TENNESSEE REGULATORY AUTHORITY

ra Kyle, Chairman
ynn Greer, Director
Melvin Malone, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

September 7, 2001

Mr. Archie Hickerson
Manager-Rates
AGL Resources
Location 1686
P. O. Box 4569
Atlanta, Georgia 30302-4569

Re: Petition of Chattanooga Gas Company for Approval of Tariff Establishing Experimental Fixed Rate PGA Rider;
Our Docket No. 01-00761

Dear Mr. Hickerson:

In order to further evaluate your petition filed with the Tennessee Regulatory Authority concerning your Experimental Fixed Rate Rider, we submit the following Data Request. This will be known as Data Request No. 1.

1. The Company discusses the risk premium and lists it in your example as $1.24 per DT. Per Brian Toole's testimony (Line 12-14, page 5), "the Company considers all of the risks for this tariff that it feels it will be required to absorb over the plan year." What are those risks? Discuss **in detail,** with backup schedules, how the Company evaluated each of the risks to arrive at $1.24.

2. You state that the Company did not take bids from any other suppliers (excepting Sequent Energy Management, your affiliate) for the Fixed Rate PGA Tariff price offering. The reason given was that you did not know "any suppliers who would be either willing or capable of managing the complete usage risk needs for a distribution company's residential and commercial customers." What is the basis for this statement?

3. Last year (2000-2001) was an extremely volatile year. Rates in effect for the twelve month period ranged from around $4.28 to almost $10.00 (your schedule LB-1). The rates rose fairly rapidly in the fall and also dropped rapidly beginning in the spring.

   A. Please calculate what your Price per CCF would have been for last year assuming the Experimental Tariff was in place by October 1, 2000 for the following 12 months.

   B. In the above example, provide a comparison, using an average residential customer, of the actual costs last year to what they would have been under your proposal.

C. Provide the same schedule for last year as you did in your example (BAT-2) for this proposed tariff.

4. You have provided two affidavits of customers testifying to the need for a fixed price gas cost, thus avoiding volatility. Both of these are commercial customers. Have you done any studies or surveys to determine the opinions or desires of your residential customers in regard to paying a risk premium to avoid volatility?

5. Provide a worst case and best case scenario, using the example in 4B, if the weather is 20% colder than normal and 20% warmer than normal. Include in each of the two examples, a situation in which the gas is $2.00 cheaper than that shown in BAT-2 and also $4.00 more expensive. Determine the effect on the Company and the customers.

6. A risk premium of $1.24 appears high at today's gas of $3.10 to $3.20 for January gas on the NYMEX. This, incidentally, is roughly 19% of the total price of the Fixed Rate Charge and it also represents 40% of the current cost of gas. Address the issue that, while this fixed-rate charge represents stable gas bills for the customers it also represents **no** reduced rates for the customers when the price of gas spikes downward.

7. What percentage of the projected gas used next year will be from storage? What is the average cost of gas in storage? Quantify the impact on your fixed rate factor.

8. Exhibit Bat-2 shows 9,110,879 DTs at City Gate send-out and projected customer usage of 8,769,050. Does this represent a projected loss and unaccounted for of 3.8%. How does this compare to the last 5 years?

9. How are projected gas volumes determined?

10. Projected FERC transportation rates are included in this formula. What happens if new FERC rates are approved during the period? What about refunds that may be received during the period? How are the refunds to be accounted for and who gets the refund?

11. Provide the percentage of LNG cost in the Georgia Marketers prices verses the percentage of LNG costs calculated in the Chattanooga Fixed Rate. Also what is the traditional percentage of LNG cost verses total gas cost in Georgia versus Tennessee?

Please provide responses by September 14, 2001. If you have any questions or comments, please call Dan McCormac at 741-2904 ext. 220.

Sincerely,

D. Waddell

David Waddell,
Executive Director

c: Dan McCormac
David McClanahan

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