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January 31, 2006

VIA HAND DELIVERY

Chairman Ron Jones
c/o Sharla Dillon, Dockets Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-00505

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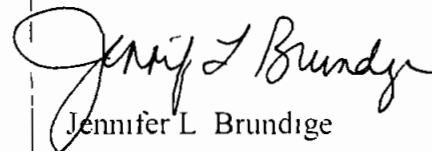
Re Petition of Chattanooga Gas Company for a Temporary Modification to
the Procedure for Calculating the IMCR Refund Credit

Dear Chairman Jones

Enclosed please find the original and thirteen (13) copies of Chattanooga Gas Company's Petition for a temporary modification to the procedure for calculating the refund credit that is allowed by the Interruptible Margin Credit Rider provision of the Company's Tariff. We would like to have this matter considered at the February 6, 2006 TRA Conference if at all possible.

If you have any questions, please call me at 254-9146 or Archie Hickerson at 757-616-7510.

Sincerely yours,


Jennifer L. Brundige

Enclosures

cc Elizabeth Wade, Esq
Archie Hickerson
Steve Lindsey

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

January 30, 2006

**PETITION OF
CHATTANOOGA GAS COMPANY
FOR A TEMPORARY MODIFICATION
TO THE PROCEDURE FOR CALCULATING
THE IMCR REFUND CREDIT**

Docket No

In recognition of the high cost of natural gas during this winter's heating season and in an effort to try to alleviate the financial strain that its residential customers are experiencing, Chattanooga Gas Company ("CGC" or "Company") respectfully submits this Petition for a temporary modification to the procedure for calculating the refund credit that is allowed by the Interruptible Margin Credit Rider ("IMCR") provision of the Company's Tariff. CGC is proposing to provide its residential customers with their IMCR Refund Credit for the year ended December 31, 2005, as a lump sum that is an average of the total amount being refunded to the residential rate class, rather than as a monthly credit based on volume usage. Further, CGC is proposing to increase the total amount being refunded through the IMCR Refund Credit to reflect an advance payment from the Company's asset manager for revenues projected to be generated from non-jurisdictional transactions during 2006.

In accordance with the IMCR provision of its Tariff, CGC provides a credit to its firm sales customers equal to fifty percent (50%) of the gross profit margin generated from the uses of the Company's gas supply assets in transactions with non-jurisdictional customers. This credit is provided through a component of the PGA/ACA factor used to compute the gas portion of the customers' bills. Traditionally, the customers' share of

the non-jurisdictional transactions from one calendar year has been provided to the customers by the application of the factor that is applied for a twelve (12) month period beginning in the second quarter of the next year. CGC is requesting through this Petition that the Tennessee Regulatory Authority ("TRA" or "Authority") temporarily allow the Company to flow its R-1 Residential Class ratepayers' share of the non-jurisdictional transaction gain realized during calendar year 2005 through a lump sum credit to be applied to the February/March billing cycle which is expected to be the highest heating bill during this winter's heating season. The amount of the credit to be applied to each residential bill will be equal to the total to be credited for the year divided by the number of residential customers as of December 2005. The temporary modification to the procedure for crediting the gain would apply only to the R-1 residential rate class, and would not change how the credit is allocated to each of the other rate classes.

Presently, the Company is crediting through the IMCR Refund Credit \$1.8 million for the year ended December 31, 2004. (See Seventy-Six Revised Sheet No. 55 of Chattanooga Gas Tariff No. 1.) Because of the unusual conditions in the natural gas market in the aftermath of Hurricanes Katrina and Rita, the ratepayers' share of the gain from non-jurisdictional transactions completed by the Company's asset manager is approximately \$4.5 million for the year ended December 31, 2005. The conditions that contributed to the larger than normal shared revenue has also resulted in record high natural gas prices which are creating a large financial burden on the Company's residential customers. The Company believes that its residential customers would benefit from receiving their credit from calendar year 2005 now instead of over the next 12 months so that they may obtain some relief from their high gas bills this winter.

The procedure used to compute the volumetric factor and the credit for other classes of customers would not be modified and will be subject to the annual IMCR filing to be implemented in the second quarter of 2006. Any variance in the amount presently estimated to be credited to the R-1 Residential Class will also be addressed in that filing.

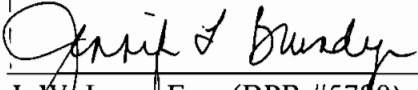
CGC is further requesting that the Authority temporarily modify the procedure for calculating the credit to allow the Company to increase the total that is being refunded to reflect an advance payment of the projected non-jurisdictional gain for the 2006 calendar year. CGC's asset manager has agreed to make an advance payment of \$500,000 from the gain expected to be generated from non-jurisdictional transactions during the 2006 calendar year.

Should this Petition be granted, the Company will apply a \$43.50 credit to its residential customers' bills for the February/March billing cycle. The calculation of the \$43.50 credit is explained in the attached Schedule. The Schedule contains data for December 2005 based on the Company's best estimate.

In conclusion, due to the high cost of natural gas and the financial strain that this places on its residential customers, CGC believes that a temporary modification of the procedure for calculating the non-jurisdictional transaction credit for its residential customers as explained above will provide much needed relief to the Company's residential customers during the current heating season.

Respectfully submitted,

FARMER & LUNA, PLLC

By 
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Attorneys for Chattanooga Gas Company

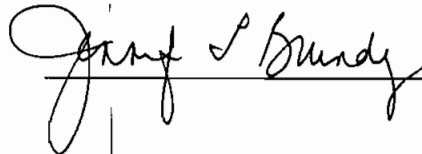
CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forwarded by hand delivery on this the 31st day of January, 2006, to the following

Ron Jones, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

J Richard Collier, Esq
General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Vance L. Broemel, Esq
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P O Box 20207
Nashville, TN 37202



Chattanooga Gas Company
Residential Customer Share of Gain From Asset Management Agreement Non Jurisdictional Transaction
Computation of Residential Lump Sum Credit

Estimated Gain from Asset Management Agreement Non Jurisdictional Transactions for 12 Month Ended Dec 31 2005
Advance Payment from Asset Manager for projected calendar year 2006 gain
Total to be allocated

\$4 500 000
500 000
\$5,000 000

Allocation of Gain to Industrial and all other customers

Rate Schedule	Monthly Contract Demand		Allocated to Demand
I 1	9 802 a/	6 9 %	\$ 345 075
L 1			
T 2			
All Other	132 231	93 1 % b/	\$ 4 654 925
V 1			
	<u>142 033</u>	<u>100 0 %</u>	<u>\$ 5 000 000</u>

Allocation to Residential and Commercial Class

Total to be allocated			\$ 4 654 925
			Allocation to Other Firm Customer Classes
	Sales Volumes		
R 1	3 789 570	50 3 %	\$ 2 343 399
R-4	6 940	0 1 %	\$ 4 292
C 1	3 731 088	49 6 %	\$ 2 307 234
			<u>\$ 2 311 526</u>
Total	7 527 598	100 %	\$ 4 654 925

Customers 53 383 c/

Credit Per Customer
\$ 43 90

Credit to be applied in Feb /March bill cycles
\$43 50

a/ I 1 Demand Units are the Average for 12 months ended December 2005
b/ Based on volumes for the twelve months ended December 31 2005
c/ Customers Dec 2005