

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 12, 2006

IN RE:

**PETITION OF CHATTANOOGA GAS COMPANY TO
INCREASE RATES, INCLUDING A COMPREHENSIVE
RATE DESIGN PROPOSAL AND REVISED TARIFF**

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**DOCKET NO.
06-00175**

SECOND ORDER MODIFYING PROCEDURAL SCHEDULE

This matter is before the Hearing Officer for consideration of the *Motion to Modify Procedural Schedule* (“*Motion to Modify*”) filed by the Consumer Advocate and Protection Division of the Office of the Attorney General (“Consumer Advocate”) on September 20, 2006. After reviewing the Motion to Modify and giving consideration to the schedules of the Directors, the Hearing Officer hereby grants the *Motion to Modify* with certain changes as noted herein.

BACKGROUND

On June 30, 2006, Chattanooga Gas Company (“CGC” or the “Company”) filed its *Petition* seeking approval by the Tennessee Regulatory Authority (“Authority” or “TRA”) of “an adjustment of rates and charges for natural gas service, the implementation of its comprehensive rate design proposal, which includes an Energy Conservation Plan and a Conservation and Usage Adjustment, and the revision of its tariff.”¹ On July 27, 2006, the Hearing Officer issued the *Order Suspending Tariffs, Granting Motions to Intervene and Establishing a Procedural Schedule* (“July 27 Order”), which set forth a procedural schedule that bifurcated the revenue

¹ *Petition* at 1 (June 30, 2006).

requirement and the rate design components in CGC's rate adjustment proposal. The Consumer Advocate and Chattanooga Manufacturers Association ("CMA") objected to the Procedural Schedule in the July 27 *Order* and requested that the parties be given the opportunity to discuss and propose an alternative procedural schedule. In its response to the July 27 *Order*, CGC expressed concerns regarding the bifurcation process and also suggested that the parties meet to develop a procedural schedule and address concerns regarding specific issues.

The parties filed a *Joint Proposed Procedural Schedule* ("*Joint Filing*") on August 9, 2006 in which they agreed that traditional rate design issues should be considered in the Phase I revenue requirement phase, and that the proposed Energy Conservation Plan ("ECP") and Conservation Usage Adjustment ("CUA") issues be considered in Phase II. The parties proposed a procedural schedule for Phase I that included a Hearing on the merits from December 6 through December 8, 2006 and concluding deliberations on the revenue requirement and rate design by the end of December, 2006, which would allow rates to be effective on January 1, 2007. Likewise, the parties included in the proposed procedural schedule a date for an Authority ruling for Phase II on a conservation plan and its associated rate design.²

On August 18, 2006, the Hearing Officer entered an *Order Modifying Procedural Schedule* ("*August 18 Order*") which included changes in the *Joint Filing* submitted by the parties. In the August 18 *Order*, the Hearing Officer encouraged determination of these issues within the six-month period, but stated that the proposed schedule did not provide sufficient time, after the proposed Hearing date, for the Authority to analyze the evidence presented and deliberate on the issues of the revenue requirement and rate design. Therefore, the Hearing Officer established a Modified Procedural Schedule for resolution of the revenue requirement and rate design components with hearing dates of November 28 through November 30, 2006.

² All Parties reserved the right to raise any and all objections to any additional issues that may be proposed for Phase II. See, *Joint Proposed Procedural Schedule* (August 9, 2006), p.2.

Also, on August 18, 2006, the Hearing Officer set a Status Conference for August 23, 2006 for the purposes of addressing discovery disputes and discussing pre-hearing matters. During the Status Conference, the modified Procedural Schedule in the August 18 *Order* was addressed and a request was made by CGC to move the date of the Hearing on the merits back to the week of December 5, 2006. With that request, CGC agreed to move out the date for putting rates into effect from January 1 to January 8, 2007. All of the parties expressed agreement with CGC's request as well as the dates of December 5 through 8, 2006 for the Hearing on the merits.

MOTION TO MODIFY

On September 20, 2006, the Consumer Advocate filed the *Motion to Modify* stating that the parties have agreed to certain modifications to the procedural schedule which would shift several dates for the filing of pre-filed testimony and the commencement of the second round of discovery and set the dates for the Hearing on the merits for December 5 through December 8, 2006. In addition, in conjunction with the change in the Hearing date, the Company agrees not to put the proposed rates into effect, as permitted by Tenn. Code Ann. § 65-5-103(b)(1),³ until January 15, 2007, provided that if the parties reach a settlement and the settlement and resulting tariffs are approved by the Tennessee Regulatory Authority prior to January 15, 2007, CGC may put the approved rates into effect upon approval.

Upon review of the *Motion to Modify* and consideration of the schedule of the Directors, the Hearing Officer grants, in part, the *Motion to Modify* but adjusts the dates of the Hearing to December 5 through December 7, 2006, as reflected in the Second Modified Procedural Schedule attached to this Order as **Exhibit A**.

³ Tenn. Code Ann. § 65-5-103(b)(1) permits the Company to place the proposed rates into effect under bond after six months upon notification to the Authority.

IT IS THEREFORE ORDERED THAT:

1. The Second Modified Procedural Schedule, attached to this Order as **Exhibit A**, governing the revenue requirement and rate design components of this docket, is hereby adopted and is in full force and effect.

2. A Status Conference is hereby scheduled for **2:00 p.m. on Thursday, October 26, 2006**. In addition to addressing any discovery disputes and other pre-hearing matters during the Status Conference, the parties shall be prepared to discuss the status of settlement negotiations.


Richard Collier, Hearing Officer

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**SECOND MODIFIED PROCEDURAL SCHEDULE
(October 12, 2006)**

August 11, 2006	1st Round of Discovery Due
August 17, 2006	Discovery Objections Due
August 23, 2006	Status Conference
September 5, 2006	Discovery Responses Due
October 16, 2006	Intervenors' Pre-Filed Testimony Due
October 20, 2006	2nd Round of Discovery Due
October 24, 2006	Discovery Objections Due
October 26, 2006	Status Conference (Parties will report on settlement talks)
November 3, 2006	Discovery Responses Due
November 17, 2006	Company's Pre-Filed Rebuttal Testimony Due
December 5-7, 2006	Hearing on the Merits (Includes Traditional Rate Design Issues)