

AGL Resources
Atlanta Gas Light
Chattanooga Gas
Elizabethtown Gas
Elkton Gas
Florida City Gas
Virginia Natural Gas
AGL Networks
Sequent Energy Management

800 477 5463 phone
www.chattanoogagas.com

2207 Olan Mills Drive
Chattanooga TN 3742

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T.R.A. DOCKET ROOM

August 26, 2010

Chairman Freeman
Tennessee Regulatory Authority
Attention Sharla Dillon
460 James Robertson Parkway
Nashville, TN 37243-0505

10-00172

Re: Chattanooga Gas Company Annual Report of Actual Gas Cost and Applicable
Indices for the twelve months ended June 30, 2010.

Dear Chairman Freeman,

Pursuant to the provisions of the Performance Based Ratemaking Mechanism approved by the Tennessee Regulatory Authority's January 8, 2002 Order in Docket 01-00619, Chattanooga Gas Company (CGC) is filing an original and thirteen copies of the report of actual gas cost and the applicable index cost for each month of the plan year ended June 30, 2010 (Attachment A). As shown on Attachment A, the commodity cost of gas purchased by CGC during the plan year was approximately 0.46% above the index cost and therefore was within the 1% range as provide in the CGC's tariff.

The commodity cost for March 2010 exceeded the computed benchmark by 2%. The excess is the result of the purchase price of gas at the NORA delivery point. Since there is no published index for the NORA delivery point, a surrogate index was computed based on the index price at the TN 500 leg plus TGP fuel and variables to the ETGP NORA delivery point. While this procedure is consistent with the procedure for computing an index for city gate purchases, it understates the index for the NORA delivery point since it does not include a component for the TGP 1-1 capacity.

For the Authority's convenience, spreadsheets showing the volumes of gas, the indices, and the purchase prices for each month and each day are provided as Attachments B & C respectively. Chattanooga Gas Company considers the detailed information on Attachments B & C to be confidential and proprietary. As a result these Attachments are being filed under seal.

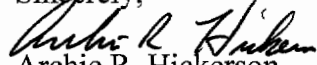
Should there be any questions, I will be pleased to discuss this filing in



Chattanooga Gas

further detail. I can be reached at 757-616-7510

Sincerely,

A handwritten signature in black ink, appearing to read "Archie R. Hickerson".

Archie R. Hickerson
Director-Regulatory Affairs

C: Ms. Amanda Hwang
Mrs. Pat Murphy

Gas Cost Over (Under) Benchmark

[illegible]