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August 19, 2005

VIA HAND DELIVERY

Ron Jones, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: Generic Docket for the Purpose of Examining TRA Rules,
Policies and Procedures in Light of Current Trends in Gas
Industries
Docket No. 05-00046

Dear Chairman Jones,

Enclosed you will find the original and 13 copies of the Summary Of Revised Recommendations of Chattanooga Gas Company. Please contact me if you have any questions.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Chattanooga Gas
Company

cc: Archie Hickerson
Elizabeth Wade, Esq.
Steve Lindsey
Craig Dowdy, Esq.

SUMMARY OF REVISED RECOMMENDATIONS OF CHATTANOOGA GAS COMPANY

PROCEDURAL/PROCESS ISSUES

DOCKET 05-00046

Based on the comments presented at the meeting held by the TRA on Monday, July 18, 2005, below please find a summary of the revised recommendations of Chattanooga Gas Company ("CGC") regarding the procedural/process issues

- CGC recommends that the TRA review alternative regulatory procedures for utilities operating in Tennessee. This would include a review of Rate Stabilization Programs similar to those in effect in Alabama and South Carolina. The review also should include consideration of providing more procedural flexibility to review novel or unique issues in proceedings outside of a traditional rate case. So many issues are presented in a traditional rate case that novel or unique issues often do not receive the level of attention necessary for a full understanding of the issue. A separate proceeding would provide for more focused discussions. Examples of potential proceedings include, but are not limited to, a proceeding to address programs to assist low income gas consumers that could be funded through a rider mechanism, a proceeding to establish a program to address bare steel and cast iron pipe replacement with an appropriate recovery mechanism, and a proceeding to determine the appropriate policy governing the regulatory treatment of synergy savings resulting from mergers and acquisitions that would provide appropriate incentives to encourage such activity.
- CGC recommends that the Authority modify its procedures to require that a procedural schedule be adopted within one month of the filing of each contested case that will allow the parties to properly plan and that will provide the Authority with the ability to easily monitor the progress of the case. The TRA would still have the ability to modify the schedule if necessary due to conditions or occurrences that were not anticipated at the time the initial procedural schedule was adopted.
- CGC recommends that the Authority define the role of Advisory Staff in contested cases and establish procedures to ensure compliance with Rule 1220-1-2- 21 when the Staff is acting as an adverse party. CGC supports the written comments of Nashville Gas Company in this regard. CGC recommends that Advisory Staff not propound discovery in contested proceedings since that should be the role of the Adversary Staff as a party-litigant to the proceeding. If the Advisory Staff is allowed to propound discovery, then CGC recommends that the procedural order address Advisory Staff's role in that regard and provide for procedures to address questions or disputes that might arise regarding Advisory Staff's discovery. Further, any such Advisory Staff discovery should not be made a part of the record since the Advisory Staff is not a party-litigant to the proceeding, and the normal evidentiary safeguards of tendering evidence and allowing parties to raise appropriate objections would not be present.

- CGC recommends that the Authority provide the utility and intervenors the opportunity to respond to the Staff's recommendation in a rate proceeding and other contested cases. Rate case proceedings and other contested cases include very complex issues and facts that can be easily misunderstood or misinterpreted. We understand that in assisting the Directors, the Staff prepares analysis of the record and provides memorandums that include recommendations on the various issues. Since these recommendations are not available to the parties, neither the utility nor the intervening parties have an opportunity to address any misunderstanding or misinterpretations of facts prior to the Directors making a decision regarding the case. CGC recommends that the TRA amend its procedures by providing copies of such recommendations to the parties with sufficient time for the parties to respond prior to placing the matter on a conference agenda for a decision. This is routine practice in states such as Virginia, Georgia, Florida, North Carolina, and Louisiana. CGC is not recommending that advice or informal information provided in response to questions from Directors by Advisory Staff be made public. Rather, CGC is only recommending that the final formal memorandum be provided to the parties.
- CGC recommends that the Authority consider adopting procedures that would require a written Order to be issued within a certain period of time after the conclusion of a hearing. This would ensure timely and accurate implementation of the Authority's directives. For example, if the Authority votes on a matter, but delays issuing a written Order, the utility must either delay implementing the oral Order or bear the risk that it has clearly understood the Authority's findings. Further, in some instances, the lack of a timely written Order also encumbers a party's ability to take appropriate next steps.
- CGC recommends the elimination or reduction of the 30-day notice requirement for adjustments to the PGA. CGC supports the comments of Nashville Gas Company in this regard. Based on the volatility that exists in the gas markets today, the 30-day requirement is too long. The elimination or reduction of the 30-day requirement would not put customers at risk because the actual cost of gas and the revenue collected through application of the PGA factors is reviewed annually. CGC also supports Nashville Gas Company's recommendation that the formulaic approach to the PGA mechanism be eliminated.
- CGC recommends that the TRA enact rules or procedures to protect proprietary documents filed with the Authority. CGC supports the comments of Atmos Energy Corporation in this regard. Proprietary data filed in response to audits of gas cost or in non-contested proceedings before the Authority should be protected from public disclosure. If the TRA is not persuaded by the legal analysis presented by Atmos, CGC recommends that the TRA seek an Attorney General's opinion to determine whether the current statutory framework and case law provide the TRA the ability to protect such documents. If it is determined that the TRA presently does not have such authority, CGC recommends that the TRA seek appropriate legislation to provide for the protection of commercially sensitive and highly competitive data filed during audits or non-contested proceedings.

- CGC recommends that utilities subject to a Staff Audit be allowed to fully respond to draft conclusions or recommendations prior to a draft audit report being made final. Currently, the practice is for the Staff to provide a draft of the individual audit findings and to allow the utility to respond to such draft findings. However, the utility is not provided the opportunity to respond to draft conclusions or recommendations of the audit report. Allowing for such a review, could help to eliminate any misunderstandings or misinterpretations prior to an audit report being made final
- CGC does not recommend that the TRA make the minimum filing guidelines mandatory. CGC believes that the voluntary guidelines have been working sufficiently well for the Authority. CGC does not agree with the anecdotal evidence raised by the CAPD in its request that the guidelines be made mandatory. If the TRA desires to make the minimum filing guidelines mandatory, then the guidelines should be revised to apply to all utilities. Currently, many of the questions do not apply to CGC, and in such cases "not applicable" should be considered the appropriate response. In addition, if the guidelines are made mandatory, then any responses which include proprietary information should not have to be filed until a protective order is entered by the Authority for the proceeding, unless prior to the filing of the information the TRA adopts a trade secret rule that allows for protection of the information upon filing without the need for such a protective order.