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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE	*	
	*	
PETITION OF CHATTANOOGA	*	DOCKET NO. 04-00034
GAS COMPANY TO CHANGE AND	*	
INCREASE CERTAIN RATES AND	*	
CHARGES ...	*	

CHATTANOOGA MANUFACTURERS ASSOCIATION'S RESPONSES AND OBJECTIONS TO CHATTANOOGA GAS COMPANY'S SECOND SET OF DATA REQUESTS

Pursuant to *Rules 26, 33* and *34* of the *Tennessee Rules of Civil Procedure* and *Tennessee Code Annotated §4-5-301, et seq.*, the Chattanooga Manufacturers Association's Intervention Group (hereinafter "CMA"), by and through its attorneys, submits the following objections and responses to the Second Set of Data Requests from Chattanooga Gas Company (the "Company") propounded upon CMA, stating as follows:

GENERAL OBJECTIONS

1. CMA objects to the definitions and instructions contained in the data requests for production to the extent that the definitions and instructions attempt to impose on CMA a burden or obligation greater than that required by the *Tennessee Rules of Civil Procedure* and applicable statutes and regulations governing contested case hearings.

2. CMA objects to the data requests to the extent they call for information and the production of documents which are protected from disclosure by the attorney-client privilege, the attorney work product doctrine or any other applicable privilege or protection. CMA objects to the Company's data requests to the extent that the Company is attempting to impose on CMA obligations with regard to identification of privileged documents beyond those required by the *Tennessee Rules*

of Civil Procedure and applicable statutes and regulations governing contested case hearings

3. CMA objects to the Company's data requests to the extent that they seek information relating to matters not at issue in this litigation or to the extent they are not reasonably calculated to lead to the discovery of admissible evidence. By providing information in response to these requests, CMA does not concede that such information is relevant, material or admissible in evidence. CMA reserves all rights to object to the use of such information as evidence.

4. CMA objects to Company's data requests to the extent that the Company is attempting to impose on CMA obligations to supplement its responses beyond those required by the *Tennessee Rules of Civil Procedure* and applicable statutes and regulations governing contested case hearings.

5. CMA objects to the Company's data requests to the extent that the Company is attempting to require CMA to provide information and produce documents beyond those in its possession, custody or control as that phrase is used in the *Tennessee Rules of Civil Procedure* and applicable statutes and regulations governing contested case hearings.

6. CMA objects to the Company's data requests to the extent that they seek information and documents that are readily available through public sources or are in the Company's own possession, custody or control. It is unduly burdensome and oppressive to require CMA to respond or produce documents that are equally or more available to Company.

7. CMA objects to the production of any documents prepared by it subsequent to the filing of this litigation or contested case.

8. CMA's objections and responses to these requests are based on information now known to it. CMA reserves the right to amend, modify or supplement its objections and responses if it learns of new information.

OBJECTIONS AND RESPONSES TO SPECIFIC DATA REQUESTS

Subject to and without waiving any of the objections stated above, CMA responds to the specific data requests as follows:

22. Mr. Spiers' [sic] prefiled testimony includes the following question and response:

Q. Will the proposed balancing changes to I-1 and T-2 rate schedules increase cost for NA Industries Inc.?

A. The balancing cost will increase significantly for NA Industries, and others, and will not be manageable under the current proposed language This will force NA Industries to take review of all of its options, including but not limited to installing a backup system or subscribing to another rate schedule.

Provide a detailed copy of any and all analysis that Mr Spiers [sic] prepared or reviewed that show NA Industries, Inc.'s balancing cost under current tariff language, and under the proposed tariff language

Response No. 22. Subject to and without waiving all objections previously made, no written analysis was prepared by Mr Spires, nor did Mr. Spires review the written analyses of others. Mr. Spires did review the NA Industries operations and invoices, and concluded that costs would increase if the proposed balancing changes were implemented, as these changes would either result in higher penalties related to imbalances or additional expense to avoid incurring penalties as proposed in the Company's tariffs.

23. Mr. Spiers' [sic] prefiled testimony includes the following question and response:

Q Does NA Industries have a recommendation regarding the proposed tariff change?

A. We believe that the current tariff language for the I-1 and T-2 rate schedules should remain the same. The current tariffs allow NA Industries options that have been and are beneficial to our business. This ensures that the value of the pipeline assets we subsidize through the rates are returned in the form of rate supply options that provide us energy costs savings.

Provide complete copies of any and all analysis that Mr. Spires [sic] prepared or reviewed that identify the amount of any subsidy of pipeline assets provided by NA Industries.

Provide any and all analysis of the energy costs saving that result from rate supply options.

<u>Response No. 23</u>. Subject to and without waiving objections previously made, no such written analysis was prepared, nor did Mr Spires review the written analyses of others in making this conclusion. NA Industries clearly makes a considerable contribution through the firm demand charge on the I-1 Large Firm Rate Tariff This demand charge helps to reimburse Chattanooga Gas Company for pipeline and storage costs associated with providing NA Industries' requirements.

24. The following question and response is provided on page 7, of Mr. Burton's prefiled testimony:

Q. Can this functionality of a supply restriction rat be added to the existing billing system?

A. Yes, with very few changes the billing system could be modified to bill this proposal. Furthermore, the complexity of billing would be greatly reduced relative to Chattanooga Gas Company's tariff proposal.

<u>Response No. 24</u>. Subject to and without waiving all objections previously made, no such written analysis is available. The current Chattanooga Gas Company billing system has the functionality of identifying sales volumes on particular days and applying a billing rate that is different from the standard tariff rates This functionality was added to accommodate the billing of

Chattanooga's incremental rate whereby Chattanooga Gas Company may have natural gas system volumes for sale on peak days. However, Chattanooga Gas Company would be able to recover the actual costs of this supply by charging an incremental rate for these volumes On these days, and on days that a supply restriction rate would be effectuated, Chattanooga Gas Company could capture these sales volumes by coding "Yes" in the "Incremental Sales Available" column of the Volume Gas Worksheet for all interruptible customers. On these particular days, Chattanooga Gas Company could charge the actual costs of providing this gas supply to interruptible customers. Chattanooga Gas Company offered incremental sales on LNG supply which benefited interruptible customers during last winter. It is my understanding that Chattanooga Gas Company charged the applicable cost of gas on these days where incremental gas was available. Thus, Chattanooga Gas Company should be familiar with the application of this billing function, and how this function can be adapted to bill the Supply Restriction Rate.

The proposed balancing tariff will add complexity to Chattanooga Gas Company's billing in several ways. Currently, a short position is billed at the Chattanooga's L-1 or I-1 tariff supply rate. Thus, only two billing rates are required to be entered into the industrial billing system. Under the proposed tariff, the supply billing rate will depend on the highest daily Pipeline WACOG, and the applicable percent out of balance coefficient will have to be applied to calculate the supply for each customer. Thus, it is possible for multiple billing rates for the L-1 and I-1 tariffs. This functionality was not built into Chattanooga Gas Company's current billing system. Furthermore, during my tenure with Chattanooga Gas Company, we frequently had billing issue with stopped meters, or volume corrections in the Gas Operating System that required attention. If such corrections occur with the proposed tariff changes, the supply billing rate will have to be calculated again, since the balancing tier may change which will change the cost of supply for each customer.

Provided that Chattanooga Gas Company billed the incremental rate during the past winter with the current system, this functionality will bill the Supply Restriction Rate as well with no additional costs to upgrade or replace the current system.

25. The following question and answer is provided on page 5 of Mr. Burton's testimony.

Q. Is the reference to Nashville Gas Company's tariff a fair comparison relative to cashout and imbalance costs?

A. No. Nashville Gas Company's market is a firm transportation market The costs of firm interstate service is the norm for the Nashville Market. The market for interstate transportation to Chattanooga is mostly interruptible given the higher costs of interstate transportation and capacity constraints on Southern Natural and East Tennessee. Therefore, balancing is much more difficult if interstate transportation is subject to interruption when the pipeline issues an operational flow order. Nashville Gas Company's transportation customers receive firm service through most of their providers, thus enabling them to better manage balancing without the costs of capacity interruptions.

Provide any and all analysis of Nashville Gas Company's market and the Chattanooga Gas Company's market that Mr Burton prepared or reviewed that provide the basis for his response to the question

Response No. 25. Subject to and without waiving all objections, Mr. Burton did not produce any precise comparative written analysis in preparing his response, nor did he rely on the written analyses of others However, Mr Burton works with industrial end-users in Tennessee as well as natural gas marketers serving the Chattanooga and Nashville markets; his testimony is based on his knowledge regarding interstate capacity and costs available to these markets.

26. The following question and response is provided on page 4 of Mr Burton's testimony.

Q. What is your opinion regarding the proposed cashout and monthly imbalance tariff proposed by Chattanooga Gas Company, and how the tariff compares with Chattanooga Gas Company's cost of balancing through their interstate pipeline suppliers?

A. The potential balancing costs will be much higher for industrial end-users relative to the Chattanooga Gas Company's actual costs. Let me explain Most gas utilities are part of a pool of other utilities, and their cumulative delivery points are pooled together and serviced under an Operating Balancing Agreement with East Tennessee Pipeline. Therefore, there is a netting effect on the cumulative imbalance that mitigates much of the cashout and balancing costs Chattanooga Gas Company would also benefit from the netting effect of transport customers because some will be long and short, thus [the] cumulative imbalances for the utility would be considerable [sic] less than the sum of imbalances Another issue for industrial is the variability of their gas consumption load profile. Some industrials operate on a five day work week, or may have a random gas load profile that makes balancing difficult The average variability for an industrial customer would be considerably higher than the variability of Chattanooga Gas Company. Thus, the forecasting and balancing required for industrial end-users is more difficult than a typical gas distribution company. Another issue is the price used for cashout and imbalance costs. Gas Company proposes to use the highest daily index, and their pipeline supplier, East Tennessee natural Gas Company, uses the highest weekly price published Giving [sic] the volatile spikes with daily natural gas pricing, I would be concerned with this pricing methodology and additional cost impact to industrial end-users. Give [sic] the above issues addressed above, the balancing costs for industrial end-users served by Chattanooga Gas Company will result in additional [administrative] costs to industrial end-users to accurately forecast and predict gas nominations and consumption

Provide complete copies of nay and all analysis that Mr. Burton has conducted or reviewed that show the balancing cost for industrial end-users and for Chattanooga Gas Company under current and proposed rates

Response No. 26. Subject to and without waiving all objections, Mr Burton did not review the written analyses of others in preparing his testimony regarding the balancing cost for industrial end-users and the Company under the current proposed rates No precise mathematical analysis of industrial end-users accounts was performed by Mr. Burton but the FERC approved interstate pipeline tariffs were reviewed by Mr. Burton in estimating these costs

27. Mr Childers informed Mr Larry Buie, Manager-Chattanooga Natural Gas Company, that only manufacturers are full members of the association and that all others are associate members. Identify the current members of the Chattanooga Manufacturers Association that are currently full members and those that are associate members.

Response No. 27. CMA objects on the grounds that Request No. 27 is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. CMA further objects to Request No. 27 as being over-broad, vague, ambiguous and unduly burdensome. CMA has a staff of two (2) individuals, and compiling and verifying such information would dominate the time of at least one. Subject to and without waiving all objections, see the attached membership dues structure of which approximately 130 entities have paid regular members fees and 110 entities have paid associate member fees.

28. Distinguish between the rights and duties of those who are full members of the CMA and associate members of the CMA. For example, explain if associate members serve on the board of the organization; if associate members vote on those appointed to the board, if associate members vote on decisions of the organization to intervene in rate proceedings, etc.

<u>Response No. 28</u>. CMA incorporates herein the objections stated in Response 27 above, but subject to and without waiving all objections, please see the bylaws of CMA, which were previously submitted to the Company and filed in this docket on May 17, 2004, in response to Company's First Set of Data Requests No. 3 propounded on CMA.

29. Provide copies of the documents that create the categories of membership in the Chattanooga Manufacturer's Association.

<u>Response No. 29</u>. CMA incorporates herein by reference Response Nos. 27 and 28 above.

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CERTIFICATE OF SERVICE

I hereby certify that I have on this 9th day of August, 2004, served the foregoing pleading either by fax, overnight delivery service or first class mail, postage prepaid, to all parties of record at their addresses shown below:

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Chattanooga Manufacturers Association

Beginning a Second Century of Advocacy

Regular Membership Dues Structure

Manufacturers and Processors in Hamilton County

Number of Employees	Full Membership Package*	Basic Membership Package
1 - 99	$1,090.00	$ 400.00
100 - 149	$1,390.00	$ 700.00
150 - 199	$1,590.00	$ 900.00
200 - 399	$2,140.00	$1,450.00
400 - 699	$2,530.00	$1,840.00
700 - 1199	$2,890.00	$2,200.00
1200 - 1799	$3,390.00	$2,700.00
1800 & up	$7,200.00	$5,000.00

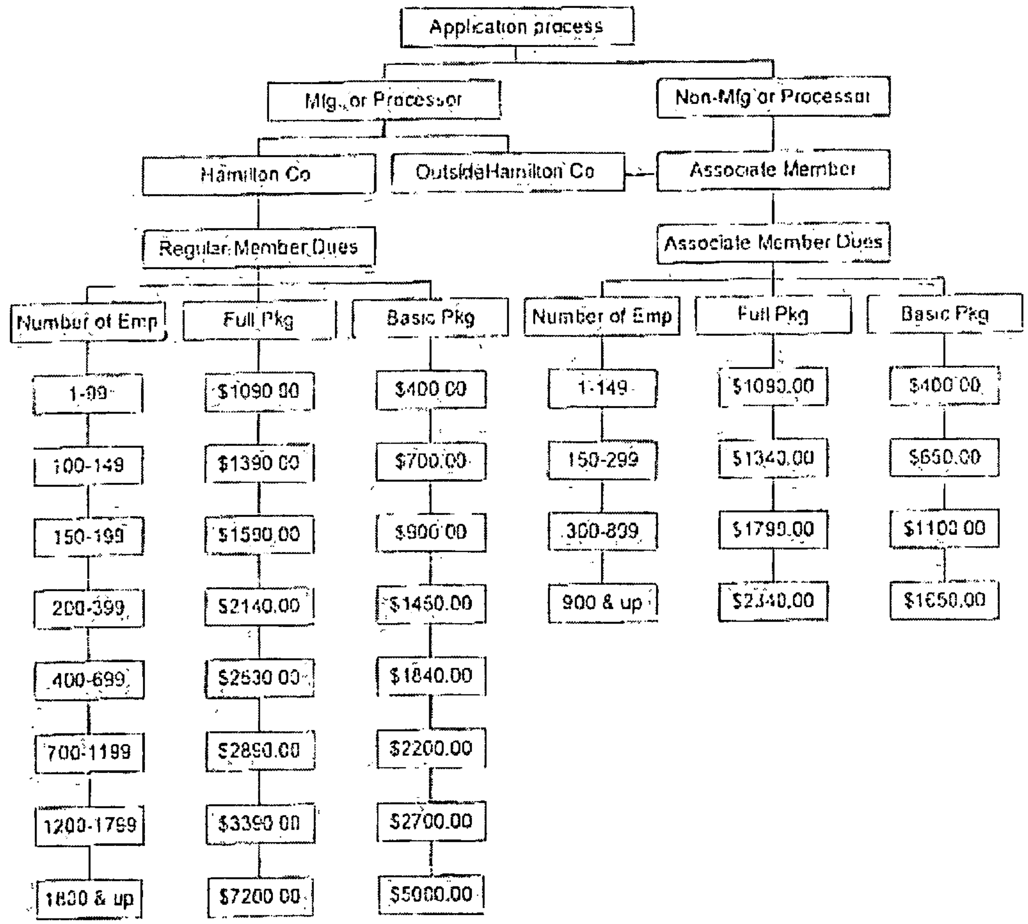
**Full Membership Package includes:*
Annual Dues
Sponsorship recognition at CMA events
One table at CMA's Annual Meeting ($240.00 value)
$350 credit toward CMA seminar registration fees
Local Wage, Salary & Benefit Survey Databook ($275.00)

Associate Membership Dues Structure

Manufacturers and Processors outside Hamilton County and local / regional supportive service suppliers, contractors, banks law firms, wholesalers retailers, etc

Number of Employees	Full Membership Package*	Basic Membership Package
1 - 149	$1,090.00	$ 400.00
150 - 299	$1,340.00	$ 650.00
300 - 899	$1,790.00	$1,100.00
900 & up	$2,340.00	$1,650.00

CMA Membership Structure



Full Membership Package includes:

- Annual Dues
- One table at CMA's Annual Meeting ($240.00 value)
- Local Wage, Salary & Benefit Survey Data Book ($275.00)
- Sponsorship Recognition at CMA Events
- $350.00 credit toward CMA seminar registration fees

$865.00 value for a cost of $690.00