, the Annual Fixed Fee shall be filled in for Section 4.

Bidders must provide the following information relating to its technical capability/expertise:

- 1) Bidder must identify and give a contact person and phone number for each entity to which it performs asset management and gas procurement services;
- 2) Bidder must identify each employee/contractor that will be used in providing the contracted services. Please identify name, number of years in the industry, service to be provided;
- 3) Bidder must describe the process it would use to facilitate CGC's compliance with Section 404 of Sarbanes-Oxley as relates to this Agreement and provide a general timetable for the delivery of information necessary for such compliance.

Bidders must identify all legal affiliations with CGC.

Bids will be evaluated on the total value of the Bid and best cost criteria basis, considering all relevant factors including but not limited to: technical expertise, creditworthiness, audit capabilities and historical performance.

All Bids shall be treated as confidential. However, the Bids will be shared with the TRA and the Consumer Advocate and Protection Division of the Attorney General and Reporter's Office and maintained confidential pursuant to a protective order.

**August 10, 2010**

**Chattanooga Gas Company**

Asset Management Agreement  
Gas Purchase & Sales Agreement

Bid Form  
Page 1 of 2

**Prior to submission of this Bid Form, Bidder must submit under separate cover a letter signed by the President or any Vice-President of the Bidder indicating that Bidder accepts the Asset Management Agreement and Gas Purchase & Sales Agreement in its entirety ("Officer Letter") as discussed on page 2 of the RFP. The Officer Letter must be received by Chattanooga Gas Company by September 10, 2010.**

Company Name: \_\_\_\_\_

Company Address: \_\_\_\_\_

Contact Name: \_\_\_\_\_

Contact Phone Number: \_\_\_\_\_

Contact Fax Number: \_\_\_\_\_

Contact E-mail: \_\_\_\_\_

**Annual Fixed Fee:** \$ \_\_\_\_\_

**August 10, 2010**

**Chattanooga Gas Company**

**Asset Management Agreement  
Gas Purchase & Sales Agreement  
Bid Form  
Page 2 of 2**

On a separate sheet(s), please provide bidder's information relating to bidder's technical capability / expertise, as set forth on page two of the RFP.

Also enclose a copy of Bidder's credit standards as well as Bidder's S&P/Moody's unsecured credit rating.

Please identify all past or present legal affiliations with Chattanooga Gas Company.

Questions, Officer letter, and proposals should be addressed to:

Gregory Becker  
10 Peachtree Place  
Atlanta, GA 30309  
404-584-4031  
404-584-3499 (fax)  
[gbecker@algresources.com](mailto:gbecker@algresources.com)

Tim Sherwood  
10 Peachtree Place  
Atlanta, GA 30309  
404-584-3826  
404-584-3499 (fax)

Bids must be received by CGC at the above address by 12:00 Noon Eastern Time, September 10, 2010. The envelope containing the bid should be clearly labeled "Proposal for service: To be opened after Noon on September 13, 2010."

Bids will be evaluated from September 13, 2010 through and including September 17, 2010.

All respondents in the RFP process and the successful bidder will be notified no later than September 20, 2010.

The undersigned acknowledges that all information contained on this Bid Form/Attachments is truthful and accurate. Further, the undersigned acknowledges the binding nature of this Bid Form.

Signed By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ASSET MANAGEMENT AND AGENCY AGREEMENT**  
**BETWEEN**  
**CHATTANOOGA GAS COMPANY**  
**AND**

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## ASSET MANAGEMENT AND AGENCY AGREEMENT

**THIS ASSET MANAGEMENT AND AGENCY AGREEMENT** ("Agreement")<sup>1</sup> is made, entered into, and effective as of April 1, 2011 by and between Chattanooga Gas Company ("CGC" or "Company")<sup>2</sup> and \_\_\_\_\_ ("Asset Manager"), both CGC and Asset Manager sometimes referred to herein collectively as "Parties" or singularly as "Party".

**WHEREAS**, in order to facilitate the management of CGC's physical assets (the "Physical Assets") and contractual assets (the "Contracts") listed on Exhibit A (collectively, the "Assets"), the Parties agree that Asset Manager will assume such obligations and act as agent for CGC, as necessary to effectuate such purpose;

**WHEREAS**, in connection with its role as Asset Manager, the Parties have agreed to enter into a Gas Purchase and Sale Agreement designed to meet the firm full gas supply requirements of CGC under favorable terms and conditions throughout the term of this Agreement;

**WHEREAS**, to the extent certain Assets may be unused after Asset Manager has supplied CGC's full gas supply requirements, Asset Manager is willing to assume the obligations and risks that may lead to financial loss which accompany the potential for financial gain in connection with the value optimization of such otherwise unused assets;

**WHEREAS**, Asset Manager acknowledges that it is obligated at the end of the term hereof unless otherwise agreed, or upon earlier termination pursuant to the terms hereof, to discontinue its management of the Assets which are subject to this Agreement;

**WHEREAS**, Asset Manager acknowledges that it is paramount in its role as Asset Manager, that it take no action nor omit to take any action, under any circumstances, the result of which would impair or adversely affect the reliability of CGC's system or service to its customers; and

**NOW, THEREFORE**, in consideration of the mutual agreements, covenants and conditions herein contained, CGC and Asset Manager agree as follows:

1. **Agency**. To the extent required to manage the Assets, Asset Manager shall be CGC's exclusive agent for the purposes set forth herein, and Asset Manager hereby agrees to such appointment and authorization. In order to effectuate Asset Manager's authority to act as CGC's agent, the Parties agree to execute such documents that may be required from time to time which evidence such agency or authority of Asset Manager.

2. **Duties**. As Asset Manager and Agent for CGC, Asset Manager shall perform its duties in a prudent manner consistent with usual and customary standards in the industry and shall have the authority to undertake the following:

<sup>1</sup> The Gas Purchase and Sale Agreement dated \_\_\_\_\_, between Company and Asset Manager is incorporated herein by reference, including any defined terms used in the Agreement.

<sup>2</sup> AGL Services Company ("AGLSC") acts on behalf of CGC pursuant to an Agreement between CGC and AGLSC.

- (a) Supply firm gas consistent with CGC nominations
- (b) Schedule volumes on pipeline systems

(c) Manage CGC's Assets as listed in Exhibit A, as well as any additional physical or contractual assets acquired by CGC during the Term of this Agreement, as defined in Section 11, below, and included in Exhibit A, subject to the provisions of Section 6. Upon agreement of the Parties pursuant to Section 6, CGC shall provide a revised Exhibit A to Asset Manager within seven (7) business days of any such revision); provided, however in all matters concerning the daily deployment of CGC's Assets under this Agreement, CGC and Asset Manager shall confer in accordance with the Daily Operational Procedures set forth in Exhibit B. Management of the CGC Assets shall include, but not be limited to finding markets for fallow capacity resources. The Parties also agree that in order to protect the integrity of CGC's system, CGC will consider Asset Manager's plan, but ultimately shall determine the optimum daily deployment of such Assets. Further, Asset Manager shall comply with all Tennessee Regulatory Authority ("TRA") orders.

(d) Following the determination of the daily deployment of CGC's Assets, Asset Manager shall be responsible, consistent with the terms of this Agreement and the underlying agreements pertaining to the Contracts, to manage the use of such Assets, acting in its capacity as agent for CGC, including the use of such Assets in transactions with third parties; provided, however, in all matters concerning the daily deployment of CGC's Assets, CGC and Asset Manager shall confer on a daily basis and coordinate such daily asset deployment;

(e) Prudently manage on behalf of CGC, CGC's storage inventory accounts in relation to the Contracts shown in Exhibit A, and to cycle and trade such inventory as necessary and feasible to attempt to maximize the benefits of such inventory, including, without limitation, the injection and withdrawal of natural gas from inventory on CGC's behalf consistent with and in accordance with the provisions of this Agreement, and the Gas Purchase and Sale Agreement (a copy of which is attached hereto as Exhibit C) executed by the Parties. CGC's daily withdrawal rights will remain unaffected by Asset Manager's management of the storage capacity. The storage capacity shall be filled consistent with Exhibit E or as directed by CGC. Asset Manager will be solely responsible for replacing any gas in storage that is borrowed by Asset Manager. Such use by Asset Manager will in no way reduce CGC's Logical available storage. **Unless explicitly stated in this Agreement, Asset Manager's rights to storage and associated transportation are secondary to CGC's rights.**

(f) To sell gas or release capacity from time to time to third parties as agent for CGC, which transactions utilize the Assets of CGC which would not be required to meet the firm full gas supply requirements of CGC and would otherwise be fallow. Asset Manager will make reasonably prudent efforts to maximize the value received from such sales and releases. In addition, Asset Manager shall not effectuate the release of any capacity or enter into any gas transactions with third parties which are not subject to recall provisions under the tariff of the applicable pipeline or that impair in any way whatsoever the use of CGC's Assets without prior approval of CGC; and;

(g) Take such other action on behalf of CGC where appropriate as the Parties may agree upon from time to time. The Parties agree that authorization for such actions need not be reduced to a written agreement and incorporated into this written Agreement, provided, however, any subsequent written confirmation of such action shall be faxed or emailed between the Parties within five (5) business days; and

(h) Establish a system of accounts in which any and all transactions, both physical and financial, that have been entered into as a result of using the Company's Assets, may be tracked and audited by the Company and the Tennessee Regulatory Authority ("TRA") pursuant to Section 21.

(i) Maintain Asset Manager's contracts with counterparties and manage counterparty credit risk under such contracts

(j) Book and account for off-system transactions

(k) Maintain data integrity and adherence to internal controls

CGC shall have the following duties hereunder:

(l) Forecast demand both long & short term

(m) Determine base load purchase levels

(n) Determine logical use of assets

(o) Approve alternate delivery options

(p) Determine use of peaking resources

(q) Determine if balancing provisions of tariff are to be put into effect

(r) Verify contract compliance and asset manager invoice

3. **Monthly Reports.** At the written request of CGC, Asset Manager will provide CGC with monthly management reports in a form, including, without limitation by enumeration, supporting data, satisfactory to CGC, detailing all activities undertaken for CGC pursuant to this Agreement, including, but not limited to the monthly revenue and expenses associated with such activities and any balancing accounts with the pipelines.

4. **Consideration for Management Services.** In consideration for the services provided hereunder, the Asset Manager shall pay or cause to be paid to Company \_\_\_\_\_ dollars ("Annual Fixed Fee"). The Asset Manager will remit the Annual Fixed Fee for each contract year no later than April 30th of that contract year. Any late payments shall accrue interest at

1.5% per month, or any portion of the month, as applicable. Failure to make the Annual Fixed Fee payment may be consider breach of this Agreement.

In addition, Asset Manager agrees to execute a full requirements gas supply agreement for the Company in the form attached hereto as Exhibit C (Gas Purchase and Sale Agreement) to meet the gas supply requirements of the Company as such requirements may be determined from time to time during this Agreement. Asset Manager shall bear all costs associated with providing services under this Asset Management Agreement and Gas Purchase and Sale Agreement (Exhibit C), including, but not limited to, scheduling and nomination costs, except as otherwise specifically provided for herein.

5. **Net Margin.** Notwithstanding the Annual Fixed Fee to be paid to the Company, Asset Manager shall calculate all revenues net of expenses attributable to the service performed by Asset Manager shall be determined, accounted for and provided to the Company in accordance with the procedures set forth in Exhibit D. Asset Manager shall account for all transactions which are subject to the Net Margin calculation set forth in Exhibit D and shall maintain appropriate accounting and supporting documentation for the Net Margin computation. Such documentation shall be submitted to the Company by Asset Manager within thirty (30) days of a request by the Company.

Asset Manager and CGC agree that asset management transactions (storage and transportation) which utilize index flat pricing (either first of month or gas daily) to determine the value of commodity will be deemed to be at the market as of that time and that the appropriate flat indexes will be the basis upon which revenue and cost will be calculated.

Subject to the Annual Fixed Fee due to the Company, the sole consideration the Asset Manger shall retain for performing such services is the Net Margin calculated in accordance with Exhibit D hereto.

6. **New Contracts.** Asset Manager understands that CGC shall continue to diligently monitor its load patterns and forecasts during the Term. To the extent CGC determines that it needs to enter into a new Contract, the parties will jointly evaluate whether such Contract should be included as an Asset in this Agreement. If any new Assets are included in this Agreement, the parties will re-evaluate the Annual Fixed Fee as set forth in this Agreement. For the avoidance of doubt, any Assets in effect at the time of execution of this Agreement that CGC renews during the term will remain Assets under the Agreement and will not require an adjustment to the Annual Fixed Fee.

7. **Penalties/Imbalance Charges.** Asset Manager shall bear sole financial responsibility for any penalties or damages under any Agreements or Assets to the extent such penalties or damages result from the Asset Manager's failure to perform any obligation for which it has assumed or been assigned responsibility under this Agreement. Asset Manager shall bear sole financial responsibility, and shall pay to the applicable pipeline company (or reimburse CGC if CGC is required to pay) any imbalance or overrun penalty, cost, charge, or cash-out cost (collectively referred to in this Agreement as an "Imbalance Charge") assessed as a result of an

over-delivery or under-delivery of gas. Notwithstanding the foregoing, the Asset Manager shall bear no such responsibility for any Imbalance Charge to the extent that an Imbalance Charge is assessed as a result of Asset Manager's following CGC's written or verbal instructions.

8. **Not a Partnership.** This Agreement is not intended to create, and shall not be construed to create, any relationship of partnership or joint venture between the Parties. CGC shall, upon request by the Asset Manager, execute such additional powers of attorney or other instruments as may be necessary to enable Asset Manager to carry out its responsibilities and give effect to the terms of this Agreement.

9. **Severability.** If any provision of this Agreement is determined to be invalid, illegal or otherwise unenforceable for any reason by a court or regulatory authority of competent jurisdiction, and in the event that the overriding purpose of this Agreement is not frustrated by such determination, the remaining terms and conditions of this Agreement shall remain in full force and effect to the fullest extent permitted by law. In the event this Agreement remains in full force and effect, the Parties agree to make a good faith effort to replace, modify or amend the affected provisions. The obligation to perform all of the terms and conditions shall remain in effect regardless of the performance of any invalid term by the other Party.

10. **Issue Resolution.** Any dispute, controversy or claim between the Parties relating to, arising out of or in connection with this Agreement (or any subsequent agreements or amendments thereto), including as to its existence, enforceability, validity, interpretation, performance or breach or as to indemnification or damages, including claims in tort, whether arising before or after the termination of this Agreement (any such dispute, controversy or claim being herein referred to as a "Dispute") shall be settled without litigation and only by use of the following alternative dispute resolution procedure:

(a) At the written request of a Party, each Party shall appoint a knowledgeable, responsible representative to meet and negotiate in good faith to resolve any Dispute. The discussions shall be left to the discretion of the representatives. Upon failure to reach agreement, the representatives may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations. Discussions and correspondence among the Parties' representatives for purposes of these negotiations shall be treated as confidential information developed for the purposes of settlement, exempt from discovery and production, and without the concurrence of both parties shall not be admissible in the arbitration described below, or in any lawsuit or administrative proceeding. Documents identified in or provided with such communications, which are not prepared for purposes of the negotiations, are not so exempted and may, if otherwise admissible, be admitted in the arbitration.

(b) If negotiations between the representatives of the Parties do not resolve the Dispute within 30 days of the initial written request, the Dispute shall be submitted to binding arbitration by a single arbitrator pursuant to the Commercial Arbitration Rules, as then amended and in effect, of the American Arbitration Association (the "Rules"). Either Party may demand such arbitration in accordance with the procedures set out in the Rules. The arbitration shall take place in Atlanta, Georgia. The arbitration hearing shall commence within 60 days of such Party's demand for arbitration. The arbitrator shall have the power to and will instruct each

Party to produce evidence through discovery subject to appropriate confidentiality restrictions (i) that is reasonably requested by the other Party to the arbitration in order to prepare and substantiate its case and (ii) the production of which will not materially delay the expeditious resolution of the dispute being arbitrated; each Party hereto agrees to be bound by any such discovery order. The arbitrator shall control the scheduling (so as to process the matter expeditiously) and any discovery. The Parties may submit written briefs. At the arbitration hearing, each Party may make written and oral presentations to the arbitrator, present testimony and written evidence and examine witnesses. No Party shall be eligible to receive, and the arbitrator shall not have the authority to award exemplary, indirect, consequential or punitive damages except as otherwise provided for in the Agreement, including the Gas Purchase and Sale Agreement. The arbitrator shall rule on the Dispute by issuing a written opinion within 30 days after the close of hearings. The arbitrator's decision shall be binding and final. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction.

(c) Each Party will bear its own costs and expenses in submitting and presenting its position with respect to any Dispute to the arbitrator; *provided, however*, that if the arbitrator determines that the position taken in the Dispute by the non-prevailing Party taken as a whole is unreasonable, the arbitrator may order the non-prevailing Party to bear such fees and expenses, and reimburse the prevailing Party for all or such portion of its reasonable costs and expenses in submitting and presenting its position, as the arbitrator shall reasonably determine to be fair under the circumstances. Except as ordered by the arbitrator, each Party to the arbitration shall pay one-half of the fees and expenses of the arbitrator and the American Arbitration Association.

(d) Notwithstanding any other provision of this Agreement, (i) either Party may commence an action to compel compliance with this Section and (ii) if any Party, as part of a Dispute, seeks injunctive relief or any other equitable remedy, including specific enforcement, then such Party shall be permitted, without requirement to post bond, to seek such injunctive or equitable relief in any federal or state court or competent jurisdiction before, during or after the pendency of a mediation or arbitration proceeding under this Section.

**11. Term.** The primary term of this Agreement shall commence on the effective date of the Agreement and terminate on March 31, 2014 unless a Party gives the other Party one (1) year notice for an extension of up to one year and such extension is mutually agreed upon by the parties and approved by the TRA. This Agreement may be terminated prior to the end of a Term pursuant to the provisions of this Agreement. Either party may terminate this Agreement for a material breach of the Agreement by the other party that remains uncured twenty (20) days after receipt from the non-breaching party of notice of such breach. Notwithstanding the foregoing, the terms and conditions of this Agreement shall survive solely as to any individual transactions under this Agreement that had previously been approved by CGC in effect as of the date of such termination until such transactions are terminated or expire at the earliest date permitted by their terms. CGC, upon written notice to the Asset Manager, may at any time demand that Asset Manager discontinue its management of the Assets that are the subject of this Agreement for any reason including, but not limited to, an Order by the TRA directing CGC to discontinue this Agreement.

12. **Indemnity.** Each Party ("Indemnitor") shall indemnify, defend and hold harmless the other Party ("Indemnitee"), and its officers, directors, employees, heirs, successors and assigns from and against any and all third-party claims, demands, suits, actions, liabilities, losses, damages, judgments, and legal or other expenses (collectively "Claims") that may arise directly from or in connection with the performance or non-performance of Indemnitor's obligations under this Agreement. If a claim is asserted or action brought against Indemnitee as to which it believes it is entitled to indemnification under this Article, Indemnitee shall promptly notify Indemnitor in writing of such Claim. Prompt notice as contemplated in the preceding sentence shall mean such notice as would be required to enable Indemnitor to assert and prosecute appropriate defenses relative to such Claim or action in a timely manner. If Indemnitee fails to give Indemnitor prompt notice of any claim or action as provided in this Section, Indemnitor shall have no obligation to indemnify pursuant to this Article. Upon receipt of a notice of request for indemnification, Indemnitor shall promptly make a determination of whether it is required to indemnify and shall promptly notify Indemnitee in writing of that determination. Notwithstanding the foregoing, the indemnification under this Section shall not be available with respect to any claim to the extent any claim results from the gross negligence, breach or willful misconduct of the Indemnitee.

13. **Conflicting Agreements.** CGC will not, during the term of this Agreement, contract with any other party or entity for services that duplicate the services provided by the Asset Manager under this Agreement and the Asset Manager shall serve as CGC's exclusive asset management agent. Moreover, CGC agrees that, during the term hereof, it will not undertake any asset management initiatives on or for its own account except for any Asset management activities permitted by CGC's tariff, and Asset Manager agrees that during the term hereof, it will not undertake to manage any assets that may conflict with its responsibility to perform its obligations under this Agreement.

14. **Cooperation.** Asset Manager agrees to use its best efforts to maintain a good working relationship with the Company. As such, except in accordance with this Section, the Asset Manager and its affiliates shall be prohibited from providing written or oral testimony before any court or regulatory body or filing any other pleading with any court or regulatory body that is adverse to the Company or inconsistent with a position taken by the Company during the term of this Agreement and the three years succeeding this Agreement. In accordance with this restriction, the Asset Manager and its affiliates shall be prohibited from filing rebuttal testimony or protest in response to any filing made by the Company at any regulatory body, including but not limited to, the TRA and the Federal Energy Regulatory Commission ("FERC") during the term of this Agreement and the three years following the termination of this Agreement. Nothing in this Section 14 prohibits Asset Manager from responding to inquiries from the TRA, the FERC or any other regulatory body or governmental agency having jurisdiction over this Agreement and/or the services contemplated herein.

15. **Confidentiality.** The Parties acknowledge that, in the course of performing its duties under this Agreement, Asset Manager may receive certain Proprietary Information (whether in oral, written or electronic form) from or about the Company or its affiliates. As used in this Agreement, "Proprietary Information" means any and all information that is conveyed, observed or presented in written, oral or electronic form (a) that relates to



Company's or its affiliates' business plans, list of prices, exhibitors, suppliers and customers, inventions, discoveries, computer systems, programs, hardware, and software or any other aspect of Company's or its affiliates' business, and/or (b) belongs to third parties and was obtained by Company under restrictions on disclosure and/or use. "Proprietary Information" specifically includes, but is not limited to, Developments. "Developments" mean any invention, development, improvement, design, trade secret or original work of authorship (such as any computer software or data or any literary, audio-visual, or artistic work), conceived or developed by Asset Manager under or in the performance of this Agreement. Proprietary Information may be marked "Confidential" or "Proprietary" when in tangible form but Proprietary Information will include unmarked information that the Asset Manager should, considering the information disclosed and the circumstances of disclosure, reasonably conclude to be of a confidential or proprietary nature. The Asset Manager will hold the Proprietary Information in strictest confidence using such measures as it uses to protect the confidentiality of similar information belonging to it, but in no event less than reasonable care. The Asset Manager will use the Proprietary Information solely to perform or to exercise its rights under this Agreement and will, under written agreement of confidentiality only, disclose Proprietary Information only to others with a need to know such information for those purposes only. The Asset Manager represents that it has agreements with its employees, agents, and subcontractors that obligate them to comply with the Asset Manager's confidentiality obligations under this Agreement. The Asset Manager and its employees agree that, upon termination of this Agreement, all such materials its possession and/or their agents' and subcontractors' possession shall be immediately returned to the Company. This Section shall survive for five years beyond the termination of this Agreement. This Agreement may be filed with the TRA under seal, or with any other regulatory agency or body having jurisdiction in accordance with applicable procedures designed to ensure the trade secret and confidential status of the Agreement, to the extent required. In addition, each Party shall be free to disclose such facts as may be required by applicable statute, rule, regulation, court, or regulatory body, or as may be necessary to implement the agency established by this Agreement, including disclosure to the pipelines limited to the existence of this Agreement, without need of securing the prior permission of the other party. The Parties agree, however, that either Party may require any third party to execute an acceptable Confidentiality Agreement prior to its receipt of this Agreement and/or disclosure of any of its terms, conditions, obligations, duties, promises, benefits or liabilities contained herein. The terms of this Agreement, including but not limited to, the price paid for Gas, the quantities of Gas purchased, and all other material terms of this Agreement shall be kept confidential by the Parties except to the extent that any information must be disclosed for the purpose of effectuating transportation of the Gas or as required by law. This Section shall not be construed to prevent filing the Asset Management Agreement publicly with the TRA, except to the extent that the consideration provided for in Section 4 may be redacted.

16. **Force Majeure.** If either Party is rendered unable, wholly or in part, by Force Majeure to perform its obligations under this Agreement, other than the obligation to make payments then, or subsequently, due attributable to Gas delivered prior to the event of Force Majeure, it is

mutually agreed that performance of the respective obligations of the Parties, so far as they are affected by such Force Majeure, shall be suspended without liability from the inception of any such inability until it is corrected but for no longer period. No Party shall, however, be required against its will to settle any labor disputes.

**16.1** The term "Force Majeure" means an event that (i) was not within the control of the Party claiming its occurrence; and (ii) could not have been prevented or avoided by such Party through the exercise of due diligence. Events of Force Majeure include, without limitation by enumeration, acts of God, earthquakes, epidemics, fires, floods, landslides, lightening, hurricanes, tropical depressions, numbered or named storms by the U.S. National Weather Service, washouts and other similar severe natural calamities, acts of public enemy, wars, blockades, insurrections, riots, civil disturbances, explosions, breakage or freezing of lines of pipe used to enable Asset Manager to deliver or CGC to receive or subsequently transport or use Gas under this Agreement, imposition by a regulatory agency, court or other governmental authority having jurisdiction of binding laws, conditions, limitations, orders, rules or regulations that prevent or prohibit either Party from performing, provided such governmental action has been resisted in good faith by all reasonable legal means, or any other cause of a similar type.

**16.2** Neither Party shall be entitled to the benefit of provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary firm transportation; (ii) the Party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; (iii) economic hardship; and (iv) the loss of storage facilities, in whole or in part, unless, and only to the extent that, such occurrence results in, or is the direct result of, a recognized Force Majeure event under the underlying Storage Agreement (listed in Exhibit A) for the storage service provider.

**16.3** The Party whose performance is prevented by Force Majeure must provide prompt notice to the other Party. Initial notice may be given orally; however, written notification with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written notification of Force Majeure to the other Party, the affected Party will be relieved of its obligation to make or accept delivery of Gas as applicable to the extent and for the duration of Force Majeure, and neither Party shall be deemed to have failed in such obligations to the other during such occurrence or event. **However, due to the paramount supply obligations of CGC to its customers, any declaration of Force Majeure by Asset Manager must be first approved and accepted in writing by CGC in its sole discretion, before any such declaration of Force Majeure by Asset Manager shall take effect between the CGC and Asset Manager.** Provided, however, such approval and acceptance shall not be unreasonably withheld. In addition, once Company has received a timely written notification from Asset Manager, if Company does not approve and accept or reject such declaration of Force Majeure within two business days, Company shall be deemed to have approved and accepted such declaration. Absent CGC's written approval and acceptance of a declaration of Force Majeure by Asset Manager, or waiver by CGC as set forth herein, such Force Majeure declaration shall have no legal effect between CGC and Asset Manager.

**16.4** In the event Asset Manager issues a declaration of Force Majeure, Asset Manager agrees to first completely honor and satisfy CGC's needs and requirements under this Agreement to the extent possible using the Assets covered by this Agreement before Asset Manager undertakes to deliver gas to any of its other markets or customers.

**17. Adequate Assurance.** When reasonable grounds for insecurity of performance arise, CGC may demand adequate assurance of performance. Adequate assurance shall mean sufficient security in the form and for the term reasonably specified by CGC, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset acceptable to CGC or performance bond or guarantee by creditworthy entity. CGC may, from time to time, request from Asset Manager such credit information as may reasonably be required to determine the creditworthiness of Asset Manager.

**18. Events of Default and Early Termination.**

**18.1** Early Termination. The following events, which shall be characterized as events of default, or events of early termination shall be grounds for a Party (the "Terminating Party") to terminate the Agreement. Notwithstanding any provision of this Agreement or the Gas Purchase and Sale Agreement to the contrary, a termination of any Agreement will terminate all, and no less than all, agreements between Asset Manager and CGC:

(a) If the Asset Manager fails to make payment of any amounts due under any provision of the Agreement, which failure continues for a period five (5) Days after receipt of written notice of such non-payment.

(b) If any representation or warranty made by the Asset Manager under the Agreement shall prove to have been false or misleading in any material respect when made or deemed to be repeated.

(c) If the Asset Manager, unless excused by reason of Force Majeure, fails on any Day (the "Default Day") to comply with its gas delivery obligation under the Gas Purchase and Sale Agreement and such failure by Asset Manager causes CGC to curtail sales to some or all of its firm customers or utilize peaking assets needed to meet firm load under peak load conditions.

(d) If the Asset Manager fails to comply substantially with any material provision of this Agreement, which failure continues for a period of five (5) Days after written notice of such non-compliance.

(e) If the Asset Manager shall: (i) make an assignment or any general arrangement for the benefit of creditors, (ii) file a petition or otherwise commence, authorize or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors, or have such petition filed against it, or (iii) be unable to pay its debts as they fall due.

(f) If the TRA acts in a manner concerning any Agreement which CGC determines, in its sole judgment, to be either unfavorable or which has the effect of prohibiting or rescinding the transfer of Assets to Asset Manager, or if the TRA's action requires a modification of any of the Agreement that is not agreeable to both Parties.

(g) For either Party, if existing federal, state and local regulatory rules, regulations and policies that serve as the basis for the transactions described in the Agreement and that are generally applicable to similarly situated parties (including the FERC's current use of a straight fixed variable rate design for pipeline rates and its Capacity Release program) shall be eliminated or otherwise modified in any manner that would be reasonably likely to have a material adverse effect on such Party or the benefits it anticipates deriving from the transactions described in the Agreement.

(h) For either Party, if: (i) a court or governmental agency with jurisdiction (including without limitation the TRA) reverses, withdraws or otherwise modifies, with a result unacceptable to such Party in its sole discretion, any TRA order, ruling, opinion or other determination believed to be necessary to proceeding with the transactions contemplated under the Agreement, (ii) such change causes the impacted Party to incur any material capital or operating cost, or loss of opportunity, related to the provision or receipt of services contemplated herein, and (iii) the Parties are unable, after good faith negotiations, to renegotiate the Agreement to comply with such reversal, withdrawal or modification and maintain the same level of service or benefit.

(i) For Asset Manager, if a court or governmental agency with jurisdiction determines that Asset Manager is subject to the jurisdiction of the TRA during the Term as a result of the execution, delivery or performance of any Agreement.

(j) If Asset Manager fails to provide any Adequate Assurance to be provided to the other Party within three (3) Business Days of a written request.

(k) If a governmental agency having competent jurisdiction determines through investigation or a court or governmental agency having competent jurisdiction issues an order finding that the Asset Manager has violated federal or state antitrust laws during the performance of its obligations under the AMA.

## **18.2 Early Termination and Remedies.**

(a) In the event one of the events described in Section 18.1 has occurred and is continuing, the Terminating Party may, at its sole election, immediately withhold and/or suspend deliveries or payments upon written notice to the other Party (the "Terminated Party") and or terminate the Agreement. If an event giving rise to a right of termination has occurred and is continuing, the Terminating Party shall have the right to designate a day, by giving written notice of the day (the "Early Termination Date") and the reasons therefore to the Terminated Party, which Early Termination Date shall be effective no earlier than the second

(2nd) day after such notice is given (or four (4) hours in the case of a default under Section 18.1(c)) and no later than twenty (20) days following the receipt of said notice.

(b) If CGC elects to terminate the Agreement for the reasons set forth in Section 18.1(a), (b), (c), (d), (e), (j), or (k) then the sole remedy available to CGC shall be that, subject to Sections 18.4 and 18.5 below, Asset Manager shall lose its interests in the Assets, including, without limitation, the right to administer the Assets as CGC's agent and Asset Manager shall be liable to CGC for any other Direct Damages resulting from the early termination of the Agreement. Once all such payments are made and all capacity is reassigned to CGC, each Party shall be relieved of all obligations and liabilities under the Agreement, except for other costs, refunds or credits from any service provider that accrued before the Early Termination Date that have not yet been reconciled between the Parties.

(c) Each Party shall use every reasonable effort to mitigate any damages resulting from a breach and/or termination of the Agreement.

(d) If CGC elects to terminate the Agreement for the reasons set forth in Section 18.1(f), (g), or (h), then CGC shall either (1) pay Asset Manager its costs to initiate any early unwinding of hedges necessary to effectuate the Early Termination to match the unwinding of physical gas it has parked or borrowed in CGC's accounts. The results of these transactions, if the Parties decided not to leave the original hedges in place as of the date of termination, would yield revenues (or costs) calculated based on Net Margin pursuant to Exhibit D which would be shared on a 50:50 basis between the Parties as the transactions were realized or (2) if acceptable to the applicable counterparty to any such transaction(s), accept an assignment of those existing transactions. Once all such payments are made and all capacity is reassigned to CGC, each Party shall be relieved of all obligations and liabilities under the Agreement, except for other costs, refunds or credits due from any service provider that accrued before the Early Termination Date that have not yet been reconciled between the Parties.

(e) If Asset Manager elects to terminate the Agreement for the reasons set forth in Section 18.1(f), (g), (h) or (i), then CGC's obligations shall be those set forth in Section 18.2(d). Once all such payments are made, and all capacity is reassigned to CGC, each Party shall be relieved of all obligations and liabilities under the Agreement, except for other costs, refunds or credits due from any Service Provider that accrued before the Early Termination Date that have not yet been reconciled between the Parties.

**18.3 Unwinding.** Subject to Sections 18.2(b), (c), or (e), and as the result of a declaration of an Early Termination Date or at the expiration of the Term, (a) Asset Manager's agency under the Assets shall expire or be revoked, and at CGC's request Asset Manager shall assist CGC in very promptly advising any Counterparty of such expiration or revocation, (b) any amounts due and owing either Party under any Agreement shall be paid or netted against other amounts owed pursuant to the terms of such Agreement and any corrections or adjustments to payments previously made shall be determined and any refunds due to either Party shall be made at the earliest possible time and in any event no later than thirty (30) Days, and (c) title to excess or deficient Gas in storage shall be handled in accordance with Sections 18.4 and 18.5 of this Agreement.

**18.4 Summer Period.** If this Agreement terminates during a Summer Period and on the termination date the storage assets contain a physical quantity of Gas less than the quantity of Gas shown on CGC's books in such storage assets as of the termination date ("Deficiency Quantity"), then Asset Manager shall either, at CGC's sole discretion, (i) have thirty (30) days following the termination date to deliver to CGC's storage asset a quantity of Gas equal to the Deficiency Quantity, or (ii) pay CGC, at a market price determined by CGC, an amount per dekatherm for the Deficiency Quantity. If on the termination date the storage assets contain a physical quantity of Gas greater than the quantity of Gas shown on CGC's books in such storage assets as of the termination date ("Excess Quantity"), then Asset Manager shall either at CGC's sole discretion: (a) sell and CGC shall purchase the Excess Quantity at a market price mutually agreed to by CGC and Asset Manager, or (b) Asset Manager shall transfer such Excess Quantity to a storage contract held in Asset Manager's name; or (c) withdraw the Excess Quantity.

**18.5 Winter Period.** If this Agreement terminates (a) during a Winter Period and on the termination date there remains a physical quantity of Gas within the storage asset that is less than the quantity of Gas shown on CGC's books in such storage assets as of the termination date ("Storage Quantity Deficiency"), notwithstanding anything to the contrary contained in this Agreement, Asset Manager shall pay CGC, at a market price determined by CGC, an amount per dekatherm for the Storage Quantity Deficiency or (b) during a Winter Period and on the termination date there remains a physical quantity of Gas within the storage asset that is greater than the quantity of Gas shown on CGC's books in such storage assets as of the termination date ("Storage Excess Quantity") Asset Manager shall, at CGC's sole discretion, either (1) sell and CGC shall purchase the Storage Excess Quantity at a market price mutually agreed to by CGC and Asset Manager, or (2) transfer the Storage Excess Quantity to a storage contract held by Asset Manager.

**18.6** The obligations of the Parties under Sections 18.1, 18.4 and 18.5 shall survive termination of this Agreement.

**18.7** Notwithstanding anything to the contrary in this Article 18, either Party shall have the right to settle its remaining obligations by cash payment, as reasonably agreed to by the other Party.

**18.8 Set-Off.** Upon the occurrence of the declaration of an Early Termination Date under Section 18.2 in respect of a party under any Agreement or any other agreement between the parties concerning the matters which are the subject of this Agreement (including, but not limited to, the agreements set forth in the Exhibits hereto), the Terminating Party may, without prior notice, setoff (including by setoff, offset, combination of accounts, retention, or withholding across or within each or all of the foregoing agreements) any sum, amount or other obligation (whether physically or financially settled, matured or unmatured) owed by the Terminating Party to the Terminated Party against any sum, amount or obligation (whether physically or financially settled, matured or unmatured) owed by the Terminated Party to the Terminating Party.

**18.9** Audit. Either Party shall be entitled, at its sole expense, to audit those applicable books and records of the other Party to verify the accuracy of any unwinding cost calculation or any other calculations under the Agreement or the other Party's controls and procedures that may be relevant to the activities under the Agreement, at such other Party's offices and at a time during reasonable business hours acceptable to both Parties. In the alternative, if Asset Manager engages a third party to perform a SAS 70 review of its gas control, procurement and management operations, CGC shall be entitled to a copy of such final report at no cost.

**19.** Damages. Neither Party shall be liable for punitive, exemplary, consequential or incidental damages arising from any breach or default under this agreement or from any act or omission under or in connection with this agreement except as otherwise set forth herein or in the Gas Purchase and Sale Agreement.

**20.** Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties, their successors and assigns. Neither Party shall assign this Agreement without the prior written consent of the other Party, which consent may be withheld at a Party's sole discretion, and prior approval by the TRA; provided, however, that either Party may assign this Agreement to a wholly-owned affiliate or an entity that succeeds as a result of merger or reorganization without the consent of the other Party subject to prior TRA approval so long as such wholly-owned affiliate or other entity agrees in writing to be bound by the terms of this Agreement following such assignment.

**21.** Necessary Authorizations. The Agreement is subject to all present and future valid orders, rules, and regulations of any regulatory body having jurisdiction. Each party represents that it has all necessary regulatory and other governmental authorizations for the transactions contemplated hereunder. The Parties agree to timely make all regulatory filings, that may be needed to effectuate this Agreement.

The Parties further agree that they will carry out their respective obligations hereunder, in compliance with all valid and existing laws, orders, rules or regulatory requirements currently in existence or which may be enacted in the future.

**21.1** The Parties expressly recognize that CGC may have certain reporting requirements to the TRA in connection with this Agreement. Asset Manager expressly covenants to timely provide to CGC any information in its possession necessary for such reports and in no event to provide such information to CGC no less than five (5) days prior to the due date for such reports, provided however that Asset Manager be given no less than seven (7) days to respond after a request for information.

**21.2** The Parties expressly recognize that CGC may have to respond to certain data requests related to this Agreement from the TRA, any other governmental body, or any other party participating in a regulatory proceeding involving CGC. Asset Manager shall provide CGC the information needed to respond to any data requests within the timeframe specified by CGC.

**21.3** The Parties expressly recognize that both the Company and the TRA have audit rights with respect to any and all financial and/or physical transactions undertaken in connection

with this Agreement. As such the Asset Manager must provide work space for said audit(s) and appropriate personnel at its own expense.

**21.4** Asset Manager shall provide the Company and/or TRA the opportunity for periodic local reviews of Asset Managers operations and systems, as may be required by the Company and/or the TRA.

**22.** **Notice/Waiver.** The failure of a Party to give notice to any other Party or to take any other steps in exercising any right, or in respect of the breach or not of any provision of this Agreement, shall not operate as a waiver of that right, breach or provision nor shall any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in law or in equity or otherwise.

**22.1** Any notice, request, demand or statement which either Party may desire to give to the other, shall be in writing and may be mailed by registered or certified mail, return receipt requested, to the post office address of the Parties shown below, or by facsimile transmission followed by written confirmation by regular mail, unless otherwise provided in this Agreement:

**ASSET MANAGER: Notices**

Attn: \_\_\_\_\_  
\_\_\_\_\_

Phone \_\_\_\_\_  
Telecopy \_\_\_\_\_

**Operational Matters**

Attn: \_\_\_\_\_  
\_\_\_\_\_

Phone \_\_\_\_\_  
Telecopy \_\_\_\_\_

**Billing Inquiries**

Attn: \_\_\_\_\_  
\_\_\_\_\_

Phone \_\_\_\_\_  
Telecopy \_\_\_\_\_

**CGC:**

**Operational Matters**

Chattanooga Gas Company  
c/o AGL Services Company  
Attn: Sr. Capacity Planning Analyst or Manager, Gas Control



Phone (404) 584-3076 or (404) 584-4114  
Telecopy (404) 584-3499

**Notices**

Chattanooga Gas Company  
c/o AGL Services Company  
Attn: Manager, Capacity Planning or Managing Director, Gas  
Supply and Capacity Planning  
Dept. Code 1309  
P.O. Box 4569  
Atlanta, GA 30302-4569  
Phone (404) 584-4031 or (404) 584-3826  
Telecopy (404) 584-3499

**Billing Inquiries**

Chattanooga Gas Company  
c/o AGL Services Company  
Attn: Gas Accounting  
P.O. Box 4569  
Location 1180  
Atlanta, GA 30302-4569  
Phone: (404) 584-4508  
Telecopy: (404) 584-4233

Notice shall be deemed received five (5) business days following mailing if by registered or certified mail or upon sender's receipt of transmission confirmation if by facsimile transmission.

**22.2** Either of the Parties may from time to time designate a different address. Routine communications may be delivered by registered, certified or ordinary mail, or by telephone or telecopy if the Parties agree.

**23. Document Retention.** The Parties shall preserve all pertinent books and records relating to activities performed under this Agreement for a period of at least two (2) years after the termination of this Agreement or such other time period required to support any related regulatory filings or audits by the TRA. Each Party shall have the right, from time to time, to audit the books of the other Party as they pertain to the activities performed under this Agreement. A Party's rights under this paragraph shall survive for two years after the termination of this Agreement.

**24. Entire Agreement.** This Agreement together with its Exhibits constitutes the entire understanding and agreement of the Parties with respect to the management of the Assets and effective upon the execution of this Agreement by the respective Parties, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and of no further force or effect.

25. **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Tennessee.

26. **Definitions.** Any capitalized term not defined in this Agreement shall have the meanings assigned such terms in the Gas Purchase and Sale Agreement.

27. **Counterparts.** This Agreement may be executed in multiple identical counterparts, each of which shall have the force and dignity of an original and all of which shall constitute but one and the same Agreement. Transmission by telecopier of a facsimile of the signature page hereof will be conclusive evidence of the due execution of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first written above, by their duly authorized Representatives.

CGC:

ASSET MANAGER:

CHATTANOOGA GAS COMPANY

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Exhibit A - Assets

[To Be Inserted-*See* Excel Spreadsheet]

Chattanooga Gas Company  
Docket No. 10-00049  
Exhibit C

Exhibit C

Page 1 of 2, Exhibit A

Exhibit A  
Agency Contracts Schedule

Chattanooga Gas Company  
Docket No. 10-00049  
Exhibit C

Chattanooga Gas Company  
Supply and Capacity Assets

CONTRACT PARTY	Contract Number	Tariff Rate	Deliverability			Storages			Days Avail.	Receipt Point	Delivery Point	Effective Term	Index Point
			Daily (Dth)	Annual (Dth)	Max w/d (Dth)	Max inj (Dth)	Capacity (Dth)						
TRANSPORT ASSOCIATED WITH STORAGE													
inessee Gas Pipeline	22923	FS-PA	13,659	4,985,535	13,659				365	TGP Meter #070017	E Lobelville Tenn - #020042 (20,903 dths) & Greenbrier Tenn 2 - #020289 (16,916 dths)	10/31/2015	
inessee Gas Pipeline	3947	FS-MA	7,741	2,825,465	7,741				365	TGP Meter #070025		11/1/2015	
			21,400										
RAGE													
inessee Gas Pipeline	22923	FS-PA	13,659		13,659	13,616	2,042,390		150	TGP Meter #070017	E Lobelville Tenn - #020042 (20,903 dths) & Greenbrier Tenn 2 - #020289 (16,916 dths)	10/31/2015	
inessee Gas Pipeline	3947	FS-MA	7,741		7,741	5,682	852,286		110	TGP Meter #070025		11/1/2015	
			21,400				2,894,676						
TRANSPORT ASSOCIATED WITH STORAGE - (UTILITY RETAINED)(Assets are not eligible for optimization by Asset Manager / Seller, Asset Manager / Seller responsible for nominating these assets)													
thern Natural Gas Co.	FSNG130	FTNN	14,346	5,236,290	14,346				365	Bear Creek/Muldon Field	Chattanooga - #790200	8/31/2011	
			14,346										
RAGE (UTILITY RETAINED)(Assets below are not eligible for optimization by Asset Manager / Seller, Asset Manager / Seller responsible for nominating these assets)													
thern Natural Gas Co.	SSNG69	CSS	14,346		14,346	5,465	710,484		50	Bear Creek/Muldon Field	Chattanooga - #790200	8/31/2011	
			14,346				710,484						
LNG													
System LNG		LNG	60,000				1,207,574		20		On System		
			60,000				1,207,574						

Exhibit B

**DAILY OPERATIONAL PROCEDURES**

**Physical Dispatch**

Prior to 10:00 a.m. Eastern Clock Time ("ECT") each day CGC<sup>3</sup> and Asset Manager will communicate to establish the "Daily Plan" described below, based upon system operational parameters of CGC. CGC will provide Asset Manager with the Four-Day Gas Demand Forecast for CGC. Asset Manager will provide CGC with Asset Manager's Two-Day Physical Gas Supply Plan. Asset Manager will maintain the records of the Gas Supply Plan and will provide copies as needed to CGC. CGC will consider Asset Manager's plan, but ultimately shall determine the optimum "Daily Plan" for deployment of the CGC's Assets.

For daily nominations:

i) Asset Manager will be responsible for submitting nominations on the Electronic Bulletin Board ("EBB") of CGC and on the interstate pipelines of CGC with such nominations to be completed pursuant to the applicable pipeline tariff. Asset Manager will be responsible for submitting a scheduling summary to CGC reflecting the pipeline nominations, Gas Operations System nominations and contingency rankings for asset utilization based on the outcome of the asset management meeting each day. The Asset Manager will send a scheduling summary to CGC for the current day by 12PM (CST) and by 2PM (CST) for the next day.

ii) CGC will be responsible for confirming Asset Manager's nominations, provided such nominations are both in GOS and the pipeline EBB, on its behalf at the City Gate Delivery Points, such confirmations to be completed pursuant to the applicable pipeline tariff. The exception to this rule is when gas is scheduled on East Tennessee Natural Gas ("ETNG") to the CGC gate at delivery point 59014. Gas scheduled to delivery point 59014 will be scheduled on the ETNG EBB and listed on the scheduling summary in the manual confirmation section. The gas must be scheduled on the pipeline EBB and be documented on the scheduling summary to be confirmed. Gas that is scheduled on the pipeline but not identified on the summary will not be confirmed.

iii) Prior to 5:00 p.m., ECT of each day, CGC will provide an update of the Four-Day Gas Demand Forecast when the weather warrants a significant change and shall provide additional updates throughout the day when warranted due to a significant change.

iv) Both Parties shall confer and make revisions to the daily nominations as described in Exhibit C. If such revisions require nomination changes, Asset Manager will make any intra-day nomination changes. CGC will confirm any intra-day nomination changes and Asset Manager shall submit a revised scheduling summary reflecting such changes.

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<sup>3</sup> AGL Services Company ("AGLSC") acts on behalf of CGC pursuant to an Agreement between CGC and AGLSC.

Nominations by Asset Manager and confirmations by CGC will be completed pursuant to the applicable pipeline tariff.

v) Prior to 5:00 p.m. ECT of each day CGC will provide Asset Manager with final data on consumption levels for the prior day via the afternoon Daily Operating Report "DOR".

After finalization of Next Day-2 ("ND2") scheduled volumes of each day, CGC will provide Asset Manager with final data on consumption levels for the prior day via the afternoon (PM) DOR.

### **Logical Dispatch**

CGC will nominate gas quantities to be purchased on a monthly basis, at requested receipt points with delivery to CGC's citygate, as well as purchases for storage injections, no later than 9:00 a.m. ECT three business days prior to the last day of NYMEX settlement for the following month. By 9:00 a.m. ECT each business day for the next day flow, on Fridays for weekend and Monday flow, and on the business day prior to a holiday, CGC will provide Asset Manager its logical dispatch for the appropriate day. Included in such logical dispatch will be instructions on how the nomination is to be changed based on actual required flows.

A 4-day forecast of customer requirements and asset utilization will be provided to Asset Manager by CGC for planning purposes.

**EXHIBIT C**

**GAS PURCHASE AND SALE AGREEMENT**

Between

**CHATTANOOGA GAS COMPANY**

and

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## GAS PURCHASE AND SALE AGREEMENT

Effective April 1, 2008, this Agreement<sup>1</sup> is made and entered into by and between Chattanooga Gas Company ("Buyer")<sup>2</sup>, and \_\_\_\_\_ ("Seller"), both Buyer and Seller sometimes referred to collectively as ("Parties") or singularly as "Party."

The Buyer and Seller hereby agree as follows:

### **I. Definitions**

**1.1 "Agreement"** means the provisions of this document as it may be amended from time to time subject to prior approval by the TRA.

**1.2 "Buyer's Purchase Requirement" or "BPR"** shall mean for any day, the Logical quantity of Gas required by Buyer, if any, not including BSRR, NNW, or NSW. Therefore  $BPR = DDR + NIQ - NNW - NSW - LNGW$ . BPR shall be inclusive of all fuel requirements including, but not limited to, system fuel, company use and unaccounted-for Gas on Buyer's system and that of Transporter.

**1.3 "Buyer's Storage Refill Requirement" or "BSRR"** shall mean Buyer's Storage Refill Requirement which is that quantity of Gas needed by Buyer to be injected into its storage inventories over each Summer Period, which is referred to in Section 4.1 and determined by Buyer prior to the beginning of the Summer Period.

**1.4 "Btu"** (British Thermal Unit) means the amount of heat energy required to raise the temperature of one pound of water from fifty-nine-degrees Fahrenheit (59°F) to sixty degrees Fahrenheit (60°F), as determined on a dry basis.

<sup>1</sup> The Asset Management and Agency Agreement between Buyer and Seller, dated \_\_\_\_\_, is incorporated herein by reference, including any defined terms in the Agreement.

<sup>2</sup> AGL Services Company ("AGLSC") acts on behalf of Buyer pursuant to an Agreement between Chattanooga Gas Company and AGLSC.

**1.5** **"Cavern"** shall be the applicable in-ground storage facility contracted between the Buyer and the Transporter.

**1.6** **"Day"** shall mean that period of twenty-four (24) consecutive hours as defined in the Transporter's FERC Tariff.

**1.7** **"Daily Demand Requirement" or "DDR"** shall mean the Buyer's forecasted demand for any given day as defined in Exhibit B.

**1.8** **"Daily Purchase Requirement" or "DPR"** shall mean that daily Logical quantity of gas nominated for purchase from Seller from time to time during any month in accordance with Buyer's daily operating procedures as defined in Exhibit B.

**1.9** **"Daily Storage Injection Quantity" or "DSIQ"** shall mean that portion of the BSRR Logically nominated for delivery at the Receipt Points for a given day. DSIQ shall be inclusive of all Transporter's fuel requirements.

**1.10** **"Daily Index Cost of Gas" or "DICO"** shall mean an amount per MMBTU equal to the midpoint of the Daily Price Survey in Gas Daily published by Platts, a division of the McGraw Hill Companies, for the applicable pipeline Receipt Points for the Gas Transportation Contracts of Buyer listed in Exhibit A. Buyer and Seller specifically recognize that from time to time Seller's actual costs of gas may be above or below flat index. This shall not have any effect on the determination of DICO.

**1.11** **"Dekatherm" or "dt"** shall mean the quantity of heat energy which is equivalent to one (1) MMBtu.

**1.12** **"Delivery Point(s)"** means the delivery point or points designated from time to time in Buyer's transportation agreements with Buyer's Transporter where Buyer receives Buyer's Transporter(s) Gas into its system.

**1.13** **"ECT"** shall mean Eastern Clock Time.

**1.14 "FERC"** means the Federal Energy Regulatory Commission or any successor government authority.

**1.15 "FOM Index Price"** means an amount per MMBtu equal to the first of the month indices published in Inside FERC's Gas Market Report by Platts, for the applicable pipeline Receipt Points for the Gas Transportation Contracts of Buyer listed in Exhibit A. Buyer and Seller specifically recognize that from time to time Seller's actual costs of gas may be above or below flat index. This shall not have any effect on the determination of FOM Index Price.

**1.16 "Gas" or "Natural Gas"** means the effluent vapor stream (including liquid hydrocarbons) in its natural state produced from wells, including all hydrocarbon and nonhydrocarbon constituents and including casinghead gas produced with crude oil, and residue gas resulting from the processing of well gas or casinghead gas and, at the time of delivery from Seller to Buyer, satisfying the quality specifications as set forth in Transporter's FERC approved tariff. Gas shall also include liquefied natural gas ("LNG").

**1.17 "LNGW"** means Buyer's withdrawals from its on-system LNG facility or its LNG contracts with others.

**1.18 "Logical" or "Logically"** refers to the virtual supply or transportation path as determined by Buyer and used for billing purposes.

**1.19 "Maximum Daily Quantity" or "MDQ"** shall mean the maximum quantity as identified in Buyer's firm transportation contracts.

**1.20 "Mcf"** means one thousand (1,000) cubic feet of Gas as determined on the measurement basis set forth in this Agreement.

**1.21 "MMBtu"** means one million (1,000,000) Btu.

**1.22 "Month"** shall have the same meaning as that in Transporter's FERC Tariff.

**1.23** “**Monthly Purchase Requirement**” or “**MPR**” shall mean the Logical quantity of gas nominated by Buyer each month for daily ratable purchases to be determined by Buyer in accordance with Section 2.2.

**1.24** “**Most Cost Effective Transportation Path**” shall mean the lowest cost method of effectuating the Logical delivery of quantities from the applicable receipt points to the delivery points utilizing the Assets consistent with supply reliability considerations, and shall be determined by Buyer and provided to Seller pursuant to Section 2. The determination of the Most Cost Effective Transportation Path shall be relevant for determining prices under Section 5 of this Agreement. Seller shall have no obligation to follow such determination in arranging physical deliveries of gas under this Agreement.

**1.25** “**Nominated Injection Quantity**” shall be the quantity of gas Buyer agrees to buy and Seller agrees to deliver during any day, month, or longer period as requested by Buyer and scheduled into the applicable Cavern or LNG facility by the Transporter consistent with this Agreement and exclusive of the NNI.

**1.26** “**Nominated Storage Withdrawals**” or “**NSW**” shall mean the quantity of gas nominated from Buyer’s inventory in Caverns or LNG facilities.

**1.27** “**No-Notice Injections**” or “**NNI**” shall mean the quantity of gas injected into the Buyer’s capacity in storage Caverns via No-Notice.

**1.28** “**No-Notice Withdrawals**” or “**NNW**” shall mean the quantity of gas delivered to Buyer’s city gate pursuant to the Transporter’s tariff.

**1.29** “**Physical**” or “**Physically**” refers to the actual supply or transportation path used for system dispatch.

**1.30** “**Receipt Points**” shall mean such Receipt Point(s) designated from time to time in Buyer's transportation agreements with Transporter.

**1.31 "Summer Period"** shall mean the period from April 1<sup>st</sup> through October 31<sup>st</sup> of each year unless for a particular storage service the period is extended or reduced by mutual agreement of Buyer and Seller to be consistent with the injection period as defined by Transporter.

**1.32 "Third Party Gas" or "TPG"** shall mean that quantity of gas that Buyer purchases from a supplier other than Asset Manager and is delivered to Buyer's city gate or into Buyer's East Tennessee Receipt Points arranged by Seller.

**1.33 TRA** shall mean the Tennessee Regulatory Authority or any successor governmental authority.

**1.34 "Transporter"** shall mean the pipeline taking Buyer's Gas at the Receipt Points and effectuating delivery of Gas to Buyer's Delivery Points or the pipeline effectuating delivery of TPG to Buyer's city gate.

**1.35 "Winter Period"** shall mean the period from November 1 through March 31<sup>st</sup> unless for a particular storage service the period is extended by mutual agreement of Buyer and Seller to be consistent with the withdrawal period as defined by Transporter.

## **II. Sale and Purchase**

**2.1** Subject to the terms of this Agreement, each Day if and to the extent requested by Buyer, Seller agrees to Physically deliver and Logically sell, and Buyer agrees to Physically receive and Logically purchase from Seller, quantities of gas as instructed by Buyer. Sales and purchase quantities will be based on Buyer's Logical nominations and deliveries and receipts will be based on Buyer's Physical dispatch.

**2.2 Logical Monthly Nomination.** Each month, no later than 9:00 a.m. ECT three business days prior to the day of the NYMEX settlement for the following month, Buyer shall notify Seller in writing of (i) the MPR for the following month and (ii) the mix of the Assets, including the Most Cost Effective

Transportation Path from receipt point(s) to delivery point(s), that Buyer designates to effectuate delivery to the City Gates of the MPR.

**2.3** Logical Daily Nominations. Each business day no later than 9:00 a.m. ECT for next day flow, on Fridays for weekend and Monday flow, and on the business day prior to a holiday, Buyer will provide Seller its nomination for DPR for the appropriate day and the quantity of storage deemed to be withdrawn for the day, as applicable. For the avoidance of doubt, the phrase “deemed to be” as used in this agreement shall refer to the Logical nomination and shall mean that Seller shall have no obligation to actually inject or withdraw such quantity from storage and that Seller may satisfy Buyer’s requirements through other sources of supply. Accordingly, Seller shall not be obligated to Physically arrange any nomination in accordance with Buyer’s nominations, so long as Seller otherwise complies with this Agreement. Included in such nomination will be instructions on how the nomination is to be changed based on actual required flows. For clarification, Buyer’s nomination of the DPR over a weekend or holiday that results in the Asset Manager purchasing non-ratable daily quantities shall result in such non-ratable quantities to be priced at a mutually agreeable price. Buyer shall provide Seller in writing with Buyer’s initial DPR for the appropriate day, including the Most Cost Effective Transportation Path from receipt point(s) to delivery point(s).

**2.4** If Buyer’s nominations for any day results in surplus gas purchased and such surplus gas is not injected into storage, Buyer will sell back to Seller such excess gas at the appropriate market flat daily index price if Seller is informed by 9:00 a.m. ECT for day-ahead gas flow, or at a mutually agreeable price if such notification is after 9:00 a.m. ECT for day ahead gas flow or is for a non-ratable volume over a weekend or holiday. Buyer may use NNI rights to satisfy surplus gas. If Buyer’s nominations do not result in sufficient gas to satisfy Buyer’s requirements and Buyer has adequate capacity to move additional gas on

an intra-day basis, then Buyer shall request and Seller shall sell the additional gas required at a mutually agreeable price. Buyer may use NNW rights to satisfy the insufficient gas requirement.

**2.5** In the event the Parties must negotiate a mutually agreeable price for the volumes as provided in this Section 2, Buyer shall have the option to obtain price quotes for such volumes from third parties, and Seller shall have the right to match the lowest quote obtained by Buyer. Otherwise, Buyer shall have the right to purchase such volumes from third parties.

**2.6** Seller will be solely responsible for all nominations of assets listed in Exhibit A. Seller will be responsible for submitting nominations on the Gas Operating System ("GOS") of Buyer and on the pipelines of the Buyer with such nominations to be completed pursuant to the applicable pipeline FERC approved tariff rules.

**2.7** Buyer and Seller agree that Buyer shall have the right to utilize all assets listed in Exhibit A as described below:

- (a) Buyer shall utilize SNG CSS and associated transportation to meet system balancing and operation needs;
- (b) Buyer shall have sole operational and dispatch control over on-system LNG asset;
- (c) All remaining assets will be Logically nominated by Buyer and delivered as seen fit by Seller consistent with the physical needs and limitations of the Buyer.

### **III. Delivery of BPR, DSIQ, NIQ, NNW, NSW, and/or TPG**

**3.1** Subject to the terms and conditions of this Agreement, and the transportation and storage agreements between Buyer and Transporter(s), Seller shall nominate or cause to be nominated with Transporter the BPR, if any, the DSIQ, if any, the NIQ, if any, and the NSW, if any at Buyer's Receipt Points or secondary firm Receipt Points into Buyer's firm transportation or at Buyer's city gate. Each Day Seller agrees to nominate and tender for delivery to Buyer, and Buyer agrees to receive from Seller if



nominated and tendered at the Receipt Points (or Buyer's city gate and/or into Buyer's East Tennessee Receipt Points in the case of TPG), the BPR, if any, the DSIQ, if any, the NIQ, if any, and the NSW, if any for such Day. However, Seller's obligation to nominate and tender to Buyer the agreed BPR, DSIQ, NIQ, and/or NSW on any Day shall be reduced to the extent that Buyer gives notice to Seller that it cannot receive the BPR, DSIQ, NIQ, and/or NSW for any reason including Force Majeure.

**3.2** In determining Buyer's BPR, DSIQ, NIQ, and/or NSW, the Parties agree to adhere to the daily set up and nomination procedures as specified in Exhibit B of the Asset Management and Agency Agreement between Buyer and Seller.

**3.3** Unless excused pursuant to Section 3.1 hereof or by Force Majeure, if, on any Day Seller fails to Physically deliver quantities of gas adequate to meet the BPR for such Day, then Buyer's remedy shall be to obtain alternate supplies of Gas to cover the quantity of Gas not delivered by Seller (such alternate supplies obtained by Buyer are referred to as "Deficiency Gas"). Buyer shall also be entitled to collect from Seller an amount equal to the positive difference, if any, between the total costs incurred by Buyer to obtain the Deficiency Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), and the cost Buyer would have paid for such Deficiency Gas under this Agreement. Buyer is under no obligation to utilize LNGW to obtain Deficiency Gas. If Buyer is unable to obtain Deficiency Gas, then Buyer shall be entitled to pursue against Seller all available remedies for breach of this Agreement. If Seller fails to meet the Physical inventory level requirements pursuant to Section 2(d) of the Asset Management and Agency Agreement and such failure is not otherwise excused, then the remedies set forth in this subsection shall be available to Buyer, if in Buyer's sole judgment, obtaining Deficiency Gas is necessary to ensure that the BSRR will be achieved or that winter inventory levels are at satisfactory levels.

**3.4** A breach of this Agreement by either Party may entitle the non-breaching Party to direct damages, which shall be any costs incurred, or contractual entitlements that result from a breach of any of the Agreement by either Party. In the case of a breach by Seller, Buyer's Direct Damages include, but are not limited to (i) incremental commercially reasonable costs incurred by Buyer to find and secure an alternate supplier for what would have been the remaining Term of the Agreement, (ii) any positive difference in the costs that Buyer would have incurred under the Agreements and the costs that Buyer incurs under any replacement agreement(s) for what would have been the remaining Term of the Agreement, or (iii) where applicable, the damages determined under the Gas Purchase and Sale Agreement.

#### **IV. Determination of Summer Period BSRR**

**4.1** For each Summer Period during the term of this Agreement consistent with Exhibit E, Buyer will Logically purchase and Seller will Logically deliver a quantity of Gas designated the Summer Period BSRR for the services as listed in Exhibit E calculated using the following equation:

$$\text{Summer Period BSRR} = \text{BTIL} - \text{AIL} + \text{SIF}$$

Where:

Summer Period BSRR = the BSRR to be injected during the Summer Period;

BTIL = Buyer's Target Inventory Level for each storage service as such targets are specified by Buyer.

AIL = Buyer's estimated inventory level in the applicable storage services on April 1 of each Summer Period at the time Buyer provides Seller with the required BSRR quantities; and

SIF = Fuel(s) retained by Buyer's Transporter and/or Storage Operator from the Receipt Point(s) into the applicable Cavern.

All other storage fill shall be managed through Buyer's scheduling of NIQ.

#### **V. Price**

**5.1** The price per MMBtu for any quantity included in this Agreement shall be calculated as follows:

(a) For Buyer's MPR,

(i) All volumes shall be priced at the flat FOM Index Price at the receipt points identified by Buyer in the Most Cost Effective Transportation Path as set forth in Section 2.2. To the extent that the FOM Index Price is unavailable, the Parties shall mutually agree upon a price.

(ii) In the event Buyer desires to purchase a portion of its MPR on a fixed price basis, then the Parties shall negotiate a mutually acceptable fixed price.

(b) For Buyer's DPR,

(i) All volumes shall be priced at the DICOG at the receipt points identified by Buyer in the Most Cost Effective Transportation Path as set forth in Section 2.3. To the extent that the DICOG is unavailable, the Parties shall mutually agree upon a price.

**5.2** Buyer shall be responsible to nominate gas from Seller in a manner to fill storage assets described in Section 2.7(a). The price for Buyer's BSRR for storage assets described in Sections 2.7(b) and (c) shall be the FOM Index Price at Buyer's Receipt Points on the applicable pipe of receipt based upon a ratable injection from April 1 through October 31. BTIL for each storage service shall be determined by Buyer prior to the commencement of each Summer Period and communicated in writing to Seller for management purposes pursuant to the terms of the Asset Management and Agency Agreement between the Parties;

**5.3** Daily supply /demand imbalances will be managed through the use of Buyer's NNI or NNW rights.

**5.4** Charges for Logical storage gas withdrawn will be for fuels and variables only based on the storage deemed to be withdrawn by Buyer in accordance with Section 2.2.

**5.5** The price for Buyer's NIQ at the Receipt Point(s) to Buyer's transport, if any, shall be priced at the appropriate pricing depending upon whether MPR or DPR volumes are scheduled for injection.

**5.6** In the event the Parties must negotiate a mutually agreeable price for the volumes as provided in this Section 5, Buyer shall have the option to obtain price quotes for such volumes from third parties, and Seller shall have the right to match the lowest quote obtained by Buyer. Otherwise, Buyer shall have the right to purchase such volumes from third parties.

**5.7** Asset Manager and CGC agree that gas sale and purchase transactions (for CGC's own use in the form of storage fill or firm burn) which utilize index flat pricing (either first of month or gas daily) to determine the value of commodity will be deemed to be at the market as of that time and that the appropriate flat indexes will be the basis upon which revenue and cost will be calculated.

## **VI. Transportation and Penalties**

**6.1** Seller shall be responsible for all transportation and gathering upstream of Buyer's Transporter necessary for Seller to deliver Gas to Buyer's Receipt Point(s). Seller shall also be responsible for all transportation and gathering necessary for Seller to deliver TPG to Buyer's city gate or into Buyer's East Tennessee Receipt Points.

**6.2** The rules, guidelines, and policies of the Transporter shall define and set forth the manner in which the Gas sold under this Agreement is measured and transported. Buyer and Seller recognize that the receipt and delivery, on the Transporter's pipeline facilities, of Gas purchased and sold under this Agreement shall be subject to the operational procedures of the Transporter as well as the terms of Transporter's transportation service agreement(s) with Buyer.

**6.3** In the event the Transporter, or any other pipeline upstream or downstream of the Buyer's Receipt Point(s), elects to transport in accordance with the General Terms and Conditions of its then effective FERC Gas Tariff, or equivalent state-approved tariff, which may allow the pipeline to (i) impose penalties, scheduling fees, cash-out costs or similar charges for imbalances, or (ii) clear physical imbalance by delivering Gas at a let loss to either Party (collectively "imbalance charges"), Buyer and Seller shall be

obligated to use their best efforts to avoid imposition of such imbalance charges. If during any month Buyer or Seller receives an invoice from a transporting pipeline which is downstream of the Buyer's Receipt Points that includes an imbalance charge, both Parties shall be obligated to use their best efforts to determine the validity, as well as the cause, of such imbalances charges. If the Parties determine that the imbalance charge was imposed as a result of Buyer's actions which shall include, but not be limited to, Buyer's failure to accept from a transporting pipeline a daily quantity of Gas equal to the nominated quantity, adjusted for contractual NNW and NNI rights, not to exceed the MDQ, then Buyer shall pay for such imbalance charge. If the Parties determine that the imbalance charge was imposed as a result of Seller's actions (which shall include, but not be limited to, Seller's failure to deliver to a transporting pipeline a daily quantity of Gas equal to the MDQ) then Seller shall pay such imbalance charge. If the non-responsible party has paid or shall pay such imbalance charges, the responsible party shall reimburse the non-responsible Party no later than fifteen (15) days after the non-responsible has delivered to the responsible Party a copy of the related invoice.

**6.4** Buyer and Seller recognize that the Transporter or pipeline upstream or downstream may be authorized to issue Operational Flow Orders ("OFO"), or the equivalent, however described in the Transporter's FERC Gas Tariff, or any successor provision. Buyer and Seller also recognize that the Transporter may issue an OFO that obligates the Buyer or the Seller to take action that may be contrary to the terms of this Agreement, including, without limitation, the delivery and taking of gas in violation of nomination procedures or in quantities contrary to prior nominations made by Seller on Buyer's behalf. In such event, Buyer and Seller agree that compliance with any duly authorized OFO will not constitute a breach of this Agreement, provided that: (i) the Party receiving an OFO notify the other Party as soon as possible, and (ii) the Parties use their best efforts to minimize the operational and economic consequences of compliance with the OFO by all means at their disposal. This Section will not apply to the extent an OFO is

issued to Buyer or Seller as a result of Buyer's or Seller's actions under any relevant provision of Transporter's FERC Gas Tariff. In the event that Seller concludes that an OFO was improperly or unlawfully issued by the Transporter with the result that Buyer suffers adverse consequences under this Agreement, and in instances where Seller decides not to pursue any rights or remedies it may have against the Transporter associated with the issuance of the OFO, Seller will, to the extent permitted by law or regulation, assign any such rights and remedies to Buyer to the extent required to permit Buyer to take legal or regulatory action against the Transporter. In the event an OFO is issued, Asset Manager agrees to first completely honor and satisfy CGC's needs and requirements under this Agreement to the extent possible using the Assets covered by this Agreement before Asset Manager undertakes to deliver gas to any of its other markets or customers.

## **VII. Payment**

**7.1** (a) On or before the tenth (10th) Day of each Month, Seller shall render to Buyer a statement and invoice setting forth the charges for gas delivered to Buyer which separately identifies any and all quantities attributable to Buyer's DPR, MPR, DSIQ, NIQ, and TPG during the immediately preceding Month, separately identified by category of storage services. Buyer shall pay the invoiced amounts on or before the 25<sup>th</sup> day of such month. If presentation of a statement by either Party is delayed after the tenth Day of a Month, then the time for payment shall be extended a corresponding period of time, unless the other Party is responsible for such delay.

(b) Amounts that Seller may owe Buyer under this Agreement, shall be invoiced and paid in accordance with the procedure established in this Section.

**7.2** Invoices shall be sent to Buyer at:

Chattanooga Gas Company  
c/o AGL Services Company  
Attn: Gas Accounting  
P. O. Box 4569

Location 1180  
Atlanta, GA 30302-4569  
Phone: (404) 584-4508  
Telecopy: (404) 584-4233

Invoices shall be sent to Seller at:

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**7.3** If Buyer presents to Seller reasonable evidence supporting Buyer's good faith belief that the amount of the invoice is incorrect, Buyer shall pay the undisputed amount. If Seller can demonstrate, to Buyer's reasonable satisfaction, that Buyer's position is incorrect, Buyer shall immediately pay any remaining amount owed. Late payments and all amounts withheld by Buyer and subsequently acknowledged or determined to be owed shall bear interest running from the original due date until paid at a rate equal to the then effective base rate on corporate loans posted by commercial United States banks and listed under "Prime Rate" published under the section "Money Rates" by The Wall Street Journal (Eastern Edition) on the first business day of the relevant Month. Should Buyer fail to pay undisputed amounts when due, and such failure continues for a period of thirty days or more, Seller shall be entitled to suspend deliveries of Gas to Buyer upon the furnishing of written notice of suspension to Buyer. Seller shall resume deliveries of Gas to Buyer no later than forty-eight hours following Buyer's payment of all undisputed amounts then due.

**7.4** If either Party discovers that the amount billed in any statement or payment rendered under this Agreement is incorrect, such inaccuracy shall be adjusted within thirty days of its discovery, together with interest at the rate provided for in Section 7.3. No adjustments shall be made for any inaccuracy not

claimed within twenty-four months of the date of the original statement. A Party's rights under this section shall survive termination of this Agreement.

**7.5** The Parties shall each preserve all test data, meter records, charts and other similar records pertaining to Gas sold and delivered under this Agreement for a period of at least three years following the termination of this Agreement. Upon at least twenty-four hours advance notice, each Party shall have the right during normal business hours to examine the books and records of the other Party to the extent necessary to verify the accuracy of any statement, charge, computation, or demand made under or pursuant to this Agreement. A Party's rights under this section shall survive for three years following the termination of this Agreement.

### **VIII. Adequate Assurance**

**8.1** The Adequate Assurance Provisions in the Asset Management and Agency Agreement shall also apply to this Agreement.

### **IX. Responsibility**

**9.1** Title to Gas delivered under this Agreement (other than TPG) shall pass from Seller to Buyer at the Receipt Point(s) into Buyer's transportation. Title to TPG delivered under this Agreement shall pass from Seller to Buyer at Buyer's city gate or into Buyer's East Tennessee Receipt Points, as applicable. As between the Parties, Seller shall be deemed to be in control and possession of the Gas delivered to the Receipt Point(s) (or Buyer's city gate and/or Buyer's East Tennessee Receipt Points in the case of TPG) and shall be responsible for any damage or injury caused by the Gas until it has been delivered to or for the account of Buyer at the Receipt Points (or Buyer's city gate and/or Buyer's East Tennessee Receipt Points in the case of TPG), after which delivery as it applies to this Gas Purchase and Sale Agreement Buyer shall be deemed to be in custody of the Gas and responsible for any damage or injury caused by the Gas.



**9.2** Except as provided in Section VI above, all charges, expenses, fees, taxes, damages, injuries, and other costs incurred in or attributable to the purchase and transfer, transportation, handling, and sale of the Gas delivered in accordance with this Agreement prior to, and including, delivery to Buyer at the Receipt Points (or Buyer's city gate and/or at the Buyer's East Tennessee Receipt Points in the case of TPG) shall be the responsibility of Seller. As between the Parties, Seller shall indemnify, defend, and hold Buyer harmless from all such charges, expenses, fees, taxes, damages, injuries, and other costs.

**9.3** Except as provided in Section VI above, all charges, expenses, fees, taxes (including sales, or transfer taxes and any other taxes levied on or in connection with the transactions under this Agreement by the state, or other government subdivision, in which the Gas is consumed or otherwise used regardless of the point at which the tax is assessed), damages, injuries, and other costs incurred in or attributable to the downstream purchase and transfer, transportation, and handling of the Gas delivered in accordance with this Agreement, occurring after delivery of Gas to Buyer at the Receipt Points (or Buyer's city gate and/or at the Buyer's East Tennessee Receipt Points in the case of TPG) shall be the responsibility of Buyer. As between the Parties, Buyer shall indemnify, defend, and hold harmless Seller from all such charges, expenses, fees, taxes, damages, injuries, and other costs. In the event Seller is required by law to collect any such taxes, and Buyer claims an exemption from the taxes, Buyer shall, upon Seller's request, furnish Seller with a copy of Buyer's exemption certificate.

**9.4** Except as provided in Article XV below, Buyer warrants that it has all necessary regulatory approvals and authorizations for its purchase of Gas from Seller under this Agreement.

**9.5** Except as provided in Article XV below, Seller warrants that it has all necessary regulatory approvals and authorizations for its sale of Gas to Buyer under this Agreement.

## **X. Term**

**10.1** The Term of this Agreement shall correspond with the Term of the Asset Management and Agency Agreement.

## **XI. Quality and Measurement**

**11.1** Gas delivered by Seller to the Receipt Point(s) shall meet the quality and pressure specifications set forth in the Transporter's gas tariff on file with the FERC. If Gas delivered by Seller to the Receipt Points is rejected by the Transporter for failure to meet its quality specifications, Buyer shall be relieved of the obligation to receive such Gas. TPG delivered by Seller to Buyer's city gate shall meet the quality and pressure specifications set forth in the Transporter's FERC gas tariff. To the extent that the TPG does not meet the quality specifications, Buyer may reject the Gas and shall be relieved of the obligation to receive such Gas. Such event would not relieve Seller of its obligation to deliver Buyer's BPR, DSIQ or NIQ, if Buyer has notified Seller on a timely basis and Seller is provided an opportunity to cure. To the extent that the Transporter accepts Gas tendered by Seller for Buyer's account at the Receipt Points, Seller shall be deemed to have fully complied with the quality specifications of this Agreement.

**11.2** Buyer and Seller agree that the volume and heating value of Gas sold and delivered hereunder (other than TPG) will be measured at or near the Receipt Points by the Transporter, using equipment owned or controlled by, and measuring procedures employed by the Transporter. Buyer and Seller agree that the volume and heating value of TPG gas shall be measured at or near the Delivery Point of the Buyer using the equipment owned or controlled by, and measuring procedures employed by the Transporter. The measurements made by the Transporter shall be accepted by Buyer and Seller, provided, however, the measuring equipment and procedures used must conform to the Transporter's filed tariffs and to generally recognized industry standards.

## **XII. Processing**

**12.1** Subject to the quality specifications of Article X, Seller may process the Gas to remove any Liquid Hydrocarbons or Liquifiable Hydrocarbons prior to the delivery of the Gas to Buyer at the Receipt Points. In the event Seller elects to process the Gas, any hydrocarbons so removed shall be Seller's sole responsibility and all costs (including additional transportation costs attributable to such processing) shall be the responsibility of the Seller.

### **XIII. Force Majeure**

**13.1** The Force Majeure provisions of the Asset Management and Agency Agreement, shall also apply to this Agreement.

### **XIV. Seller's Warranties and Gas Supply Obligations**

**14.1** Seller warrants title or the right to deliver title to all Gas sold by it to Buyer and that such Gas is free from all liens and adverse claims. Seller agrees to indemnify and hold Buyer harmless from, and with respect to, all suits, actions, debts, accounts, damages, costs, losses and expenses (including but not limited to reasonable attorneys' fees) arising from or out of any adverse claims of any and all persons related to title to such Gas.

**14.2** Seller agrees to take all reasonable efforts to assure that the Gas supply contracts entered into by Seller to satisfy Buyer's firm requirements are administered in a manner that will assure the satisfaction of Seller's obligations pursuant to the terms of this Agreement.

### **XV. Governmental Authorizations**

**15.1** This Agreement is subject to all valid laws, orders, rules and/or regulations of any and all duly constituted governmental authorities, Federal, State or local, to the extent such laws, regulations, and orders are applicable and effective from time to time; provided, however, that if any such governmental authority shall take any action or assert any jurisdiction whereby the sale, delivery, receipt, or use of Gas as contemplated hereunder will be subjected to terms, conditions, or restraints that in the sole judgment of the

Party affected are unduly burdensome or unacceptable, then such Party, within thirty (30) days after learning of such action or assertion of jurisdiction, may cancel and terminate this Agreement effective one day prior to the effective date of such governmental action. In the event of such termination, the Parties agree that all Gas received by Buyer hereunder prior to cessation of deliveries shall be paid for by Buyer at the rate in effect immediately prior to the termination of this Agreement and that any existing fixed price transactions will be liquidated at current market values and appropriate adjustments will be made as agreed to by the Parties. If the Parties cannot reach an agreement, the procedure set forth in Section 21 will be followed. Provided further, to the extent Seller has not delivered the full volume of Gas paid for by Buyer, Seller shall be obligated to deliver such Gas to Buyer within thirty (30) days of such termination.

**15.2** Upon execution of this Agreement, each of the Parties agrees to seek such government certificates, permits, licenses and authorizations which, in its sole discretion, it deems necessary to perform its obligations under this Agreement.

**15.3** Upon execution of this Agreement, and from time to time throughout its term, each of the Parties shall make all filings required by any regulatory bodies having jurisdiction over the activities covered by this Agreement and upon request of the other Party shall promptly provide copies of such to the other Party.

**15.4** Neither Party will knowingly enter into agreements nor undertake any activities or filings that would interfere with or frustrate the other Party's efforts to obtain the necessary regulatory approvals to fulfill its obligations under this Agreement.

## **XVI. Assignments**

**16.1** The Assignment provisions in the Asset Management and Agency Agreement shall also apply to this Agreement.

## **XVII. Curtailment**

**17.1** In the event of Force Majeure that causes Seller to curtail its deliveries under this Agreement, Seller will perform its obligations under this Agreement prior to supplying any interruptible sales undertaken by Seller in accordance with the Asset Management and Agency Agreement between Seller and Buyer. Seller shall be obligated to curtail deliveries to third party interruptible sales customers prior to curtailing any deliveries to Buyer, in the event, and only to the extent, that such curtailment increases the supply of gas available for delivery to the Receipt Points (or Buyer's city gate and/or Buyer's East Tennessee Receipt Points in the case of TPG). Notwithstanding the foregoing, nothing in this Section shall be construed to require Seller to curtail deliveries to sales customers on a pipeline other than Transporter and to divert the curtailed quantity of Gas to Buyer if such diversion of Gas would result in a breach or violation of a firm sales agreement between Seller and any other firm sales customer on a pipeline other than Transporter.

## **XVIII. Confidentiality**

**18.1** The Confidentiality provisions in the Asset Management and Agency Agreement shall also apply to this Agreement.

## **XIX. Miscellaneous**

**19.1** No waiver by either Party of any one or more defaults by the other in the performance of any provisions of this Agreement shall operate or be construed as a waiver of any other default or defaults, whether of a like or of a different character.

**19.2** If any provision of this Agreement is determined to be invalid, illegal or otherwise unenforceable for any reason by a court of competent jurisdiction, the remaining terms and conditions of this Agreement shall remain in full force and effect to the fullest extent permitted by law. In such an event, the Parties agree to make a good faith effort to replace the affected provisions.

## **XX. Other**

**20.1** Buyer shall not be liable for punitive, exemplary, consequential or incidental damages arising from any breach or default under this Agreement or from any act or omission under or in connection with this Agreement except as otherwise set forth herein or in the Asset Management Agreement. However, no provisions in the Agreement shall release Seller from punitive, exemplary, consequential or incidental damages under this Agreement, in tort (including negligence and strict liability) or otherwise, arising from Seller's failure to perform its obligations to Buyer.

**20.2** Buyer reserves the right to direct Seller to purchase gas for a longer term than one month and/or to allow Buyer discretion to implement any financial hedging program accepted or approved by the TRA. Buyer will separately manage any financial hedging that may be associated with such hedging program.

**20.3** The failure of a Party to give notice to any other Party or to take any other steps in exercising any right, or in respect of the breach or not of any provision of this Agreement, shall not operate as a waiver of that right, breach or provision nor shall any single or partial exercise of any right preclude any other or future exercise of that right or the exercise of any other right, whether in law or in equity or otherwise.

## **XXI. Issue Resolution**

**21.1** The Issue Resolution provisions of the Asset Management and Agency Agreement shall also apply to this Agreement.

## **XXII. Cooperation**

**22.1** The Cooperation provisions in the Asset Management and Agency Agreement shall also apply to this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first written above, by their duly authorized Representatives.

SELLER:

BUYER:  
CHATTANOOGA GAS COMPANY

By: \_\_\_\_\_

By: \_\_\_\_\_

## EXHIBIT D

Documentation of Net Margin, attributable to the transactions which use the Company's Assets, shall be provided to the Company in accordance with Section 5 of the Asset Management and Agency Agreement. The Parties agree that the computation of Net Margin shall be determined as follows:

Net Margin = (Revenue - Cost) + Recognized Financials + LCM adjustments - Fees - TVM - Other Fees as designated by the TRA where:

<b>Revenue</b>	=	gross revenue attributable to use of Company Assets (revenue from BSRR shall be calculated based upon actual volumes injected)
<b>Cost</b>	=	total cost attributable Asset Manager's commodity costs for fixed price, FOM Index Price and DICO supply
<b>Recognized financials</b>	=	financial transactions expiring during or prior to current period
<b>Lower of Cost or market (LCM) Adjustment to inventory</b>	=	adjustment recorded to inventory to reflect cost being higher than market.
<b>Fees</b>	=	injection, withdrawal, and transport fuel charges and any variable costs including surcharges
<b>Time Value of Money (TVM)</b>	=	Asset Manager's intercompany cost of funds (which approximates Asset Manager's weighted average cost of capital) incurred on the use of money to effectuate injection of gas into storage and parking of that gas until it is withdrawn and sold
<b>Other Fees</b>	=	such costs that the TRA may determine from time to time which relate to this Agreement and should be reflected in the "Net Margin" determination