

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

October 20, 2006

In re: Petition of Chattanooga Gas Company for)
Approval of Adjustment of Its Rates and Charges,)
Comprehensive Rate Design Proposal, and Revised)
Tariff)

Docket No. 06-00175

Filed electronically 10/20/06

@ 1:54 pm

**CHATTANOOGA MANUFACTURERS ASSOCIATION
SECOND ROUND OF DISCOVERY TO
CHATTANOOGA GAS COMPANY**

The Chattanooga Manufacturers Association ("CMA") hereby serves the following discovery requests to Chattanooga Gas Company ("CGC" or the "Company"), and expressly incorporates by reference herein all those instructions and definitions contained in CMA's First Set of Discovery to the Company served earlier in this proceeding.

DISCOVERY REQUESTS

1. Identify any deficiencies you believe were established in the last Chattanooga Gas Company rate case, TRA Docket No. 04-000340, and any course of action Chattanooga Gas Company (the "Company") considered or adopted to address the alleged deficiencies, and produce all documents relative to the above. [See Chattanooga Gas Company filing on September 25, 2006 in TRA Docket No. 05-00258].

RESPONSE

2. Produce any and all documents including, but not limited to, workpapers, regarding asset management issues raised by the TRA staff in connection with the Company's 2004 and 2005 ACA audits.

RESPONSE

3. Produce any and all documents created since January 1, 2005, regarding (1) the TRA's affiliate transaction guidelines and (2) the RFP bidding processes for asset management agreements.

RESPONSE

4. Produce any and all data in your possession regarding the number of times the Company has actually had to pay penalties to a pipeline for each and every rate class, and by rate class the amounts paid to the pipeline since January 1, 2004. Please identify whether these “penalties” are included in base rates or in the revenue requirement calculations submitted by the Company and demonstrate the amount or percentage of profit made by the Company, supplying the books and records that support the response to this data request in electronic format.

RESPONSE

5. In the Company's proposed cash-out of monthly imbalances, please describe the basis for the "short premiums" and "long discounts" that apply to each of the levels of imbalance identified in the proposal.

RESPONSE

6. Please provide a calculation of the “actual costs” imposed on the Company by customer imbalances since January 1, 2004, and show the derivation and workpapers supporting that calculation.

RESPONSE

7. Has the Company considered any proposals that would allow for the pooling of customer imbalances so that only net imbalances are penalized? If affirmative, provide copies of all such proposals.

RESPONSE

8. The Company has proposed a penalty of \$25.00 per dth or an amount equal to the actual cost incurred by the Company. Please provide the derivation of \$25.00 per dth.

RESPONSE

9. Please provide a formula showing how the “actual cost” incurred by the Company will be determined for purposes of the overrun penalty.

RESPONSE

10. Please provide an example showing the calculation of the actual cost incurred by the Company in a penalty situation.

RESPONSE

11. Please explain why the Company believes it is appropriate to charge the “greater of” rather than the lesser of \$25.00 per dth or the actual cost incurred by the Company.

RESPONSE

12. Please estimate the annual impact on the Company's earnings of the proposed overrun penalty.

RESPONSE

13. Did the Company omit penalty revenues from the Test Year revenues? If so, please provide a detail of all penalty revenues billed to customers including, but not limited to, those for unauthorized consumption by L-1 customers.

RESPONSE

14. Identify whether the Company or its managing affiliate has ever used the Company's interstate storage assets to inventory gas not held, ultimately, for Tennessee ratepayers since January 1, 2004.

RESPONSE

15. Provide details of any bailment agreement(s) between the Company and any others, including, but not limited to, the Company's affiliate Sequent, and provide the reference to the authorization by the TRA for said agreement.

RESPONSE

16. Identify whether the Company or its affiliate(s) has ever solicited competing bids that would maximize the value of the ratepayer assets for LNG storage, and provide details with copies of any and all documents regarding or relating to such competitive bidding.

RESPONSE

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being forwarded via email and U.S. mail, postage prepaid, to:

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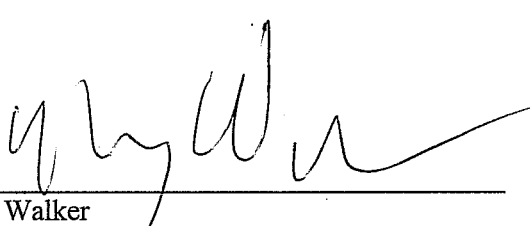
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on this the 20 day of October, 2006.



Henry M. Walker