01-00761

STATE OF TENNESSEE

Office of the Attorney General

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EXECUTIVE SECRETARY

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Reply to:
Consumer Advocate and Protection Division
Attorney General's Office
P.O. Box 20207
Nashville, TN 37202

September 21, 2001

David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Re: Chattanooga Gas Company

Dear David:

Enclosed are the original and thirteen copies of the Consumer Advocate Division's requested data.

Sincerely,

Chris Allen

Chris Allen
Assistant Attorney General

Enclosures
48828

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September 21, 2001

VIA FACSIMILE

D. Billye Sanders, Esq.
Waller, Lansden, Dortch & Davis
511 Union Street, Suite 2100
P. O. Box 198966
Nashville, TN 37243

Re: Chattanooga Gas Company

Dear Billye:

To assist in our investigation of Chattanooga Gas Company's proposed tariff for an Experimental Fixed Rate PGA Rider (TRA Docket No. 01-00761), please furnish two copies of the information itemized in the attachment to this letter.

Please comply with the following instructions for compiling the requested data:

(1) Each response should begin by restating the item requested.

(2) If several sheets are required to answer an item, each sheet should be appropriately labeled and indexed, for example, Item 1(a), Sheet 1 of 4.

(3) Please respond fully to the request even if the data has been partially supplied in prior filings or dockets. It is requested that the information be submitted to this office at P. O. Box 20207, Nashville, TN 37202-0207.

As you have already complied informally with these requests, we do not expect it to take very long. Naturally we want to have these before the hearing. We appreciate your cooperation and look forward to receiving your responses. For ease of reference, each question is cross-referenced to correspond with the question numbers previously submitted to you in the informal data request.

Sincerely,

Chris Allen

Chris Allen
Consumer Advocate and Protection Division

cc: David Waddell, Executive Secretary, TRA

48812

(TRA #1 - #11)

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 (except 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 five 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 versus the percentage of LNG cots calculated in the Chattanooga Fixed Rate. Also, what is the traditional percentage of LNG cost versus total gas cost in Georgia versus Tennessee?

(CAD #6)

12. Were the considerations/parameters for sales and purchase volumes in developing the proposed Fixed Rate PGA the same as those utilized in the current PGA mechanism? Cite any differences and the reasons for doing so.

(CAD #7)

13. Will Chattanooga Gas lock in a definite rate with Sequent and then do spot purchasing only if an inadequate volume of gas was purchased? How will these additional costs be recovered by Chattanooga Gas.

(CAD #8)

14. Please explain (in detail) how the Risk Premium factor/charge was developed.

(CAD #9)

15. Will Sequent realize any profit margin based on the difference in the price of gas it purchases and the price it "sells" to Chattanooga Gas? How will this number be reported? Please explain all possibilities in which Sequent will make revenue from Chattanooga Gas.

(CAD #11)

16. Please provide organizational charts for Chattanooga Gas, AGL Resources, and Sequent.

    (CAD #13)

17. Does Chattanooga Gas have permission to hedge right now without further TRA approval?

    (CAD #15)

18. Is the price that Sequent will lock into with whom Chattanooga Gas or futures contracts equal to the factors enumerated in your "Determination of Fixed Rate" formula?

    (CAD #16)

19. Please provide a proforma comparison covering the latest available 12 months comparing the Fixed Rate PGA proposal (including all formula pieces) with actual gas cost including billing factor (in cents per CCF).