

These Discovery Requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the CAPD which would make a prior response inaccurate, incomplete, or incorrect.

For purposes of these Discovery Requests, the term "you" shall mean and include: the CAPD and all employees, agents and representatives thereof.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when.

If you produce documents in response to these Discovery Requests, produce the original of each document or, in the alternative, identify the location of the original document. If the original document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the Discovery Requests are not answered on the basis of privilege or immunity, include in your response to each such request a written statement evidencing:

- a) the nature of the communication;
- b) the date of the communication;
- c) the identity of the persons present at such communication; and
- d) a brief description of the communication sufficient to allow the Court to rule on a motion to compel.

If, for any reason, you are unable to answer a Discovery Request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

These Discovery Requests are to be interpreted broadly to fulfill the benefit of full discovery. To assist you in providing full and complete discovery, the Company provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term communication means any transmission of information by oral, graphic,

pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

FIRST DISCOVERY REQUESTS

DISCOVERY REQUEST NO. 1:

Produce copies of any and all documents referred to or relied upon in responding to CGC's discovery requests.

DISCOVERY REQUEST NO. 2:

Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness:

- a) identify the field in which the witness is to be offered as an expert;
- b) provide complete background information, including the expert's current employer as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations presented in whole or in part by the witness;
- c) provide the grounds (including without limitation any factual basis), for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- d) identify any matter in which the expert has testified (through deposition or otherwise), by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- e) identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;

- f) identify all documents or things relied upon or prepared by any expert witness, which are related to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things provided to that expert for review in connection with testimony and opinions; and
- g) identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert.

DISCOVERY REQUEST NO. 3:

Provide all material relied upon or produced by any witness for the CAPD or any expert or consultant retained by the CAPD to testify or to provide information from which another expert will testify concerning this case, including all work papers, reference sources, financial information, discovery responses, e-mails and other materials. Please produce working Microsoft Excel files for all work papers and exhibits.

DISCOVERY REQUEST NO. 4:

Produce a copy of all articles, journals, books or speeches written by or co-written by any CAPD expert witnesses, whether published or not.

DISCOVERY REQUEST NO. 5:

State each fact you rely on to support your contentions and requests for relief in this docket.

DISCOVERY REQUEST NO. 6:

Identify all persons known to you, your attorney, or other agent who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support each fact you rely on to support your contentions and requests for relief in this docket.

DISCOVERY REQUEST NO. 7:

If your response to any request for admission is other than an unqualified admission, state for each such request for admission the following:

- a) All facts that you contend could support in any manner your response to the extent it is not a complete admission;
- b) For any information you contend is incorrect or inaccurate, provide the correct information;
- c) Identify all documents, or any tangible or intangible thing that supports in any manner your lack of admission or your qualification of your admission;
- d) The name and address of the custodian of all tangible things identified in response to subsection of this interrogatory; and
- e) The name and address of all persons, including consultants purporting to have any knowledge or factual data upon which you base your lack of admission or your qualification of your admission.

DISCOVERY REQUEST NO. 8:

Please provide a list of all the non-telephone rate cases in which you have testified on rate of return matters in the last five years. Provide in tabular form the name of the jurisdiction, the year, company for which you provided a recommended return on equity, your return on equity recommendation, your common equity ratio recommendation, the return on equity authorized, and the common equity ratio authorized in that case. Please also provide the prevailing yield on long-term U.S. Treasury bonds at the time of preparing these testimonies.

DISCOVERY REQUEST NO. 9:

a) Please provide a list of college-level finance (corporate finance, investments, banking, regulation, etc.) courses Mr. Brown has taught in the last five years or is currently teaching, the syllabus for these courses, and a list of textbooks/readings used in these courses. If unavailable for the last five years, provide such a list for courses last taught.

b) Has Dr. Brown ever presented cost of capital seminars to professional groups and/or regulators, such as the National Association of Regulatory Commissioners, the National

Association of State Utility Consumer Advocates, or any state regulatory commission? If so, please provide a syllabus, table of contents, and list of references used in those seminars.

DISCOVERY REQUEST NO. 10:

Please provide copies or summaries of any book, monograph, or article Mr. Brown has published in academic finance journals subject to peer review in the last five years dealing with the subject of corporate finance, investments, and utility regulation.

DISCOVERY REQUEST NO. 11:

Please provide the currently authorized return on equity for each of the regulated companies used in your sample group of 10 natural gas utilities.

DISCOVERY REQUEST NO. 12:

Does Mr. Brown's recommended cost of common equity assume the maintenance of the company's existing capital structure or does it assume some other capital structure. If so, please state your recommended ROE under both the company's existing capital structure and your recommended capital structure.

DISCOVERY REQUEST NO. 13:

Are there any investor-owned regulated natural gas utilities in North America with an allowed rate of return on common equity that is equal to, or less than, what Mr. Brown recommends in this proceeding? If so, provide a list of such utilities.

DISCOVERY REQUEST NO. 14:

Are there any investor-owned electric utilities in North America with an allowed rate of return on common equity that is equal to, or less than, what Mr. Brown recommends in this proceeding? If so, provide a list of such utilities.

DISCOVERY REQUEST NO. 15:

Is it Mr. Brown's opinion that natural gas distribution utility stocks have outperformed or underperformed the overall equity market in the last two years? Please provide any supporting evidence.

DISCOVERY REQUEST NO. 16:

a) Is it Mr. Brown's contention that natural gas distribution utility stocks have become more risky, less risky, or as risky as in the past?

b) Is it Mr. Brown's contention that natural gas distribution utility stocks are less risky, more risky, or as risky as electric utility stocks? Please provide the basis for your opinion.

DISCOVERY REQUEST NO. 17:

Does Mr. Brown believe that the parent-subsidary relationship influences the cost of capital? If so, how?

DISCOVERY REQUEST NO. 18:

Please restate the common equity ratios shown on Schedule 2 without the inclusion of short-term debt.

DISCOVERY REQUEST NO. 19:

Please provide the computational details of the NASDAQ beta estimates shown on Schedule 28. Over what period were they measured? What market index was employed? What holding period returns were used (daily, weekly, monthly)? Are these betas adjusted or unadjusted? If unadjusted, please provide the adjusted betas.

DISCOVERY REQUEST NO. 20:

Please explain why Dr. Brown relied on NASDAQ betas in this proceeding rather than on the Yahoo, AOL OnLine, and Lycos betas as he did in CGC's last rate case.

DISCOVERY REQUEST NO. 21:

On page 9 of his testimony, Dr. Brown refers to his analysis of the market's equity cost designed to remove the influence of the huge dividend growth rate.

- a) Did Dr. Brown also remove the influence of low, zero, and negative growth rates from his analysis? If not, why not?
- b) Please provide the analysis shown on page 11 with zero and negative dividend growth rates removed?
- c) Referring to page 9 lines 26-27, did Dr. Brown also eliminate companies whose growth rates were below the range in Dr. Morin's exhibits? If not, why not? If not, please provide the same analysis with such growth rates removed.

DISCOVERY REQUEST NO. 22:

On page 10 line 26 of his testimony, Dr. Brown refers to “*prominent and recent financial literature*” on the market risk premium. Please a copy of, and citation to, each of the articles in the financial journals to which Dr. Brown is referring to in that statement.

DISCOVERY REQUEST NO. 23:

a) Page 13, lines 5-9. Is Dr. Brown aware of any other granted returns by regulatory commissions for natural gas and/or electric utilities? If so, please cite the case number, date, and ROE granted.

b) Please identify each investor-owned regulated natural gas utility with an allowed rate of return on common equity that is equal to, or less than, 8%.

DISCOVERY REQUEST NO. 24:

Please provide a copy of the Siegel article cited on page 16.

DISCOVERY REQUEST NO. 25:

a) Please provide a copy of the Fama-French article cited on page 17.

b) Please provide a copy of the Fama-French article cited on page 19 lines 29-30.

c) Please provide a complete copy of the Fama-French article cited on page 34.

DISCOVERY REQUEST NO. 26:

Page 19 lines 27-28. Please provide a copy of, and citation to, any and all peer-reviewed books, monographs or articles other than the Fama-French article cited that substantiate Dr. Brown's statement confirming “*the upward bias in analysts forecasts.*”

DISCOVERY REQUEST NO. 27:

Please provide copies of, and citations, to any and all work papers, articles, or publications (including but not limited to any electronic work papers, articles, or publications) relied upon by Dr. Brown that substantiate his assertion on page 43 line 23 that “*the DCF model is widely used.*”

DISCOVERY REQUEST NO. 28:

Please identify where in Dr. Morin's testimony investor returns are compounded quarterly.

DISCOVERY REQUEST NO. 29:

a) On page 46 lines 28-29, Dr. Brown cites: "*Value Line has the highest growth rates, consistent with the general pattern of Value Line's upward bias in measurements of risk and equity return.*" Please provide copies of, and citations, to any and all work papers, articles, or publications (including but not limited to any electronic work papers, articles, or publications) relied upon by Dr. Brown that substantiate that statement.

b) Did Dr. Brown compare Value Line's growth forecast for his comparable companies with that of other analysts to verify this assertion? If not, why not? If so, please provide a comparison of Value Line's growth forecast with consensus analysts' growth forecasts for each of his 10 comparable natural gas utilities.

DISCOVERY REQUEST NO. 30:

Please provide copies of, and citations, to any and all work papers, articles, or publications (including but not limited to any electronic work papers, articles, or publications) relied upon by Dr. Brown that substantiate his assertion on page 48 lines 18-25 that "*investors anticipate these companies will earn equity returns greater than the cost of equity.*"

DISCOVERY REQUEST NO. 31:

Is the reference to a market risk premium of 2% to 4% on page 2 lines 5-6 of Dr. Brown's testimony based on arithmetic or geometric mean returns? If based on geometric mean returns, please restate these estimates on the basis of arithmetic mean returns.

DISCOVERY REQUEST NO. 32:

- a) Please explain why Dr. Brown limited his DCF analysis to historical dividend growth rates over the 2002-2005 period?
- b) Given that earnings drive dividends, please explain why Dr. Brown failed to examine historical and projected earnings per share growth in his DCF analysis on Page 44.

- c) Is Dr. Brown aware of any dividend growth forecasts for each of his comparable companies? If so, please provide such forecasts.
- d) Given the perpetual long-term nature of the growth term in the discounted cash flow ("DCF") model, please explain in detail why Dr. Brown did not use or consider any longer-term period for determining growth in the DCF analysis on page 44 of his DCF analysis.
- e) Please provide the general trend of dividend payout ratios for natural gas utilities over the past five years.

DISCOVERY REQUEST NO. 33:

Admit that unaudited financial information and/or financial information not verified by an independent third party was relied upon by the CAPD to support its proposed revenue requirement in this case. If this is not admitted, please explain.

DISCOVERY REQUEST NO. 34:

Is there a requirement by the TRA to file a depreciation study in conjunction with a rate case? If so, please provide the specific rule or law.

DISCOVERY REQUEST NO. 35:

Admit that monthly balances of short-term debt and rate base working capital typically have a correlating relationship. I.E., as rate base working capital increases, so does short-term debt. If this is not admitted, please explain.

DISCOVERY REQUEST NO. 36:

Admit that in CGC's 2004 rate case (Docket No. 04-00034), the CAPD did not contest CGC's depreciation rates nor did the CAPD request that a depreciation study be filed in its next rate case.

DISCOVERY REQUEST NO. 37:

Has the CAPD performed a study to determine which state jurisdictions do and do not allow the recovery of at risk incentive compensation plans such as those used by AGLR and CGC? If so, please provide the results of such study.

DISCOVERY REQUEST NO. 38:

Please explain why the CAPD supports the calculation of most rate base amounts using average monthly balances but does not support using short-term debt balances based on average monthly balances when calculating the capital structure.

DISCOVERY REQUEST NO. 39:

Admit that other state jurisdictions use an averaging method for short-term debt balances when calculating a utilities' capital structure and not an end of period balance. If this is not admitted, please explain.

DISCOVERY REQUEST NO. 40:

On page 11 of his pre-filed direct testimony Mr. Buckner states: "In our calculation of depreciation expense, the CAPD applied the current Average Life Group ("ALG") depreciation rates of Atlanta Gas Light ("AGL") by account category for Tennessee plant balances as a surrogate for the attrition year ended December 2007 for CGC".

- a) Admit that the depreciation rates used by the CAPD to compute depreciation are not the depreciation rates currently approved by the Tennessee Regulatory Authority for Chattanooga Gas Company. If the request is not admitted, provide a detailed explanation.
- b) Admit that the rates used by Chattanooga Gas Company are the rates approved by the Tennessee Regulatory Authority in docket 97-00982. If the request is not admitted, provide a detailed explanation.

DISCOVERY REQUEST NO. 41:

a) Admit that the rates approved by the Tennessee Regulatory Authority in docket 97-00982 were developed using the ELG procedures. If the request is not admitted, provide a detailed explanation.

b) Admit that the in docket 97-00982 Chattanooga Gas Company filed a detailed study supporting the current depreciation rates that were approved by the Tennessee Regulatory Authority. If the request is not admitted, provide a detailed explanation.

c) Admit that in the study supporting the rates approved by the TRA in docket 97-00982 the rates were properly identified as ELG rates. If the request is not admitted, provide a detailed explanation.

d) Admit that the Consumer Advocate Division intervened in docket 97-00982. If the request is not admitted, provide a detailed explanation. If the request is not admitted, provide a detailed explanation.

e) Admit that in docket 97-00982 testimony was entered on behalf of the Consumer Advocate Division addressing the depreciation rates proposed by CGC. If the request is not admitted, provide a detailed explanation.

f) Admit that the Consumer Advocate Division knew or should have known that the depreciation rates proposed in docket 97-00982 were ELG rates. If the request is no admitted, provide a detailed explanation.

g) Admit that the Consumer Advocate Division did not enter testimony in opposition to the adoption of ELG depreciation rates by the TRA in docket 97-00982. If the request is not admitted, provide a detailed explanation.

h) Admit that in docket 04-00034 the CAPD adopted the depreciation expense computed using the ELG depreciation rates approved by the TRA in docket 97-00982. If the request is not admitted, provide a detailed explanation.

DISCOVERY REQUEST NO. 42:

Admit that the CAPD has not prepared a detailed depreciation study of CGC's plant accounts.

DISCOVERY REQUEST NO. 43:

For each of CGC's plant categories identify the following as determined by the CAPD:

- a) The average service life;
- b) The average remaining life;
- c) The future cost of removal;
- d) The future salvage.

DISCOVERY REQUEST NO. 44:

Provide copies of all analysis performed by the CAPD that supports:

- a) The average service life for each of CGC's plant categories;
- b) The average remaining life;
- c) The future cost of removal;
- d) The future salvage.

DISCOVERY REQUEST NO. 45:

Admit that the CAPD has no analysis or other data to support that the average age of plant assets in the CGC's distribution system are the same age as the corresponding assets installed in Atlanta Gas Light Company's distribution system.

DISCOVERY REQUEST NO. 46:

Admit that the CAPD has no analysis or other data to support that the average remaining life of plant assets installed in CGC's distribution system are the same as the average life of the corresponding plant assets installed in Atlanta Gas Light Company's distribution system.

DISCOVERY REQUEST NO. 47:

Admit that the CAPD has no analysis or other data to support that the average cost of removal for CGC's plant accounts are the same as the corresponding assets installed in Atlanta Gas Light Company's distribution system.

DISCOVERY REQUEST NO. 48:

Admit that the CAPD has no analysis or other data to support that the average salvage value for each of CGC's plant accounts are the same as the corresponding assets installed in Atlanta Gas Light Company's distribution system.

DISCOVERY REQUEST NO. 49:

Admit that the CAPD has no analysis or other data to support that the average age of plant assets in the CGC's distribution system are the same age as the corresponding assets installed in Virginia Natural Gas Company's distribution system.

DISCOVERY REQUEST NO. 50:

Admit that the CAPD has no analysis or other data to support that the average remaining life of plant assets installed in CGC's distribution system are the same as the average life of the corresponding plant assets installed in Virginia Natural Gas Company's distribution system.

DISCOVERY REQUEST NO. 51:

Admit that the CAPD has no analysis or other data to support that the average cost of removal for CGC's plant accounts are the same as the corresponding assets installed in Virginia Natural Gas Company's distribution system.

DISCOVERY REQUEST NO. 52:

Admit that the CAPD has no analysis or other data to support that the average salvage value for each of CGC's plant accounts are the same as the corresponding assets installed in Virginia Natural Gas Company's distribution system.

DISCOVERY REQUEST NO. 53:

For each metric listed on CAPD Exhibit MDC SQ, provide a detailed definition and if applicable provide the formula or equation used to compute the metric. For each formula or equation, provide a detailed definition of each component.

DISCOVERY REQUEST NO. 54:

Provide a detailed explanation of how each metric listed on CAPD Exhibit MDC SQ relates to end use customers.

DISCOVERY REQUEST NO. 55:

Provide a detailed explanation of how 515-7-7-.05 Service Quality Standards-Marketer Services identified on CAPD Exhibit MDC-GA is applicable to Chattanooga Gas Company.

DISCOVERY REQUEST NO. 56:

Provide a detailed explanation how the following metric listed on CAPD Exhibit MDC-GA 1 are applicable to Chattanooga Gas Company and how the metrics relate to service provided by Chattanooga Gas Company:

- a) EBB Availability
- b) Customer Information System
- c) Gas Operating System
- d) Marketer Interface Application
- e) Eneract

DISCOVERY REQUEST NO. 57:

Provide the analysis performed in this case of the “effects of growth in customers, declines in usage per customer and the effects of price changes from 1999 to 2006” as referenced in the direct testimony of Mr. McCormac, page 5 lines 19 and 20.

DISCOVERY REQUEST NO. 58:

Provide any analysis performed quantifying the percent error or the correlation coefficient that exists for the relationship trend between margin and the passage of time, as described in the direct testimony of Mr. McCormac, page 7 lines 11 through 15.

DISCOVERY REQUEST NO. 59

Provide the gas prices referenced in the direct testimony of Mr. McCormac, page 6, line 22.

DISCOVERY REQUEST NO. 60

Provide any analysis performed in this case to support the statement "Since there is a federal program in place to assist low income customers, there does not appear to be as great a need for an additional program funded by ratepayers dollars on an involuntary basis." in the direct testimony of Mr. McCormac, page 11 lines 1 through 4.

DISCOVERY REQUEST NO. 61

Provide the total dollar amount of the annual contributions received by the "Warm Neighbors" program implemented by the Electric Power Board as referenced in the direct testimony of Mr. McCormac, page 12 lines 16 through 22.

DISCOVERY REQUEST NO. 62

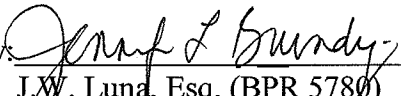
In the trend analysis set forth in Dan McCormac's testimony, do you factor in the effect of the 2004 rate increase?

DISCOVERY REQUEST NO. 63

Under the rate design proposed by Dan McCormac, would there still exist any inter-class subsidies?

Respectfully submitted,

FARMER & LUNA, PLLC

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CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of October 2006, a true and correct copy of the foregoing was served on the persons below via U.S. Mail or email:

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