

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

March 26, 2013

IN RE:

REQUEST OF CHATTANOOGA GAS COMPANY FOR APPROVAL OF AN RFP FOR AN ASSET MANAGEMENT AGREEMENT AND A GAS PURCHASE AND SALES AGREEMENT

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Docket No. 10-00049

CHATTANOOGA GAS COMPANY'S REQUEST TO EXTEND ITS ASSET MANAGEMENT AGREEMENT

Chattanooga Gas Company (“CGC” or “Company”) is requesting approval from the Tennessee Regulatory Authority (“TRA” or “Authority”) to extend its current Asset Management and Agency Agreement (“AMA” or “Agreement”) between CGC and Sequent Energy Management, L.P. (“Sequent”) for one year until March 31, 2015. The AMA provides that it will terminate on March 31, 2014 unless CGC and Sequent mutually agree to an extension and the TRA approves the extension. At this time, CGC and Sequent have mutually agreed to extend the AMA for one (1) year.

As further explained below, CGC is subject to a review by an independent consultant of the transactions and activities related to the Performance Based Ratemaking Mechanism (“PBRM”) in its tariff, which will include CGC’s asset management activities. The TRA has ordered this review to commence in the fall of 2013 and for the independent consultant to issue a written report of its findings by July 1, 2014. CGC would need to issue an RFP no later than August 2013 for a new asset management agreement to become effective on April 1, 2014.

unless the current AMA is extended.¹ CGC believes that it would be beneficial to delay the process for implementing a new asset management agreement until after the issuance of the independent consultant's report.

Background and Discussion

On December 15, 2010, the TRA issued an order approving CGC's current three-year AMA with Sequent, including the Gas Purchase and Sale Agreement. *See* Order Approving Asset Management Agreement (Dec. 15, 2010), Docket 10-00049. By its terms, the AMA will "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." *See* Exhibit 1, ¶ 11, CGC's Filing of Its Asset Management Agreement For Approval (Oct. 8, 2010), Docket 10-00049. CGC has provided Sequent with the requisite one-year notice of its desire to extend the current AMA, and Sequent has agreed to extend the AMA for one year until March 31, 2014. *See* Exhibit 1 (attached hereto) Pursuant to the TRA's Order in Docket 07-00224, CGC is subject to a review by an independent consultant of the transactions and activities related to the PBRM in its tariff. This review must commence in "the autumn of 2013." *See* Exhibit 1, Order (Oct. 13, 2009), Docket 07-00224. The Order provides that the scope of the review will include CGC's natural gas procurement and capacity management transactions and activities. *See id.* CGC's current AMA, which includes a Gas Purchase and Sale Agreement, will likely be included in the independent consultant's review. The independent consultant must issue a written report of its findings and describe any areas of concern and improvement, but may not propose changes to the structure of the PBRM, by July 1,

¹ Pursuant to CGC's tariff, unless a waiver is granted by the TRA, CGC must issue an RFP to engage the services of an asset manager to provide system gas supply requirements and/or manage its assets that are regulated by the TRA. *See* Chattanooga Gas Company, TRA No. 1 Gas Tariff, Revised Sheet No. 56.

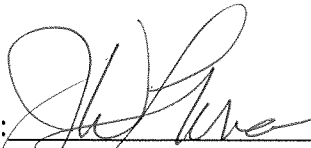
2014.² *See id.* The TRA has provided that the July 1 report deadline can be waived by the written consent of the TRA Staff, CGC, and the Consumer Advocate and Protection Division of the Office of the Attorney General. *See id.*

For CGC to issue an RFP, award and execute a new AMA, and obtain TRA approval on or before April 1, 2014, CGC needs to issue the RFP no later than August 2013. The RFP process for CGC's next AMA will occur simultaneously with the review process of CGC's transactions and activities related to its PBRM. So that there is not a break in service which would be costly to CGC and its customers, the new asset management agreement and gas purchase agreement will need to be approved and become effective on April 1, 2014, which is before the July 1, 2014 deadline for the independent consultant to issue its written report. By allowing a one year extension, the written report of the review could be issued, and CGC could take any findings related to its asset management activities into consideration when issuing the RFP for a new asset management agreement.

In conclusion, CGC respectfully requests that the TRA approve CGC's and Sequent's mutual agreement to extend the current AMA for one year until March 31, 2015.

Respectfully submitted,

LUNA LAW GROUP, PLLC

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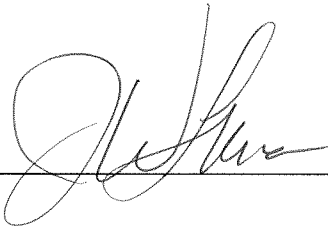
Attorneys for Chattanooga Gas Company

² If there are any adjustments that need to be made based on the review, this could result in the need for an additional extension of the current AMA should CGC and Sequent agree to extend upon approval by the TRA.

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forwarded by electronic mail and U.S. Mail first class postage prepaid on this the 26th day of March, 2013, to the following:

Cynthia Kinser, Deputy
Vance Broemel
Ryan McGehee
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207





Chattanooga Gas

An AGL Resources Company

2397 Glen Mills Drive
Chattanooga, TN 37421

For 24/7 service, please
call 800-444-4444

March 22, 2013

Mark Rueff
Sequent Energy Management, L.P.
1200 Smith Street, Suite 900
Houston, Texas 77002

Re: Extension of Asset Management and Agency Agreement

Dear Mark:

The primary term of the Asset Management and Agency Agreement dated April 1, 2011 (the "Agreement"), between Chattanooga Gas Company ("CGC") and Sequent Energy Management, L.P. ("Sequent") terminates March 31, 2014, pursuant to Section 11 of the Agreement. Section 11 of the Agreement also provides for an extension of the Agreement for one (1) year upon mutual agreement of the Parties and approval by the Tennessee Regulatory Authority ("TRA").

The purpose of this letter is to confirm the parties desire to continue the Agreement, with the current terms and conditions, for another one (1) year term. Therefore, the next annual term of the Agreement would continue through March 31, 2015 (the "Extension"), upon approval by the TRA and acceptance of such approval by both CGC and Sequent. CGC intends to file a petition with the TRA by March 26, 2013, requesting approval of the Extension.

Please let me know if you have any questions regarding this letter. If not, please acknowledge your receipt hereof and agreement to continue the Agreement through March 31, 2015, upon approval by the TRA by signing in the space provided below and returning one fully executed copy of the letter to me.

Sincerely,

Gregory Becker
Director, Capacity Planning

AGREED AND ACKNOWLEDGED:

Mark Rueff, Vice President - Asset Management
Sequent Energy Management, L.P.

JAH

Exhibit 1