

TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman
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October 20, 2006

Timothy C. Phillips, Esq.
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Office of the Attorney General and Reporter
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Nashville, TN 37243

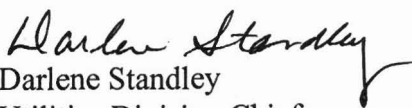
RE: Docket No. 06-00175 – PETITION OF CHATTANOOGA GAS COMPANY TO
INCREASE RATES, INCLUDING A COMPREHENSIVE RATE DESIGN PROPOSAL
AND REVISED TARIFF

Dear Mr. Phillips:

Please provide the information as outlined on the attached First Discovery Requests of TRA Advisory Staff. You are not required to provide paper copies of items submitted in electronic format.

All information should be provided by November 3, 2006. Should you have questions regarding the attached request, please contact Paul Greene (extension 156) for clarification.

Sincerely,


Darlene Standley
Utilities Division Chief

Attachment (2)

C: J.W. Luna
Jennifer L. Brundige
Steven L. Lindsey
Archie Hickerson
Elizabeth Wade
Stephen R. Butler
Henry Walker
David C. Higney
Catharine H. Giannasi
TRA Docket Room

First Discovery Requests of TRA Advisory Staff

1. Provide all schedules and exhibits supporting pre-filed direct testimony in working Excel files via CD.
2. Reconcile the \$4,114,106 depreciation expense cited in Direct Testimony of Terry Buckner, p. 11 to the \$4,111,885 shown on CAPD-1, Schedule 2.
3. Provide the Georgia Order approving the AGL depreciation rates which the CAPD uses in its forecast.
4. On Exhibit CAPD-DM, Schedule 1, Page 2, the adjusted gross margin for 5/31/06 is shown as \$29,912,287 which is the difference between Total Operating Revenues and Purchase Gas reported on the Company filed 5/31/06, 3.03 report. Since Total Operating Revenue is based on collections from customers who were billed at the **estimated** cost of gas (PGA rate), while the Purchase Gas amount is the **actual** cost of gas, explain why the ACA balance of -\$1,858,029 at 5/31/06, is not factored into the calculation of the true adjusted gross margin.
5. Mr. Buckner recommends that the ALG depreciation rates adopted in Georgia be used in Tennessee. Please provide any analysis, regarding the comparability of assets, asset lives, etc. used in the Georgia depreciation study with those in Tennessee.
6. To the extent that other parties do not request this information, please provide complete copies of the following documents as referenced in the Direct Testimony of Steve Brown:
 - a. "Ibbotson Dials It Down, No Longer 'Mr. Ten Percent'", on page 14.
 - b. "9% Forever?" as excerpted on pages 15-16.
 - c. "The Shrinking Equity Premium", by Jeremy J. Siegel on page 16.
 - d. "The Equity Premium", by Eugene F. Fama and Kenneth R. French on page 17.
 - e. "The Capital Asset Pricing Model: Theory and Evidence", by Eugene F. Fama and Kenneth R. French on pages 34-35.
7. To the extent that other parties do not request this information, please provide a complete copy of the source document from TRA Docket No. 05-00258 containing information on the Arkansas Utility Commission as referenced in the Direct Testimony of Steven Brown on page 13.
8. Provide any calculations or workpapers used to verify the Cost of Service Study submitted by CGC.
9. Provide any calculations or workpapers used to determine the revenue effect of the proposed rate structure.
10. Provide any calculations or workpapers used to determine rate class or customer impact of the proposed rate structure.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing First Discovery Requests of the TRA Advisory Staff was served on the parties listed below via email and U.S. Mail on October 20, 2006.

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