

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 30, 2006

IN RE:

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

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**DOCKET NO.
06-00026**

**ORDER GRANTING TEMPORARY MODIFICATION TO PROCEDURE FOR
CALCULATING THE IMCR REFUND CREDIT**

This matter came before Chairman Ron Jones, Director Pat Miller and Director Sara Kyle, of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on February 6, 2006 for consideration of the *Petition* for a temporary modification to the procedure for calculating the refund credit under its Interruptible Margin Credit Rider ("IMCR") Tariff (TRA No.1, Seventh Revised Sheet No. 48), filed by Chattanooga Gas Company ("Chattanooga Gas") on January 31, 2006.

The *Petition*

In its *Petition*, Chattanooga Gas requested a temporary modification to the procedure for calculating the refund credit that is allowed by the IMCR provision of the company's tariff. Such modification would allow Chattanooga Gas to provide its residential customers with their IMCR refund credit (for the year ended December 31, 2005) as a one-time lump sum credit that is an average of the total amount being refunded to the residential rate class based on a flat rate,

rather than as a monthly credit based on volume usage pursuant to Chattanooga Gas' tariff. Further, Chattanooga Gas requested approval to increase the total amount being refunded through the IMCR refund credit by an advance payment of five hundred thousand dollars (\$500,000) from Chattanooga Gas's asset manager for revenues projected to be generated from non-jurisdictional transactions during 2006, bringing the total amount available for the refund from four million five hundred thousand dollars (\$4,500,000) to five million dollars (\$5,000,000). Chattanooga Gas represented that this amount would result in a \$43.50 one-time credit to its residential customer's bill for the February/March 2006 billing cycle thereby providing them some financial relief during the peak heating season.

February 6, 2006 Authority Conference

At the February 6, 2006 Authority Conference, TRA Staff opined: that the total amount to be refunded or credited should be recalculated to include interest, and the refund factor should be applied to both residential and commercial customer bills; that the Revised IMCR Tariff (TRA No 1, Eight Revised Sheet No. 48) should be revised by adding the language "unless modified and approved by the Authority upon a showing of good cause" to the last paragraph of the section titled Filing with the Authority; and finally, that a revised tariff filing to amend or prescribe the proposed refund methodology was necessary because the Purchased Gas Adjustment ("PGA") rules specify that refunds shall be made on a volumetric basis, and Chattanooga Gas had made the following reference in its tariff filing: "The company shall charge all authorized negotiated rate gross profit margin losses to the "Deferred Gas Cost" account in accordance with Section III.C. of the Authority's PGA Docket No. G86-1" (the PGA rules).

Following Staff's remarks, Mr. Earl Burton, who represents Tennessee Energy Consultants and had filed a letter of objection on its behalf with the Authority stated that he would like to register an objection to the existing, approved IMCR credit refund sharing formula.

Mr. Burton further stated that by using revenues from non-jurisdictional transactions for residential customers instead of all the customers on the system, his clients who are large commercial users and could use some relief from high gas costs would be overlooked. Mr. Burton expressed support for the average or flat credit refund sharing approach.

Mr. Archie Hickerson, Chattanooga Gas's representative was asked to address the interest component. He stated that the figures previously submitted were an estimate, and subsequent data revealed that the actual figure for the year 2005 was approximately four million, four hundred thousand dollars (\$4,400,000) and therefore, the interest component had been included in the four million five hundred thousand (\$4,500,000) estimate by default.

The Panel found that approving this *Petition* would provide immediate relief from high gas costs to Chattanooga Gas consumers and unanimously voted to approve the *Petition* as filed, with the following provisos:

1.) That Chattanooga Gas file a subsequent amendment to their Revised IMCR tariff (TRA No.1 Eight Revised Sheet No. 48) and add the language: "Unless modified and approved by the Authority upon a showing of good cause," to the end of the last paragraph under the section titled Filing with the Authority, thus enabling the Authority to approve the five hundred thousand dollars (\$500,000) advance from 2006 earnings.

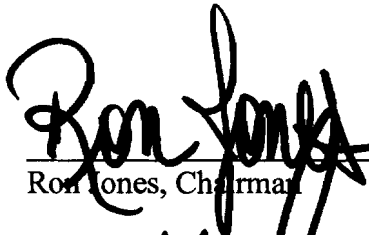
2.) That Chattanooga Gas file an additional amendment to its tariff clarifying the methodology or sharing mechanism for calculating the refund credit that is allowed by the IMCR provision of Chattanooga Gas's tariff and distinguishing it from the PGA rules.

IT IS THEREFORE ORDERED THAT:

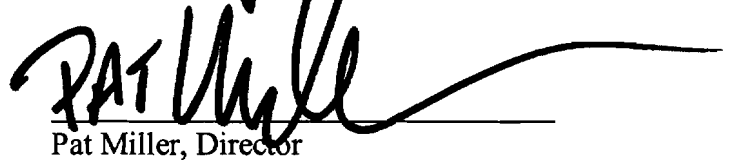
The *Petition* for a temporary modification to the procedure for calculating the Interruptible Margin Credit Rider refund credit filed by Chattanooga Gas Company is approved as filed, provided:

1.) That Chattanooga Gas Company file a subsequent amendment to their Revised IMCR tariff (TRA No. 1 Eight Revised Sheet No. 48) and add the language: "Unless modified and approved by the Authority upon a showing of good cause," to the end of the last paragraph under the section titled Filing with the Authority; and

2.) That Chattanooga Gas Company file an additional amendment to its tariff clarifying the methodology or sharing mechanism for calculating the refund credit that is allowed by the Interruptible Margin Credit Rider provision of Chattanooga Gas Company's tariff and distinguishing it from the Purchased Gas Adjustment rules.



Ron Jones, Chairman



Pat Miller, Director



Sara Kyle, Director