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

IN RE:	*	
	*	
PETITION OF CHATTANOOGA GAS	*	DOCKET NO. 06-00175
COMPANY FOR APPROVAL OF	*	
ADJUSTMENT OF ITS RATES AND	*	
CHARGES, COMPREHENSIVE RATE	*	
DESIGN PROPOSAL, AND REVISED	*	
TARIFF	*	

**CHATTANOOGA MANUFACTURERS ASSOCIATION'S PROPOSED
PHASE 2 ISSUES LIST**

The Chattanooga Manufacturers Association ("CMA") submits the following response to the Hearing Officer's request for a list of issues likely to arise in Phase 2 of this docket. This is not an exclusive or comprehensive list, as other parties and discovery may reveal additional issues to be decided or considered.

CMA believes that one of the main purposes of Phase 2 of this docket is to investigate the asset management practices of the Chattanooga Gas Company ("the Company") and the relationship between the Company and its affiliate, Sequent Energy Management, L.P. ("Sequent"). Without limiting the possible scope of such an investigation, CMA submits that this investigation should uncover how ratepayers paid for the investments required to create the storage field currently being used by the Company and Sequent to manage excess Company assets, and whether the ratepayers are being treated just and fairly relative to the returns being generated by such Company ratepayer assets. Such an investigation might also result in the imputation to the Company of all or part of the profits earned by Sequent under its current contract with the Company. Such an investigation may require the Company to demonstrate how Sequent has accounted for the recovery of capital costs incurred by the Company's ratepayers. Such an investigation might also result in the cancellation of the current contract

between the Company and Sequent and the rebidding of that contract; the examination of how revenue from that contract should be treated; the examination of the Company's bidding practices and affiliate transaction rules; consideration of whether any future contracts for asset management and gas procurement agreements (or the renewal of all current such contracts) should be submitted to the Authority for review and approval, either in each ratemaking hearing or after actual notice to affected parties; and, other issues regarding or relating to information generated or procured in ACA audits and reports and/or Phase 1 of this docket about the Company's asset management practices, affiliate relationships and sales to customers other than ratepayers regulated by the Authority.

CMA submits that Phase 2 of this docket may also include an investigation of the relationships between the Company and Sequent, and other affiliates or divisions thereof, and an examination of the scope of proper relationships between parent companies and their affiliates/subsidiaries. Phase 2 of this proceeding should also address other issues that may arise or be revealed in the course of discovery, including the affiliates' impact (if any) on the Company's tariff and depreciation practices, and issues relative to the agreement reached in Phase 1. Finally, the impact (if any) of any recent rulemaking dockets or reports issued by the TRA, its appointees or designees also should be considered in Phase 2.

CMA further incorporates, by reference, any other topic(s) raised by any other intervener as a Phase 2 issue. The parties to this docket previously identified in the Joint Proposed Procedural Schedule that the Company's proposed Energy Conservation Plan ("ECP"), including recovery of costs associated with the ECP, and Conservation Usage Adjustment ("CUA"), including the rate design for the CUA, could be issues to be considered in Phase 2. However, CMA avers that the Company is not entitled to any additional monies.

Respectfully submitted,

GRANT, KONVALINKA & HARRISON, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that I have on this 9th day of February, 2007 served the foregoing Proposed Issues List either by hand delivery, fax, overnight delivery service or first class mail, postage prepaid, to all parties of record at their addresses shown below:

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