Atlanta Gas Light Company/P.O. Box 4569/Atlanta, Georgia 30302/Phone 404-584-4000

December 17, 1999

Mr. Michael Horne, Chief
Energy and Water Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Reference: Application of Chattanooga Gas Company (CGC) for Approval of Negotiated Contract with E. I. DuPont deNemours Company (Docket No. 99-00908)

Dear Mr. Horne:

Attached are the responses of Chattanooga Gas Company to your request for information on December 8, 1999. If I can be of further assistance, I can be reached at (404) 584-3399.

Sincerely,

William H. Novak, Director
Rates & Regulatory Analysis

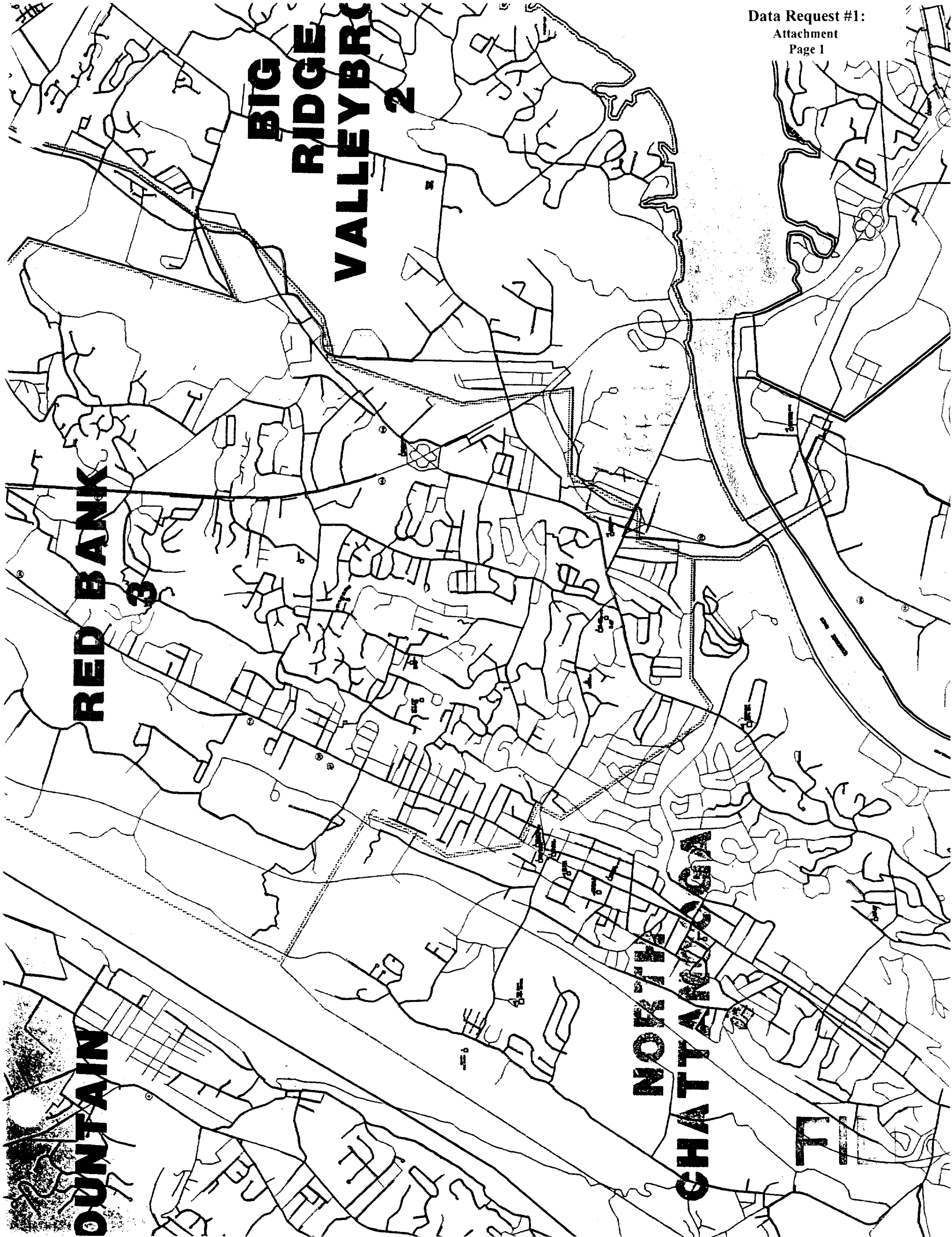
Attachment

c: David Waddell
Harry Thompson
William Taylor
Jerry Violette
G. M. Pinto
Vincent Williams

WHN99-42

1. **Provide a map of Chattanooga Gas Company's (CGC) service area that details the location of the DuPont delivery point with CGC and the area where the proposed bypass with the East Tennessee Natural Gas Company (East Tennessee) was to take place.**

   Please see enclosed attachments of CGC's distribution system. DuPont is located approximately 3000 feet from East Tennessee Natural Gas Pipeline (highlighted in green) east along North Access Rd. in Hixson Tennessee. Since East Tennessee's right of way is located adjacent to DuPont's property, no right of way procurement was necessary for DuPont to construct a bypass gas pipeline.


BIG
RIDGE
2
RED BANK
3
CHATTANOOGA


TRANSMISSION LINE
SOUTHERN RAILWAY SYSTEM
TVA RD
N ACCESS RD
TENNESSEE RIVER
153
319
HIXSON PIKE
EAST TENNESSEE NATURAL GAS
MEMPHIS DR
ATLANTA DR
BIRMINGHAM DR
HIGHWOOD DR
ELM ST
ASH ST
POWER PLANT
X
1st UG + METER SCT
3000'

2. Provide a copy of the East Tennessee's request to install a delivery point with DuPont that was filed with the Federal Energy Regulatory Commission (FERC). Provide all information you have relating to the notice and current status of the request.

See attached copy of East Tennessee's FERC application to establish a delivery point to serve DuPont under East Tennessee's blanket certificate. This application was filed on February 10, 1999, and approved 45 days thereafter since no party intervened in the filing. It is CGC's understanding from DuPont that the FERC certificate is valid for one year with extensions possible.

BILLING CODE 6717-01-M

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

East Tennessee Natural Gas Company) Docket No. CP99-207-000

NOTICE OF REQUEST UNDER BLANKET AUTHORIZATION

(February 17, 1999)

Take notice that on February 10, 1999, East Tennessee Natural Gas Company (East Tennessee), P.O. Box 2511 Houston, Texas 77252-2511, filed, in Docket No. CP99-207-000 a request pursuant to Sections 157.205 and 157.212 of the Commission's Regulations under the Natural Gas Act (18 CFR 157.205 and 157.212) for authorization to install and operate a new delivery point in Hamilton County, Tennessee under East Tennessee's blanket certificate issued in Docket No. CP82-412-000 pursuant to Section 7 of the Natural Gas Act, all as more fully set forth in the request that is on file with the Commission and open to public inspection. The application may be viewed on the web at www.ferc.fed.us/online/rims/htm (call (202) 208-2222 for assistance).

East Tennessee states that it proposes to install and operate a 4-inch tap, check valve, interconnecting pipe and electronic gas measurement equipment to serve E.I. duPont de Nemours and Company (duPont). East Tennessee states that the volumes proposed to be delivered to duPont will be pursuant to East Tennessee's blanket transportation certificate authorized in FERC Docket No. CP90-1292 and that duPont's estimated peak day requirements will be 4,800 Mcf per day. East Tennessee further states that the proposed activities will not affect East Tennessee's ability to serve its other existing customers.

Any person or the Commission's staff may, within 45 days after issuance of the instant notice by the Commission, file pursuant to Rule 214 of the Commission's Procedural Rules (18 CFR 385.214) a motion to intervene or notice of intervention and pursuant to Section 157.205 of the Regulations under the Natural Gas Act (18 CFR 157.205) a protest to the request. If no protest is filed within the time allowed therefor, the proposed activity shall be deemed to be authorized effective the day after the time allowed for filing a protest. If a protest is filed and not

withdrawn within 30 days after the time allowed for filing a protest, the instant request shall be treated as an application for authorization pursuant to Section 7 of the Natural Gas Act.

Linwood A. Watson, Jr.
Acting Secretary

ORIGINAL

EAST TENNESSEE NATURAL GAS
an El Paso Energy company

FILED
OFFICE OF THE SECRETARY
99 FEB 10 PM 3:21
FEDERAL ENERGY
REGULATORY COMMISSION

February 10, 1999

Mr. David P. Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

CP99-207-000

Re: FERC Docket No. CP99- -000
East Tennessee Natural Gas Company
Prior Notice

Dear Mr. Boergers:

East Tennessee Natural Gas Company ("East Tennessee"), pursuant to 18 C.F.R. Section 157.205 and 157.212(a) submits for filing a diskette with the electronic version and an original and fifteen (15) paper copies of a prior notice requesting authorization to install a new delivery point to provide service for E.I. du Pont Nemours and Company ("du Pont"), an industrial end user, in Hamilton County, Tennessee.

The undersigned states that he is authorized to execute this letter; and that he has read the hard copy version of the Request for Authorization and is familiar with the contents thereof; that the copies contain the same information as the electronic file recorded on the enclosed diskette; and that all allegations of fact contained therein are true and correct, to the best of his knowledge, information and belief

If you have any questions regarding this prior notice, please contact either Ms. Veronica Hill at (713) 420-3555 or the undersigned at (713) 420-2459.

Respectfully submitted,

East Tennessee Natural Gas Company

Thomas G. Joyce

Thomas G. Joyce
Certificates Manager

Desk/OPR maps/Rim

990216-0322

FERC DOCKETED
FEB 10 1999

CP99-207-000

OFFICE OF THE SECRETARY FILED
99 FEB 10 PM 3:24
FEDERAL ENERGY REGULATORY COMMISSION

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

East Tennessee Natural Gas Company Docket No. CP99-_____-000

REQUEST UNDER BLANKET AUTHORIZATION
PRIOR NOTICE PROCEDURE

Pursuant to Section 157.205 and 157.212(a) of the Federal Energy Regulatory Commission's ("Commission") regulations, East Tennessee Natural Gas Company ("East Tennessee"), provides prior notice that it intends to install a 4-inch tap, check valve, interconnecting pipe and electronic gas measurement equipment to establish a delivery point under its blanket certificate authority to facilitate deliveries of natural gas to E.I. du Pont de Nemours and Company ("du Pont"), an industrial end user, in Hamilton County, Tennessee.

I.
GENERAL INFORMATION

The exact name of the certificate holder is East Tennessee Natural Gas Company and communications concerning this request should be addressed to:

*Melissa G. Chambers, Counsel
East Tennessee Natural Gas Co.
P. O. Box 2511
Houston, Texas 77252-2511
(713) 420-3496
(713) 420-7025 (Fax)

Thomas G. Joyce, Manager
of Certificates
*Veronica Hill, Certificates
& Regulatory Compliance
East Tennessee Natural Gas Co.
P.O. Box 2511
Houston, Texas 77252-2511
(713) 420-3555
(713) 420-5608 (Fax)

FERC DOCKETED
FEB 10 1999

*Michael D. Moore
Director, Federal Agency Affairs
El Paso Energy Corporation
601 13th Street, N.W.
Suite 850 South
Washington, D.C. 20002
(202) 662-4310
(202) 662 4315 (Fax)

*Anthony J. Ivancovich
Andrews & Kurth, L.L.P.
1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 662-2700
(202) 662-2739 (Fax)

(*Persons designated for service in accordance with Rule 203, 18 C.F.R. § 385.203. of the Commission's Rules of Practice and Procedure. East Tennessee requests that the Commission waive Rule 203(b)(3) to allow designated service to four persons.)

East Tennessee is authorized to undertake certain activities under its blanket certificate issued by order of the Commission on September 1, 1982 in Docket No. CP82-412-000 (20 FERC ¶ 62,413).

II. DESCRIPTION OF AUTHORITY SOUGHT

Pursuant to its blanket certificate, East Tennessee requests authorization to install a 4-inch tap, check valve, approximately 50 feet of 4-inch diameter interconnecting pipe, and electronic gas measurement equipment to provide natural gas service to du Pont. The new tap will be located on an existing lateral line, near Milepost 3213-1-2.7, in Hamilton County, Tennessee. The estimated cost of installing this project is $59,400 which will be reimbursed fully by du Pont.

III. AUTHORITY FOR CURRENT SERVICE

Upon completion of construction of the meter station to serve du Pont, East Tennessee will transport natural gas on an interruptible basis to this location pursuant to the terms of East Tennessee's Rate Schedule IT. Such transportation will be provided pursuant to East Tennessee' blanket certificate[1]. du Pont estimates that its peak day and average day requirements are 4,800 Mcf per day and 2,000 Mcf per day, respectively. The volumes to be delivered at this point will be within the contract quantity and therefore within the certificated entitlements for du Pont at this location.

IV. ENVIRONMENTAL MATTERS

East Tennessee submits herewith the environmental clearance letters received from the following agencies: the U.S. Fish and Wildlife Service and the Tennessee Historical Commission, Department of Environment and Conservation. These letters are attached as Exhibit 1. Attached as Exhibit 2 is a map showing the location of the proposed project. All work done by East Tennessee will be within East Tennessee's existing right-of-way.

du Pont proposes to install piping and measurement equipment on its meter site which is immediately adjacent to East Tennessee's right-of-way. du Pont will provide an access road, electrical service, and site preparation and improvements.

V. IMPACT ON PEAK DAY DELIVERIES

The installation of this delivery point will not have a significant impact on East Tennessee's annual deliveries or peak day operations.

VI. MISCELLANEOUS

East Tennessee states that it will install and operate the proposed facilities in compliance with 18 C.F.R., Part 157, Subpart F; that it has sufficient capacity to render

[1] FERC Docket No. CP90-1292, 53 FERC ¶ 61,304 (1990)

the proposed service without detriment or disadvantage to its other existing customers; and that its tariff does not prohibit the proposed installation of facilities. East Tennessee knows of no other applications which are related to the instant filing.

VII.
FORM OF NOTICE

A notice suitable for publication in the Federal Register is included herewith and incorporated herein by reference.

Respectfully submitted,

EAST TENNESSEE NATURAL GAS COMPANY

Melissa G. Chambers

Melissa G. Chambers
Counsel

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

East Tennessee Natural Gas Company) Docket No. CP99-____-000

NOTICE OF REQUEST UNDER BLANKET AUTHORIZATION

Take notice that on , 1999, East Tennessee Natural Gas Company ("East Tennessee"), P.O. Box 2511, Houston, Texas 77252-2511, filed in docket No. CP99- -000 a request pursuant to Sections 157.205 and 157.212(a) of the Regulations under the Natural Gas Act for authorization to install and operate a 4-inch tap, check valve, interconnecting pipe and electronic gas measurement equipment to serve E.I. du Pont de Nemours and Company ("du Pont"), an industrial end user, under East Tennessee's Rate Schedule IT. East Tennessee makes such request, all as more fully set forth in its pleading in this docket which is on file with the Commission and open to public inspection, under East Tennessee's blanket certificate issued in CP82-412-000 and pursuant to Section 7 of the Natural Gas Act.

East Tennessee proposes to install the new delivery point facilities on an existing line, located near Milepost 3213-1+2.7 in Hamilton County, Tennessee to satisfy du Pont's request for natural gas service. East Tennessee further states that the volumes proposed to be delivered to du Pont will be pursuant to East Tennessee's blanket transportation certificate authorized in FERC Docket No. CP90-1292. du Pont's estimated peak day requirements will be 4,800 Mcf per day

East Tennessee further states it will install and operate the proposed facilities in compliance with 18 C.F.R., Part 157, Subpart F, and that the proposed activities will not affect East Tennessee's ability to serve its other existing customers.

Any person or the Commission's staff may, within 45 days after issuance of the instant notice by the Commission, file pursuant to Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214) a motion to intervene or a notice of intervention and pursuant to § 157.205 of the Regulations under the Natural Gas Act (18 C.F.R. § 157.205) a protest to the request. If no protest is filed within the time allowed therefor, the proposed activity shall be deemed to be authorized effective the day after the time allowed for filing a protest. If a protest is filed and not withdrawn within 30 days after the time allowed for filing a protest, the instant request shall be treated as an application for authorization pursuant to Section 7 of the Natural Gas Act.

David P. Boergers
Secretary

Project Name: du Pont
Interconnect Facility Request #1280

Project Location: Hamilton County, TN
MP 3213-1 + 2.7

Project Description: The E.I. du Pont de Nemours & Company ("du Pont") has requested the installation of a delivery point on East Tennessee Natural Gas' ("ETNG") system at approximate M.P. 3213-1 + 2.7, located in Hamilton County, TN.

ETNG will install a single 4" hot-tap, check valve, interconnecting pipe to the edge of its existing, previously disturbed right-of-way and electronic gas measurement. ETNG will inspect customer's installation of interconnect piping and the measurement facilities. du Pont will provide the meter site, an all weather access road, electrical service, telephone services, site preparations and improvements. Measurement facilities will be located adjacent to ETNG's existing Right-of-Way.

ENVIRONMENTAL REGULATIONS COMPLIANCE

1) **Clean Water Act:** No water permit is required for the referenced project.

2) **Clean Air Act:** No air permit is required for the referenced project

3) **National Historic Preservation Act and Archaeological and Historic Preservation act:** Categorical Clearance letter dated 12/30/98 from Tennessee Historical Commission.

4) **Coastal Zone Management Act:** The project is not located in a coastal zone.

5) **Floodplains:** The reference project is not located in a floodplain.

6) **Wetlands:** No wetlands will be affected by the referenced project.

7) **Wild and Scenic Rivers Act:** The referenced project does not traverse any scenic rivers or streams.

8) **Endangered Species Act:** Enclosed Categorical Clearance letter dated 1/25/99 from U.S. Fish and Wildlife Service - Cookville, TN Field Office.

9) **National Parks and Recreation Act:** The referenced project is not located in a national park or recreational area.

10) **Nuclear Plant Area:** The referenced project is not located within 3.0 miles of a nuclear power plant.

11) **Noise:** There will be no significant noise source installed for the referenced project.

12) **Safe Drinking Water Act:** There are no permits required for the referenced project.

The referenced project will not have a significant adverse impact on any additional sensitive environmental areas as defined in 18 CFR Section 157.202(b)(11)

The following environmental documents are submitted as a supplement to the above information:

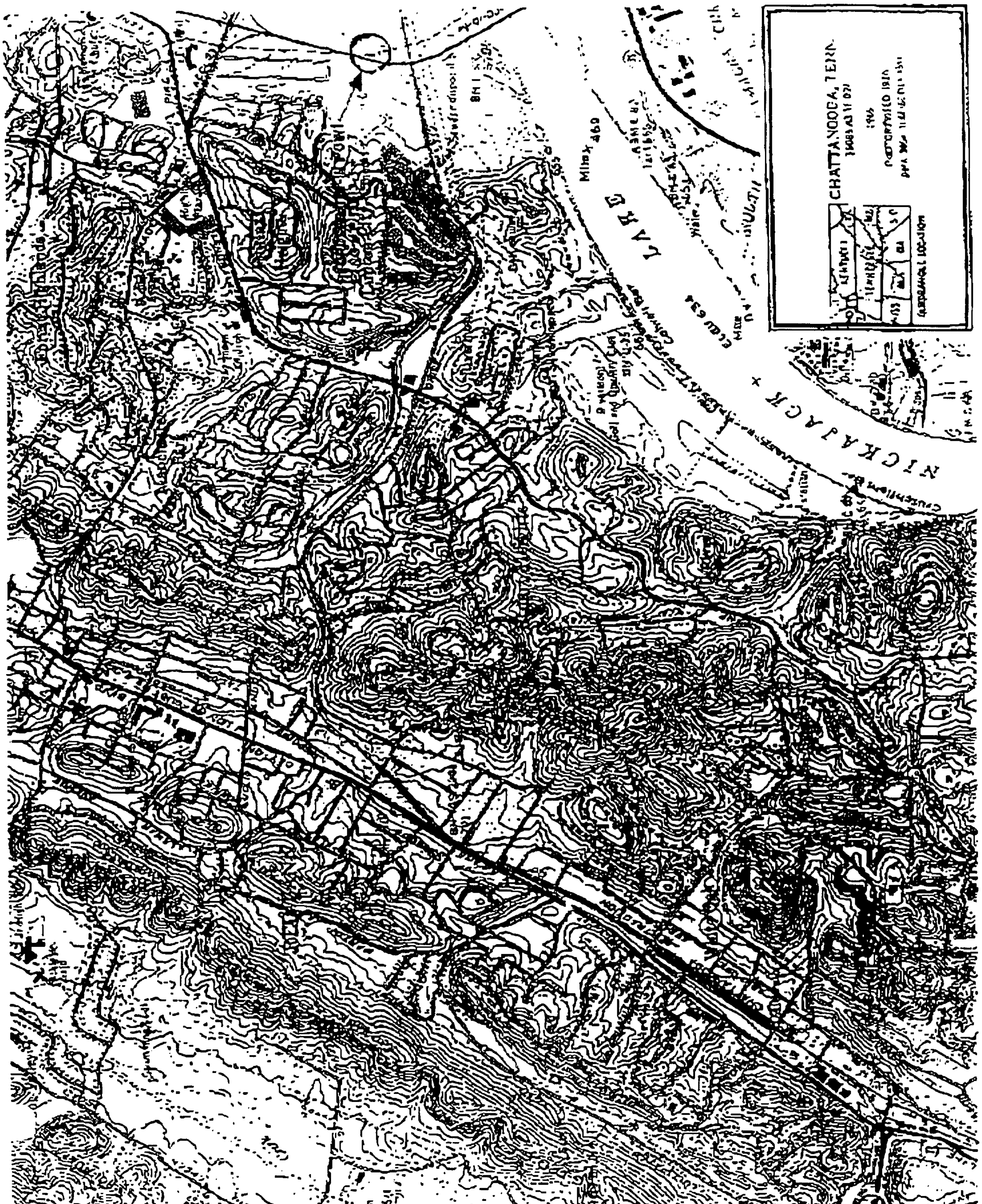
1) Correspondence from Mike Trammel to U.S. Fish and Wildlife Service, dated December 15, 1998 requesting renewal of Categorical Clearance agreement with USFWS Office.

2) Categorical Clearance letter dated January 25, 1999 from the U.S. Fish and Wildlife Service, Cookeville, TN Field Office.

3) Correspondence from Mike Trammel to Tennessee Historical Commission, dated December 15, 1998 requesting renewal of Categorical Clearance.

4) Categorical No Effect Letter dated December 30, 1998 from Tennessee Historical Commission to Mike Trammel.

Data Request #2:
FERC Application
Page 11



TENNESSEE
GAS PIPELINE
an El Paso Energy company

December 15, 1998

Mr. Herbert L. Harper
Executive Director and
Deputy State Historic Preservation Officer
Tennessee Historical Commission
2941 Lebanon Road
Nashville, TN 37243-0442

Dear Mr. Harper:

Tennessee Gas Pipeline Company (Tennessee) and East Tennessee Natural Gas Company (ETNG) request an update of its 1998 categorical clearance agreement with your office for the following minor construction activities.

1) Construction, abandonment, and other activities on existing right-of-way, (both pipeline right-of-way and already cleared adjacent areas such as those associated with meter stations, dehydration facilities, and other pipeline related facilities), including the installation, maintenance, and removal of taps, meters, regulators, valves, and pipe:

2) Construction and other activities within existing facilities such as compressor stations and meter facilities; and

3) Activities which do not involve earth disturbance.

Tennessee and ETNG will request renewal every year thus making the clearance effective from the date of your approval to December 31, 1999. Tennessee and ETNG will submit an annual update request at least 30 days prior to the expiration date.

If you have any questions, please contact me at (713) 420-5687. Thank you for your continued cooperation.

Sincerely,

Mike Trammel

Mike Trammel
Contract Environmental Specialist

Data Request #2:
FERC Application
Page 13

JAN 6

TENNESSEE HISTORICAL COMMISSION
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
2941 LEBANON ROAD
NASHVILLE, TN 37243-0442
(615) 532-1550

December 30, 1998

Mr. Mike Trammel
Tenneco Energy
Post Office Box 2511
Houston, Texas 77252-2511

RE: FERC, ETNG/MINOR CONSTRUCTION, UNINCORPORATED, MULTI COUNTY.

Dear Mr. Trammel:

The Tennessee State Historic Preservation Office has reviewed the above-referenced project dated Monday, December 28, 1998 pursuant to Section 106 of the National Historic Preservation Act for compliance by the participating federal agency or applicant for federal assistance. The Advisory Council on Historic Preservation has codified procedures for implementing Section 106 of the Act at 36 CFR 800 (51 FR 31115, September 2, 1986).

After considering the documentation submitted, it is our opinion that the undertaking will categorically have no effect upon National Register of Historic Places listed or eligible properties. This determination is made either because of the location, scope and/or nature of the undertaking, and/or because of the size of the area of potential effect or because of the fact that no listed or eligible properties exist in the area of potential effect or because the undertaking will not alter any characteristics of an identified eligible or listed property that qualify the property for listing in the National Register, or alter such property's location, setting or use. Therefore, this office has no objections to proceeding with the project.

If you are applying for federal funds, license or permit, you should submit this letter as evidence of compliance with Section 106 to the appropriate federal agency, which, in turn, should contact this office as required by 36 CFR 800. If you represent a federal agency, you should submit a formal determination to this office for comment. You may direct questions or comments to Joe Garrison (615)532-1559. This office appreciates your cooperation.

Sincerely,

Herbert L. Harper

Herbert L. Harper
Executive Director and
Deputy State Historic
Preservation Officer

HLH/jys

TENNESSEE GAS PIPELINE
an El Paso Energy company

December 15, 1998

Lee A. Barclay, Ph.D.
Field Supervisor
U.S. Fish and Wildlife Service
446 Neal Street
Cookeville, TN 38501

Dear Dr. Barclay.

Tennessee Gas Pipeline Company (Tennessee) and East Tennessee Natural Gas Company (ETNG) request an update of its 1998 categorical clearance agreement with your office for the following minor construction activities in the States of Tennessee and Kentucky:

1) Construction, abandonment, and other activities on existing right-of-way, (both pipeline right-of-way and already cleared adjacent areas such as those associated with meter stations, dehydration facilities, and other pipeline related facilities), including the installation, maintenance, and removal of taps, meters, regulators, valves, and pipe;

2) Construction and other activities within existing facilities such as compressor stations and meter facilities; and

3) Activities which do not involve earth disturbance

Tennessee and ETNG will request renewal every year thus making the clearance effective from the date of your approval to December 31, 1999. Tennessee and ETNG will submit an annual update request at least 30 days prior to the expiration date.

If you have any questions, please contact me at (713) 420-5687. Thank you for your continued cooperation

Sincerely,

Mike Trammel

Mike Trammel
Contract Environmental Specialist

United States Department of the Interior

FISH AND WILDLIFE SERVICE
446 Neal Street
Cookeville, TN 38501

January 25, 1999

Mr. Mike Trammel
Contract Environmental Specialist
Tennessee Gas Pipeline Company
P.O. Box 2511
Houston, Texas 77252-2511

JAN 29

Re: FWS #99-0531

Dear Mr. Trammel.

Thank you for your letter of December 15, 1998, requesting renewal of Tennessee Gas Pipeline Company and East Tennessee Natural Gas Company's blanket clearance for minor construction activities in Kentucky and Tennessee. The Fish and Wildlife Service (Service) has reviewed your request and offers the following comments.

Blanket clearance is an efficient means of dealing with minor routine projects that are not likely to have adverse effects on federally listed endangered and threatened species. It reduces paperwork and saves time and staff effort that would be used for case-by-case review of such projects, allowing our staff biologists to concentrate their efforts on projects which likely have a higher potential to adversely affect listed species. To date, we are not aware of any adverse impacts to federally listed species that have resulted from implementation of projects carried out under prior blanket clearances. Therefore, we agree to renew your blanket clearance.

Your blanket clearance renewal request includes the following categories of work:

1. Construction, abandonment, and other activities on existing right-of-way (both pipeline right-of-way and already cleared adjacent areas such as those associated with meter stations, dehydration facilities, and other pipeline related facilities), including the installation, maintenance, and removal of taps, meters, regulators, valves, and pipe;

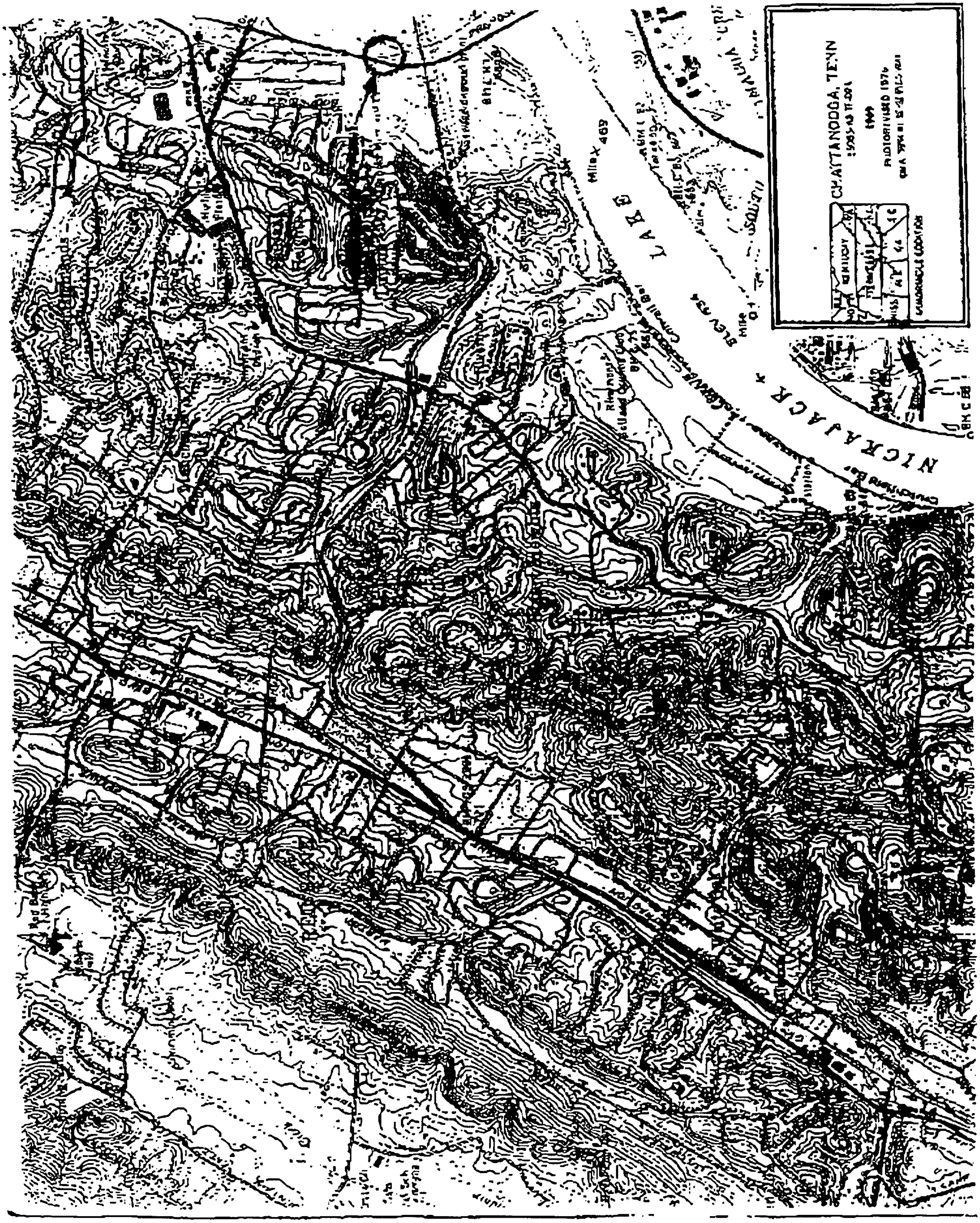
2. Construction and other activities within existing facilities such as compressor stations and metering facilities; and

3. Activities which do not involve earth disturbance.

ENCLOSURE

Kentucky Counties

Adair	Allen	Ballard	Barren
Bell	Boone	Bourbon	Breckinridge
Bullitt	Butler	Caldwell	Calloway
Campbell	Carlisle	Carroll	Carter
Christian	Clark	Clinton	Crittenden
Cumberland	Daviess	Edmonson	Elliott
Estill	Fayette	Fleming	Franklin
Garrard	Graves	Grayson	Green
Greenup	Hardin	Harlan	Hart
Henderson	Henry	Hickman	Jackson
Jefferson	Jessamine	Kenton	Larue
Laurel	Lawrence	Lee	Letcher
Lewis	Lincoln	Livingston	Logan
Lyon	Madison	Marshall	Mason
McCracken	McCreary	Meade	Menifee
Mercer	Metcalfe	Monroe	Morgan
Muhlenberg	Nelson	Nicholas	Ohio
Owen	Pendleton	Powell	Pulaski
Robertson	Rockcastle	Rowan	Russell
Simpson	Spencer	Taylor	Todd
Trigg	Trimble	Union	Warren
Wayne	Whitley	Wolfe	Woodford


LAKE
NICKAJACK
CHATTANOOGA, TENN

ENCLOSURE

Kentucky Counties

Adair	Allen	Ballard	Barren
Bell	Boone	Bourbon	Breckinridge
Bullitt	Butler	Caldwell	Calloway
Campbell	Carlisle	Carroll	Carter
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McCracken	McCreary	Meade	Menifee
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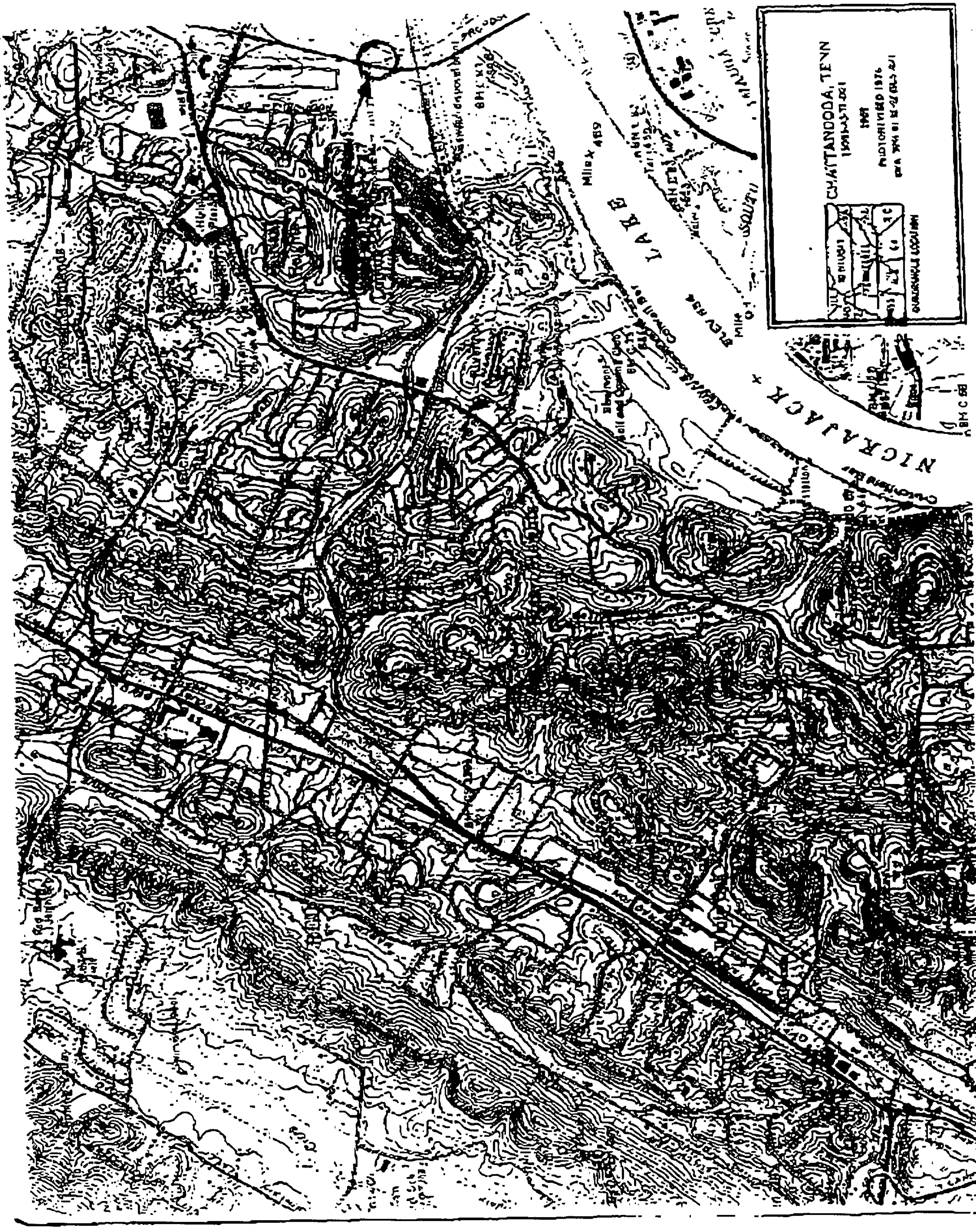
Trigg	Trimble	Union	Warren
Wayne	Whitley	Wolfe	Woodford


CHATTANOOGA, TENN
LAKE
NICKAJACK

3. Provide any documentation regarding DuPont's estimated cost to bypass CGC and connecting directly to the pipeline supplier. Include the status of any work performed on the bypass and the cost of that work as of November 1, 1999.

Chattanooga Gas Company initially conducted a rough engineering cost study (Attachment 3A), that estimated the cost of bypass at approximately $485,190. This study was used by the Company to assess the economics of DuPont's potential to bypass the CGC distribution system. DuPont later provided CGC with a more complete breakdown of DuPont's cost estimate (Attachment 3B) for the bypass pipeline. This estimate was the one primarily used by the parties in their negotiations.

DuPont Plant - Chattanooga, TN

Load	208 Mcfh
Minimum Pressure Required	25 psig
Delivery Pressure at East Tennessee Tap	400-649 psig
Minimum delivery pressure @ meter set	290 psig

Piping

Item	Length	Size	Cost/Ft	Cost
Pipe (includes coating and transportation)	3,075'	4"	$3.35	$10,301
Installation	3,075'	4"	$8.65	$26,599
Easements	DuPont owns Right-of-way			$0
Totals				$36,900

Regulator Set at Building

Qty	Description	Unit Cost	Total
1	4" Kerotest Weldball Ball Valve, ANSI 300	$400	$400
1	2" Kerotest Weldball Ball Valve, ANSI 150	$210	$210
2	2" Mooney Flowgrid 300 Series (Control/Monitor) set at 25 psig	$1,385	$2,770
1	2" Grove 900TE Relief w/829S Pilot	$1,041	$1,041
	Misc. Materials	20%	$884
3	Labor (per day)	$1,000	$3,000
	Total		$8,305

Tap Station

Qty.	Description	Unit Cost	Total
5	4" Kerotest Weldball Ball Valve, ANSI 300	$400	$2,000
1	2" Kerotest Weldball Ball Valve, ANSI 300	$210	$210
2	2" Mooney Flowgrid 300 Series (Control/Monitor) set at 25 psig	$1,385	$2,770
1	2" Grove 900TE Relief w/829S Pilot	$1,041	$1,041
2	4.6M900 Roots Meter	$5,400	$10,800
1	YZ Odorizer - 6200GE-04C-S1-0	$22,000	$22,000
1	Telemetry	$7,000	$7,000
	Misc. Materials	20%	$9,164
15	Labor (per day)	$1,000	$15,000
	Total		$69,985

East Tennessee Tap Cost

Qty	Description	Unit Cost	Total
1	Tap for 101 to 500 Mcfh	$370,000	$370,000

Grand Totals

Piping	$36,900
Regulator Set at Building	$8,305
Tap Station	$69,985
East Tennessee Tap	$370,000
Grand Total	**$485,190**

From: "Pinto, Jerry M." <Jerry.M.Pinto@usa.conoco.com>
To: "'Earl Burton '" <eburton@aglresources.com>
Date: Wed, Dec 15, 1999 10:22 AM
Subject: RE: Data Request for TRA

Earl,
Pursuant to your request:

Original Cost Estimate

Pipe	$23,000
Pipe Installation	40,600
Tar & Tape for Pipe	600
Hydrotest	3,000
R-O-W Clearing	3,000
R-O-W Seeding	600
R-O-W Mulching	1,000
X-Ray	8,000
Road Crossing	10,000
Value Settings	8,500
Check Stations	110
Check Stations Instal.	46
Anodes	1,350
Anode Installation	270
Gravel Road	10,000
Meter & Regulating Sta.	250,000
Soil & Erosion Plan	4,000
Permit & Clear. Acq.	20,000
Engineering Design	10,000
Project Management	25,000
TOTAL	419,076

Sunk Costs approxmiately 150,000
(Project is on HOLD until approval by Chattanooga Gas Company and TRA - nothing has been cancelled)

The FERC certificate is valid for one (1) year with extensions possible.

Jerry

> -----Original Message-----
> From: Earl Burton [SMTP:eburton@aglresources.com]
> Sent: Wednesday, December 15, 1999 6:20 AM
> To: jerry.m.pinto@usa.conoco.com
> Subject: Data Request for TRA
>
> Jerry,
> The TRA has requested some cost information relative to Dupont's Bypass.
> We have our cost estimate that Atlanta Gas Light engineers performed on
> the bypass. I believe our estimates for the bypass cost were higher than
> Dupont's. Can you send me a breakdown of the original cost estimate and
> Dupont's approximate sunken cost as of November 1, 1999.
>
> Regarding your FERC application by East Tennessee filed on February 10,
> 1999. Since we didn't intervene on this application, the application was

4. Provide a detailed revenue loss analysis to demonstrate the effect of the bypass? Include, for the most recent 24 months, the monthly sales and revenues for the DuPont account affected by this application. Include an estimate, for the next 12 months, of the sale and revenues if the agreement is approved by the TRA.

Please see the attached worksheet "DuPont Historical Consumption and Revenue" that reflects DuPont's historical sales and revenues. See also the attached worksheet, "DuPont's Projected Consumption and Revenue" which reflects added sales due to DuPont's current expansion of their Chattanooga Plant.

Dupont Historical Consumption and Revenue

Effective Dec 97 to Oct 98			Effective November 1998		
T-1/L-1 Base Revenue			T-1/L-1 Base Revenue		
Base Use Charge	$	300.00	Base Use Charge	$	300.00
1st 1500 Mcf	$	0.9088	1st 1500 Mcf	$	0.8888
Next 2500 Mcf	$	0.7798	Next 2500 Mcf	$	0.7598
Next 11,000 Mcf	$	0.4712	Next 11,000 Mcf	$	0.4312
Over 15,000 Mcf	$	0.3200	Over 15,000 Mcf	$	0.2650

Special Contract Rate

Base Use Charge	$	3,500.00
Commodity/Mcf	$	0.04
Over 700,000/yr	$	0.02

Dupont 24 month Historical Consumption and Revenue

Month	Consumption (MCF)		L-1/T-1 Base Revenue		Special Contract Revenue		Margin Loss
Dec-97	47,060	$	19,055.26	$	5,382.40	$	13,672.86
Jan-98	57,586	$	22,423.58	$	5,803.44	$	16,620.14
Feb-98	56,713	$	22,144.06	$	5,768.52	$	16,375.54
Mar-98	63,289	$	24,248.54	$	6,031.56	$	18,216.98
Apr-98	58,125	$	22,596.06	$	5,825.00	$	16,771.06
May-98	63,939	$	24,456.38	$	6,057.56	$	18,398.82
Jun-98	55,174	$	21,651.74	$	5,706.96	$	15,944.78
Jul-98	57,789	$	19,614.99	$	5,811.56	$	13,803.43
Aug-98	57,718	$	19,596.17	$	5,808.72	$	13,787.45
Sep-98	44,874	$	16,192.51	$	5,294.96	$	10,897.55
Oct-98	46,919	$	16,734.44	$	5,376.76	$	11,357.68
Nov-98	45,654	$	16,399.21	$	5,326.16	$	11,073.05
Dec-98	46,362	$	16,586.83	$	5,354.48	$	11,232.35
Jan-99	56,135	$	19,176.68	$	5,745.40	$	13,431.28
Feb-99	71,259	$	23,184.54	$	6,350.36	$	16,834.18
Mar-99	64,685	$	21,442.43	$	6,087.40	$	15,355.03
Apr-99	64,345	$	21,352.33	$	6,073.80	$	15,278.53
May-99	62,814	$	20,946.61	$	6,012.56	$	14,934.05
Jun-99	74,972	$	24,168.48	$	6,498.88	$	17,669.60
Jul-99	79,352	$	25,329.18	$	6,674.08	$	18,655.10
Aug-99	70,961	$	23,105.57	$	6,338.44	$	16,767.13
Sep-99	63,521	$	21,133.83	$	6,040.82	$	15,093.01
Oct-99	69,806	$	22,799.49	$	6,292.24	$	16,507.25
Nov-99	64,430	$	21,374.85	$	6,077.20	$	15,297.65

Dupont Projected Consumption and Revenue

Special Contract Rate			Effective November 1998		
			T-1/L-1 Base Revenue		
Base Use Charge	$	3,500.00	Base Use Charge	$	300.00
Commodity/Mcf	$	0.04	1st 1500 Mcf	$	0.8888
			Next 2500 Mcf	$	0.7598
Over 700,000/yr	$	0.02	Next 11,000 Mcf	$	0.4312
(Over 58,333 Mcf/mo)			Over 15,000 Mcf	$	0.2650

Dupont 12 month Projection Consumption and Revenue

Month	Consumption (MCF)		L-1/T-1 Base Revenue		Special Contract Revenue		Margin Loss
Dec-99	65,000	$	21,525.90	$	5,966.66	$	15,559.24
Jan-00	65,000	$	21,525.90	$	5,966.66	$	15,559.24
Feb-00	65,000	$	21,525.90	$	5,966.66	$	15,559.24
Mar-00	70,000	$	22,850.90	$	6,066.66	$	16,784.24
Apr-00	70,000	$	22,850.90	$	6,066.66	$	16,784.24
May-00	70,000	$	22,850.90	$	6,066.66	$	16,784.24
Jun-00	70,000	$	22,850.90	$	6,066.66	$	16,784.24
Jul-00	70,000	$	22,850.90	$	6,066.66	$	16,784.24
Aug-00	70,000	$	22,850.90	$	6,066.66	$	16,784.24
Sep-00	75,000	$	24,175.90	$	6,166.66	$	18,009.24
Oct-00	75,000	$	24,175.90	$	6,166.66	$	18,009.24
Nov-00	75,000	$	24,175.90	$	6,166.66	$	18,009.24
Total	840,000	$	274,210.80	$	72,799.92	$	201,410.88

-

5. **Provide the amount of plant investment on CGC books devoted to providing service to DuPont affected by this application. Include the expected accounting entries CGC would have to make to its books if DuPont were to bypass.**

The Company does not segregate its Plant investment by customer. Therefore, there is no exact way to determine the actual amount of the Company's plant that is devoted to serving DuPont. However, the gas line serving DuPont was originally placed in service on 10/18/63, and is considered to be substantially depreciated. As such, the Company would make no accounting entries on its books if DuPont were to bypass the Chattanooga distribution system. (See attachment 5A)

W.O. No. ONCOM 32272 Date 10/18 1963 Name DuPont de Nemours

Street and No. 4501 ACCESS ROAD Locality

Size of Service 6" in.; Size of Main 6" S. (H.P.) in.; Size of Tap 6" in.;

Condition Service New Condition Main New Main is 3' Ft. Deep

And 14' ft. S. of N.R. Line; Service Drips toward main

Line of Service is ft. of the Line of See Sketch

Remarks: Tied service to new meter set W.O. 1862 5-7-71 M. Plemons 1-6" line stopper 1-6" weld valve F-6" #123 D.C. 5'-6" Pipe 2-6" weld flanges 1-6" weld ell 1-6"x6" weld saddle

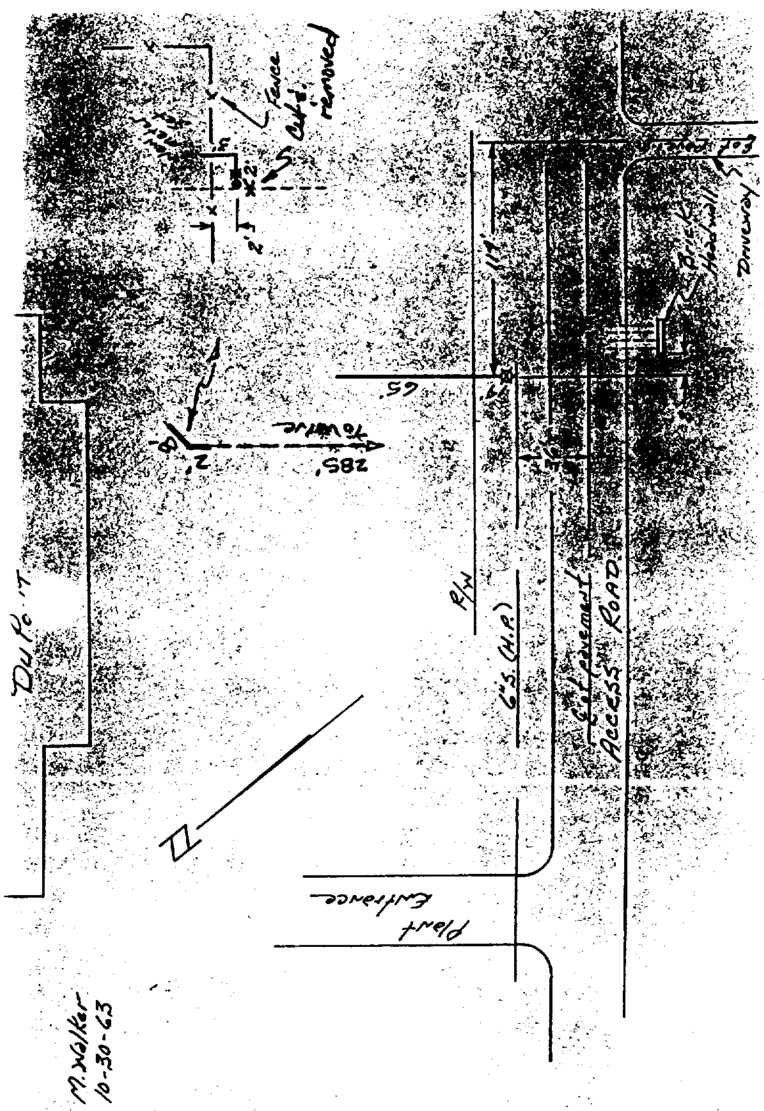
Installed new riser W.O. 9300744 7-2-93 Hyde

DRESSER COUPLING FITTINGS	NO BLO	ELL	ST. ELL	DC	TEE	ST. TEE	CURB VALVE	METER CUT OFF			
6"				1							

OTHER FITTINGS—
1-6" nord. valve

PIPE USED: 6" - 78'

CURB VALVE BOX ☐ WATER METER BOX ☐


DuPont
285'
R/W
6"S. (H.P.)
ACCESS ROAD
Plant Entrance
Driveway
M. Walker
10-30-63

6. **Provide a listing, in chronological order, of the events from the time CGC learned of the proposed bypass until CGC concluded the negotiated contract. The list should show details, by date, a summary of what occurred and references, or include key oral and written communications that CGC had with DuPont regarding this application.**

Date	Event/Meeting	Description
8/20/98	Meeting at DuPont with Jerry Pinto, Blaine Reese, Walt Graham and other DuPont CGC personnel included Earl Burton, Bill Sheehan and Tom McBroom	This meeting was scheduled with DuPont after DuPont informed us a few weeks prior to this date of their intentions to build a bypass gas pipeline. They were interested in a special contract with CGC. We conveyed to DuPont the history of the most recent filing with the four customers and the possible regulatory procedures involved with securing a special contract. DuPont indicated that they were expanding their plant and that building a bypass gas pipeline would provide an attractive rate of return for DuPont's shareholders. Jerry Pinto (Conoco) indicated that a rate of approximately $.05 /dekatherm was the rate they felt was fair to continue service with CGC. We also addressed issues regarding the TRA's order with the four Chattanooga customers and the definition of imminence as a requirement for a special contract.
11/9/98	Correspondence	Letter written to Jerry Pinto regarding our delay in responding to DuPont's request because of the pending rate order from the TRA and possible rate implications for DuPont. (Attachment 6A)
11/30/98	Phone Conversation	Earl Burton inquired several times with Tom McBroom, Manager of Major Accounts with Atlanta Gas Light Company. We continued to analyze the economics of bypass and decided to wait and see if DuPont pursues bypass further including a FERC application.
Mar/1999	FERC certificate	CGC was notified that DuPont had made a FERC application through East Tennessee.
April/1999	Phone Conversations with Dan McCormac with Consumer Advocate	In follow-up with a conversation with Dan at a conference in late March, Earl Burton conferred with Dan McCormac several times. Earl Burton forwarded information to Dan McCormac who assisted Earl Burton in assessing the economics of DuPont's gas pipeline. Dan also assisted Earl with information that was helpful with the other special contracts approved by the TRA. With Dan McCormac's assistance, Earl Burton was able to begin the calculation of a rate to be used in an initial offer that would represent a fair rate to Chattanooga ratepayers and mitigate the economic benefit of building a gas pipeline. (Attachment 6B)
4/28/99	Conference Call with Jerry Pinto and Blaine Reese	Bill Sheehan and Earl Burton conducted conference call with Jerry Pinto and Blaine Reese of Conoco and DuPont, respectively. Earl Burton conveyed to DuPont that Chattanooga was interested in seeking a regulatory option in the form of a special contract. Jerry Pinto and Blaine Reese conveyed that plans to build the gas pipeline were well under way and that Chattanooga Gas would have to respond quickly to halt the project. Jerry Pinto also conveyed that dollars had already been spent in the FERC filing and engineering/planning, and that further delay required a lower rate from Chattanooga Gas Company. Earl Burton promised to respond with an offer as soon all responsible parties could agree to a fair rate.
5/5/99	Correspondence to Jerry Pinto/Conoco	Earl Burton submits an initial offer to DuPont for a special contract rate. The basis for the discount is documented in this correspondence. (Attachment 6C). One of the key components for this offer was the assumption that there was a very significant value of maintaining service with Chattanooga Gas Company. This value was quantified early in our proposals at 30k to 40k per year.
May/99	Telephone conversation with Jerry Pinto	Jerry Pinto responded to our initial offer by informing Earl Burton that DuPont was proceeding with bypass. Jerry Pinto mentioned several factors that were influencing this direction including: Our rate was still too high at $21/Mcf, and they were concerned with the regulatory risk and delay that occurred with CGC's last filing. Jerry commented that the intangible value of CGC's service was nebulous, and DuPont did not consider this was a value that they could depend on going forward. Earl Burton conveyed to Jerry that this offer was an initial offer, and that our rate was negotiable. Earl Burton inquired from Jerry as to what he felt was a fair rate that would be acceptable to DuPont. Jerry contended that $.05/Mcf was the rate DuPont was seeking. Earl Burton conveyed to Jerry that it would be difficult to support $.05/Mcf, however, we would review the economics again.
June 99	Conversations with Dan McCormac	Earl Burton continued to work with Dan McCormac on the DuPont bypass. At this time, both parties had reached an impasse with negotiations and the bypass was moving forward. Dan McCormac called Jerry Pinto to assist with facilitating negotiations between DuPont and Chattanooga Gas Company. After talking with Jerry Pinto, Dan conferred with Earl Burton regarding another offer that would be more creative, and acceptable to DuPont.
6/8/99	Second Proposal to DuPont	Earl Burton made a second offer to DuPont which allowed for three larger lump sum payments to CGC with a 50k/year fixed charge thereafter. The objective of this offer was to match DuPont's capital expenditure of building a pipeline, and reduce their future rate to a minimal rate that would reimburse CGC for the marginal cost of service. (Attachment 6D)
6/20/99	Correspondence with Jerry Violette, Plant MGR in Chattanooga DuPont Plant	After a negative response to the 2nd offer, and feeling that Jerry Pinto was not moving any on negotiations, Earl Burton appealed to Jerry Violette, Plant Manager of the Chattanooga Plant. This correspondence conveys other issues with owning and maintaining a gas pipeline.(Attachment 6E)

8/20/99	Response from Jerry Violette	Jerry Violette responded to 6/20/99 Earl Burton letter. After consideration of issues. DuPont is continuing to pursue bypass (Attachment 6F).
Sept 99	Conversations with Dan McCormac	Earl Burton confers with Dan McCormac on DuPont bypass. Dan continues to encourage Earl Burton to continue negotiations with DuPont. Earl Burton confers with Dan on making a last offer to thwart the bypass. Earl Burton prepares economics that supports another offer.
9/13/99	Third Offer	A third offer is submitted to Jerry Pinto and Blaine Reese of DuPont. This offer reduces DuPont annual contribution to Chattanooga Gas Company to approximately $75,000. (Attachment 6G)
9/16/99	Chattanooga files to abandon DuPont facilities	CGC files to abandon gas facilities given the current status of negotiations with DuPont.
9/24/99	Conversation with Jerry Pinto	Jerry Pinto called to respond to CGC's third offer, and conveyed that DuPont was continuing with their plans to bypass. Jerry conveys that DuPont's gas pipeline should be in by December 1999.
Sept/99	Conversations with Dan McCormac	Earl Burton updates Dan McCormac on DuPont's refusal of third offer. Dan McCormac conveys to Earl Burton of his plans to correspond with DuPont's Chief Operating Officer. At this point, Dan and Earl agree that they have nothing to lose.
9/26/99	Telephone Call from Jerry Pinto	Jerry calls Earl Burton and want to schedule a meeting ASAP. Jerry comments that Dan's correspondence was received by DuPont's COO. Jerry schedules a meeting for October 5 to meet with Earl Burton, Dan McCormac and Blaine Reese. The purpose of the meeting is to address miscommunication. (East Tennessee was scheduled to tap their line on October 1, which was cancelled by Jerry Pinto at the last minute.)
10/5/99	Meeting with Jerry Pinto, Blaine Reese, Earl Burton and Dan McCormac	Meeting starts with Earl Burton giving historical summary of negotiations. The Pros and Cons of building the bypass gas pipeline are established. Jerry Pinto lays out terms in which DuPont will be willing to agree with. Jerry conveys to Earl Burton and Dan McCormac DuPont's current economic status and the amount of embedded cost already in the project. Given this information, all parties sign a tentative agreement on a negotiated rate and proposed term of 20 years. The amount and terms of this contract were established to match DuPont's alternative of owning a gas pipeline (Attachment 6H).
Oct/Nov 1999	Correspondence/Conversations	CGG prepares contract and forwards to DuPont for review. Both parties make suggestions and modifications to contract language. Both parties agree to final version which is forwarded to DuPont for execution. CGC executes contracts.
11/23/99	Contract and Petition filed with TRA	The DuPont Contract and TRA petition is filed with TRA for consideration.

Data Request #6:
Attachment 6-A

Chattanooga Gas Company

6125 Preservation Drive
Chattanooga, TN 37416
Telephone (423) 490-4302

November 9, 1998

Mr. Jerry Pinto
Conoco, Inc.
P.O. Box 2197
Houston, TX 77252

In July of this year the Tennessee Regulatory Authority (TRA) ruled on the proposed rate case of Chattanooga Gas Company (CGC). The findings of the TRA were that CGC was to reduce their existing rates as a way to refund an over-collection and comply with the revenue requirements set by the TRA. This action is still being negotiated, but we expect a ruling very soon.

The initial negotiations reveal that there will be a broad-based reduction in each of the rate steps with the bulk of the reduction in the fourth tier. This ruling may significantly impact both Dupont's and CGC' evaluations regarding the economic feasibility of direct connect service from East Tennessee Natural Gas Company.

Because of the uncertainty of the effects of the rate case, we will need to receive a final order from the TRA before we can complete our analysis. Upon the final order by the TRA, we will be able to provide a proposal that will be consistent with TRA orders.

I appreciate your patience as we await the decision of the TRA. If you have any further questions you may call me or Thomas McBroom.

Bill Sheehan

Bill Sheehan
Major Accounts Representative

c: Mr. Blane Reese – DuPont
Mr. E. H. Burton
Mr. H. P. Linginfelter
Mr. T. W. McBroom
Mr. H. F. Thompson

Facsimile Cover Sheet

To: Dan McCormick
Company: Consumer Advocate Office
Phone:
Fax: 1-615-741-8724

From: Earl Burton
Company: Chattanooga Gas Company
Phone: 423-490-4311
Fax: 423-490-4333

Date: April 15, 1999
Pages including this cover page:

Comments: Dan, See attached numbers on estimated cost of bypass, Dupont's consumption, and map of East Tennessee and Dupont. As you can see, they are definitely a bypass candidate. Please run numbers through template and I will fill you in on other tangible benefits of Dupont using Chattanooga Gas Company. Earl.

Chattanooga Gas Company

6125 Preservation Drive
Chattanooga, TN 37416
Telephone (423) 490-4302

May 5, 1999

Jerry Pinto
Conoco Inc.
P.O. Box 2197
Houston TX 77252

Dear Jerry,

I have performed a present value analysis of Dupont's bypass pipeline (attachment), and consistent with this study, Chattanooga Gas Company is prepared to offer Dupont a special transportation rate equivalent to $.21/dekatherm or $89,000 discount off your present revenue contribution of $236,000.

This number is based on some assumptions that I feel are very fair from Dupont's perspective, and I have listed below these main assumptions.

1. Capital Expenditure in the amount of $400k: I used your number on this. Our cost estimate was 485k.
2. Taxes: Hamilton County Taxes applicable to Capital Investment depreciated over time based on straight line 15 yr.
3. O&M Expense: Used 10k per year per your estimate.
4. Backup Chattanooga Gas Company: Represents the value of maintaining Chattanooga Gas Company as backup, and flexibility of using other pipeline suppliers to minimize curtailments. Represents value of being able to use Chattanooga gas supply that saves Dupont significant dollars several months of year.
5. Capital: We have used a rate of 20% before tax rate of return. This is a big driver in the numbers, however, this equates to an after tax return of approximately 12% after tax. For many corporations, and I don't know about Dupont, but threshold returns on projects have to achieve superior returns above 20%. 12% is really low and is in line with lower risk utility investment.

Please review these number and the proposed negotiated rate. As I conveyed earlier, we can design the rates to incorporate most of Chattanooga Gas Company's revenue in a monthly revenue component, and a small volumetric charge, if that is preferable.

Sincerely,

Earl Burton P.E.
Manager of Marketing/Rates

Return-Path: <Jerry.M.Pinto@USA.conoco.com>
From: "Pinto, Jerry M." <Jerry.M.Pinto@USA.conoco.com>
To: 'Earl Burton' <earlburton@mindspring.com>
Subject: RE: Negotiated Offer
Date: Tue, 8 Jun 1999 07:13:04 -0500

Earl,
We received your fax. We continue to proceed with our bypass.
Jerry

-----Original Message-----
From: Earl Burton [SMTP:earlburton@mindspring.com]
Sent: Friday, June 04, 1999 9:05 AM
To: Pinto, Jerry M.
Subject: Negotiated Offer

Jerry,

Dan McCormac has gotten back with me on your offer, and I appreciate you giving us something that is pretty close to what I believe is fair.

I sharpened my pencil, and did some research on Dupont' financials to determine what Dupont's annual return on equity has been the last few years. I found that Dupont realized returns of equity of 32.66, 21.80 and 34.72 for the last three years, respectively,

Taking this information, I did a simple calculation, excluding depreciation, to determine what the annual expense would be to Dupont if this bypass project returned 20%. I used 7.5% for the weighted (64%) cost of capital, and 20% for the after tax cost of equity, 36% of capital, and determined that the annual expense would be $117k per year.

This represents an annual net present value cost to Dupont of $828.06.

Now in consideration of your offer of 236k for three years. I believe this is a fair amount to pay Chattanoog Gas to retire the capital cost of the pipeline, however, even if Dupont owned this pipeline, Dupont would still have to pay O&M cost and property taxes on the gas line.

Secondly, we believe that connection to Chattanooga Gas for backup, pipeline swing flexibility and gas supply flexibility is worth a great deal. In my last offer, I had quantified this at 40k per year.

Therefore, why don't we agree on a reasonable amount of 50k a year going forward starting the 4th year of the contract. This would reimburse Chattanooga GAs Company for our marginal costs to serve Dupont, and you wouldn't have to worry about gas pipeline operational reporting etc associated with owning a pipe.

In preparing the net present value of this cost to Dupont, (See row number 3 on Cost Proposal. This represents a net present value cost of $787.28. Moreover, the savings over 15 years represent a net present benefit to Dupont of 1.115 million. (See row 4.

With Dupont's addition of approximately 500 Mcf per day, Dupont would save 236k the fourth year and going forward.

Jerry, I believe this is a good deal for Dupont. Let me know.
Earl.

Data Request #6:
Attachment 6-E

Letter dropped off on June 21st

June 20, 1999

Jerry Violette
Plant Manager, Chattanooga Plant
E.I. Dupont & Company
4501 Access Rd
Chattanooga TN 37415

Dear Mr. Violet,

This letter is to communicate the status of our negotiations with Jerry Pinto, with Conoco regarding negotiations on a special bypass contract to maintain Dupont as a customer of Chattanooga Gas Company. On a favorable note, we are close to an amount that we feel provides a tremendous value to Dupont shareholders, and minimizes the impact to Chattanooga Gas Company's ratepayers. However, my last communication from Jerry Pinto has informed us that Dupont is proceeding with bypass.

Jerry Pinto has made us an offer through Dan McCormac of the Consumer Advocate's office in Nashville of an amount of $236,000 for three years, period. We agree that this is a fair amount to retire the assets associated with serving Dupont, therefore, after three years, Chattanooga would not need a revenue requirement from Dupont to pay the cost of capital.

Additionally, we have counter-offered with a modest revenue requirement of $50,000 the fourth year going forward to recover Chattanooga Gas Company's ongoing operations and maintenance expenses, and property taxes expenses. We contend that these expenses will cost Dupont approximately $20,000 if Dupont owns the pipeline plus related employee expenses to comply with pipeline safety requirements. The balance of $30,000 represents a tangible value of additional services that Dupont realizes by maintaining service through Chattanooga Gas Company. I will summarize these as follows:

1. Backup/Redundancy: The value of security of being connected to Chattanooga Gas Company. Chattanooga's system is supplied by two pipelines and we have a backup LNG system.
2. Pipeline flexibility: Dupont has the option of using Southern Natural Gas (Sonat) for transporting supplies. Many customers use (Sonat) during the winter for better reliability/few interruptions. If we have a cold winter, East Tennessee's release capacity utilized by Dupont **may not be reliable**.
3. Flexibility of supply: Dupont has purchased Chattanooga Gas Company's gas supply in the past when market pricing was favorable. For example, Dupont is buying Chattanooga supply currently and used it during May. We estimate that Dupont's savings per dekatherm was $.35 or $20,000 for the month of May alone! The savings for Dupont in June approaches this number as well.

Page 2
June 20, 1999
Mr. Jerry Violet

We believe we have an offer on the table that is fair to Dupont, Chattanooga Gas Company, and Chattanooga's ratepayers. Dupont can achieve this economic benefit (Net Present Value = $1.15 Million) without any risk associated with the operation and maintenance of a gas pipeline. Dupont can also achieve this economic benefit, and minimize the impact on other gas ratepayers. Dupont can avoid potential negative publicity that a bypass may present.

Jerry, please review the attached offer and let me know if you have any questions. We want to negotiate a fair contract with Dupont, and file this with the TRA to begin the contract period, and subsequent cost savings to Dupont. Please call me at 490-4311, if you have any questions.

Sincerely,

Earl Burton
Manager of Rates/Marketing

Chattanooga Plant
4501 N. Access Rd.
Chattanooga, Tennessee 37415-3899

August 20, 1999

Chattanooga Gas Company
Attention: Earl Burton
Manager of Rates/Marketing
6125 Preservation Drive
Chattanooga, Tennessee 37416

Dear Mr. Burton:

Thank you for your expressed concern about our business success in your letter of June 20, 1999. This letter outlined your concerns for our direction of constructing a gas bypass line for the Chattanooga DuPont Site. I understand that you provided additional views to Greg Peitz, Operations Manager for Power, Chattanooga DuPont Site, and that Mr. Peitz followed up on these views with Jerry Pinto, Conoco Inc.

After careful review of the issues, we are continuing to pursue a bypass pipeline for the Chattanooga DuPont Site.

Please be advised, Conoco Inc., formerly a wholly-owned subsidiary of DuPont, is currently our long-term agent and contracts for the purchase, transportation and delivery of all of our natural gas supply requirements for our facility, including the negotiation, execution and management of such contracts.

Sincerely,

Jerome C. Violette

Jerome C. Violette
Plant Manager

cc: Jerry M. Pinto, Conoco Inc.

Facsimile Cover Sheet

To: Blaine Reese
Company: E.I. Dupont
Phone:
Fax: 875-7731

From: Earl Burton, Manager Marketing/Rates
Company: Chattanooga Gas Company
Phone: 423-490-4311
Fax: 423-490-4333

Date: Sept. 13, 1999
Pages including this cover page:

Comments: Blaine, I have attached a offer that I made Jerry Pinto. I would appreciate you looking at this and advising Mr. Violette, on the economics. First, I have reduced our offer down to a total annual cost of $75,000 to $80,000. Fact. By purchasing our supply, Dupont has saved approximately $140,000. Blaine, it seems to me that with the options Dupont has with Chattanooga, it would serve you better to continue purchase our service. With the above economics, I find it difficult to justify that this pipeline will add value to shareholders. Please review and give me a call. Earl. Also, I have been contacted by marketers who are responding to a proposal from Conoco. They want to know whether or not Dupont will have access to Southern, because Conoco has asked for Firm transportation service which is very tight on East Tennessee. If we have a cold winter, please expect for capacity on East Tennessee to be tight.

October 5, 1999

An agreement in principle has been reached with the following:

DuPont — Jerry Pinto, Blaine Reese
Chattanoogna Gas Company — Earl Barton
State of Tennessee – Consumer Advocate Office
Mike Chrysler, Dan McCormac

The general terms and conditions are as follows:

Rate: $3,500/month + $0.04/MCF for all volumes up to 700,000 MCF/yr., volumes in excess of 700,000 MCF/year will be invoiced at $0.02/MCF

BRR
GMP
EHB
...
MMC

Term: Effective October 1, 1999, for a period of 20 years

The following issues will be addressed:

1) Non-discrimintory curtailment
2) Exemption from future new fees and/or charges
3) Redelivery of firm volumes
4) Agreement applies to current operations and the possible installation of 1 new boiler.

This agreement is subject to final management review and approval.

x Earl H. Bruton

[illegible]

Michael M. [illegible]

Jerry Pinto

Blaine R. Reese

7. **Provide the information you used to determine how the rates in this contract are "fair and reasonable and non-discriminatory to other customers."**

The rates in this contract were arrived at through give and take negotiations. On several occasions, the negotiations had reached an impasse, and did not pick up again until the Consumer Advocate's office interceded. In fact, East Tennessee Pipeline was scheduled to begin making preparations for the pipeline tap on October 1, 1999 just as negotiations were restarted which left little doubt on the Company's part that bypass was imminent.

The rate offered to DuPont approaches their long-term cost of bypassing the CGC distribution system. Please see our response to Item 3 relating to DuPont's estimated cost to bypass the CGC distribution system. As such, it is Chattanooga Gas Company's position that the rate offered to DuPont was the maximum rate that could have been negotiated, and therefore fair, reasonable, and non-discriminatory to our other customers. By keeping DuPont on the Chattanooga distribution system, their contribution to the Company's fixed costs will serve to help reduce the rates of CGC's other customers.

8. The Petition requests an effective date of November 1, 1999. Provide the methodology you would use to bill DuPont, assuming the approval of the Petition on a later date.

The Petition was filed with the TRA on November 29, 1999, to be effective from November 1, 1999. Because DuPont is an industrial customer, their meter is read on the last working day of November, and then billed in December. Therefore, billing under the terms of the contract did not occur until after the contract was actually filed with the TRA. As such, DuPont was billed at the new negotiated rate beginning with their November consumption.

Because bypass was imminent (See response to Item 7), CGC was compelled to offer a discounted rate immediately in order for DuPont to halt construction on their bypass pipeline. CGC would therefore ask the TRA to approve the terms of this contract to be effective from its proposed date of November 1, 1999.