

TENNESSEE REGULATORY AUTHORITY

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October 20, 2006

J.W. Luna, Esq.
Farmer & Luna, PLLC
333 Union Street, Suite 300
Nashville, TN 37201

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

Dear Mr. Luna:

Please provide the information as outlined on the attached Third 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: Jennifer L. Brundige
Steven L. Lindsey
Archie Hickerson
Elizabeth Wade
Timothy Phillips
Stephen R. Butler
Henry Walker
David C. Higney
Catharine H. Giannasi
TRA Docket Room

Third Discovery Requests of TRA Advisory Staff

GENERAL

50. On page 6 of Daniel J. Nikolich's Direct Testimony, Mr. Nikolich states, "Based upon New York Mercantile Exchange futures as of June 15, 2006, wholesale prices of natural gas are expected to increase above \$10.00 per dekatherm again next winter." NYMEX natural gas futures have recently declined materially. Provide an analysis of how this decline will influence the Company's forecasted revenues, cost of gas, projected usage, income taxes, excise tax, TRA inspection fee, other taxes and storage gas balances.
51. Provide a schedule in the format of Exhibit CAPD-1, Schedule 2, documenting CGC's forecast for the twelve months ending December 31, 2007. All Phase II issues should be removed.

REVENUES

52. In regards to Company's exhibit, PGB-1, please explain and show the calculations for columns [2], [3], and [4].
53. Please reconcile the number of bills and volumes listed in column [1] of Company's exhibit PGB-1 for Multi-Family Housing, Commercial T-3, and all industrial categories with Industrial and Other categories amounts provided on report 3.03 submitted to the Authority for the months January 2005 through December 2005.
54. Please provide documentation verifying the amounts in column [1] for Company's exhibit PGB-1 for Other Revenue.
55. Please provide an electronic Excel spreadsheet via CD of the Company's exhibit, PGB-1, which includes all formulas.
56. Provide an update to your response to TRA FG 31 to include actual amounts for 8/06 – 9/06.
57. Provide actual usage by customer class, by month, for 8/06 – 9/06.
58. Please list all states where the forecast model, including the changes made to the model since the last Chattanooga gas rate case and described in the pre-filed direct testimony of Philip Buchanan, has been submitted. Also, indicate whether such states adopted the model in their ratemaking decision. Please document the adoption of the model by providing Orders as appropriate.
59. On pages 12-13 of the pre-filed direct testimony of Philip Buchanan, Mr. Buchanan notes that the forecast model includes a cubic spline term in the residential and commercial

- consumption equations. Please provide the following information about the use of cubic splines in the context of forecasting natural gas consumption:
- a. Provide all documentation from the Forecast Pro XE version 4 software discussing cubic splines.
 - b. Provide appropriate citations from academic and professional literature that utilize cubic spline terms to forecast natural gas consumption.
60. Please explain why the entries for the cubic spline variable in the file "Schedule 30C Cubic Spline Variable.xls" differ from the entries in the file "CGC MCF Data (FPW).xls."
61. As discussed on page 12 of the pre-filed direct testimony of Philip Buchanan, provide all data and calculations supporting the statement, "the base temperature that was found to have the highest correlation with actual usage was 65° F."
62. What criteria were used to specify the residential and commercial consumption equations?
- a. Please describe all statistical model specification tests employed on the residential and commercial consumption equations.
 - b. As part of this answer, provide all results and data used to calculate comparative models used in such specification testing.
 - c. Provide any analysis done to test for multi-collinearity among variables in the forecast model.
 - d. As referenced on pages 9-10 of the pre-filed direct testimony of Philip Buchanan, provide the results of review of output statistics, backcasting, and holdout period analysis.
63. Provide a price out in a working Excel file on CD including all formulas with the current customer base using the proposed rate structure absent any revenue deficiency or surplus effect.
64. Provide the number of customers by rate classification, by month, from January 1997 through December 2002.
65. Provide the overall usage by rate classification, by month, from January 1997 through September 2006.
66. Are the sales figures reported in the Operating Revenue section of the monthly 3.03 reports the actual amounts billed to customers? Are the figures adjusted to include timing differences such as the current ACA balance? Provide a detailed explanation of the sales figures.

DEPRECIATION

67. 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.

BARE STEEL

68. Please provide detailed specific dollar amounts for CGC's bare steel replacement program that are included in the projected 2007 attrition year CGC rate base on MJM-3, Schedule 1.
69. Provide CGC's schedule, by year, and estimated dollar amount, for the current bare steel replacement program.
70. Provide CGC's schedule, by year, and estimated dollar amount, for its proposed bare steel replacement program in this rate case.
71. Provide the amount of bare steel replacement, miles, and dollar amounts, for each of the past ten years.

RATE BASE

72. Provide actual Plant in Service and Accumulated Depreciation balances at 9/30/06 by account.
73. Provide updated 13 month average balances for all rate base items as of 9/30/06.

COST OF SERVICE / RATE DESIGN

74. Please submit cost of service studies for the 12 months ended December 31, 2005 and December 31, 2006.
75. Please submit a cost of service study with interruptible customers receiving allocations based on them being classified as firm customers, for the 12 months ended December 31, 2005, December 31, 2006 and December 31, 2007.
76. When calculating reserve margin, how is interruptible demand counted in the calculation of peak day demand?
77. What cost savings or system benefits are realized by curtailing interruptible customers when operational or pressure problems arise?
78. How many firm customers have switched to the interruptible class each year since January 2000? How long were these customers served as firm customers?
79. How many interruptible customers have never received firm service?
80. Have CGC's storage assets ever been used to supply interruptible customers if the customer's marketer failed to deliver gas to the citygate?

81. Provide the monthly billing demands that correspond to the customer usage submitted in TRA FG 30.
82. Define load factor.
83. Explain the benefits to the CGC system provided by high load factor consumption. Also, please describe the effect of low load factor customers on the system.
84. The definition of Billing Demand for Medium Commercial and Industrial General Service as compared to the definition of Billing Demand for Commercial and Industrial Large Volume Firm Sales Service indicates that Medium C&I users do not have meters capable of recording the maximum daily usage for a month. If this is the case, could meters be reprogrammed to record this information or would the meters have to be replaced? What would the new meter cost? If this is not the case, why are the definitions different?
85. Has CGC considered a block rate dependent on peak usage (similar to hours use of demand rates used by electric utilities) for medium C&I customers rather than the proposed structure? If CGC has considered such a block rate why did they elect not to use it?
86. Provide a schedule for the last five years, by month, showing all curtailments to interruptible customers.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Third 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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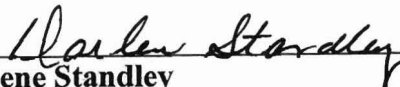
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