

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

800 477 5463 phone
www.chattanoogagas.com

2207 Olan Mills Drive
Chattanooga TN 37421

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T.R.A. DOCKET ROOM

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October 25, 2011

OCT 31 2011

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

TN REGULATORY AUTHORITY
UTILITIES DIVISION

Re: Tennessee Regulatory Authority Docket 1100148 - Chattanooga Gas Company
Annual Incentive Plan Filing for the 12 Months Ended June 30, 2011

Dear Chairman Hill,

On August 29, 2011 Chattanooga Gas Company filed its Annual Report of Actual Cost and Applicable Indices for the plan year ended June 30, 2011, pursuant to the provisions of the Performance Based Ratemaking Mechanism (PBRM) approved by the Tennessee Regulatory Authority's January 8, 2002 Order in Docket 01-00619. The PBRM provides that if the total commodity gas cost for the plan year does not exceed the total benchmark amount by one percentage point (1%), the Company's gas cost will be deemed prudent. It also provides that if during any month of the plan year, the Company's commodity gas cost exceeds the benchmark amount by greater than two percentage points (2%); the Company shall file a report with the Authority fully explaining why the cost exceeded the benchmark. For the plan year ended June 30, 2011, CGC's commodity cost of gas was approximately 0.4463% above the benchmark. While CGC's commodity cost for the plan year did not exceed the benchmark by more than 1%, as shown in the report filed, the commodity cost for the month of March 2011 was greater than the benchmark by approximately 3.7%. By mistake, the following explanation for this variance was not included in the report.

The excess in March 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.

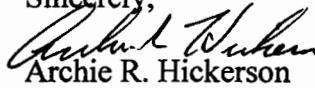
Should there be any questions, I will be pleased to discuss this filing in



Chattanooga Gas

further detail. I can be reached at 404 584 4075.

Sincerely,

A handwritten signature in cursive script, appearing to read "Archie R. Hickerson".

Archie R. Hickerson

Director-Regulatory Affairs and Planning

C: Ms. Amanda Hwang
Mrs. Pat Murphy