

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

**February 9, 2007**

**IN RE:**

**PETITION OF CHATTANOOGA GAS )  
COMPANY FOR APPROVAL OF )  
ADJUSTMENT OF ITS RATES AND ) Docket No. 06-00175  
CHARGES, COMPREHENSIVE RATE )  
DESIGN PROPOSAL, AND REVISED TARIFF)**

**CHATTANOOGA GAS COMPANY'S PROPOSED ISSUES LIST FOR PHASE II**

Chattanooga Gas Company ("CGC" or "Company") respectfully submits the following issues for Phase II of the above referenced proceeding.<sup>1</sup>

As part of CGC's Petition for adjustment of its rates and charges (filed with the Tennessee Regulatory Authority on June 30, 2006), the Company included a comprehensive rate design proposal that consisted of the Company's proposed Energy Conservation Plan ("ECP") and the proposed Conservation and Usage Adjustment ("CUA").<sup>2</sup> The Company's proposal was designed to align the interests of the customers and the interests of the Company by encouraging conservation while providing CGC with an opportunity to earn a just and reasonable return.

The Company, the Consumer Advocate and Protection Division ("CAPD") of the Office of the Attorney General, and the Chattanooga Manufacturers Association ("CMA") have agreed that the Company's proposed ECP, including recovery of costs

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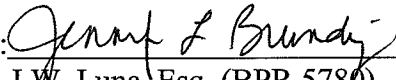
<sup>1</sup> The Company is filing this proposed issues list pursuant to the Phase II Procedural Schedule that was jointly agreed to and submitted by the parties on August 9, 2006, out of an abundance of caution, even though it is unclear whether the Hearing Officer adopted this procedural schedule. See Joint Proposed Procedural Schedule (August 9, 2006), at 7.

<sup>2</sup> The ECP and CUA are discussed in the pre-filed direct testimonies of Company witnesses, Steve Lindsey and Daniel J. Nikolich.

associated with the ECP, and the Company's proposed CUA, including the rate design for the CUA, will be considered in Phase II of the rate case.<sup>3</sup>

Respectfully submitted,

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<sup>3</sup> Order Modifying Procedural Schedule (August 18, 2006), at 3 (quoting Joint Agreed Procedural Schedule (August 9, 2006), at 2); see also Proposed Settlement Agreement (November 20, 2006), at 5, ¶18 ("Excepted from the above provision are the Energy Conservation Plan and Conservation and Usage Adjustment, which will be addressed and litigated as part of Phase II of this docket.").

CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of February 2007, a true and correct copy of the foregoing was served on the persons below by U.S. Mail or email:

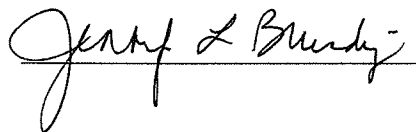
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A handwritten signature in cursive script, reading "Jerry L. Bundy", is written over a horizontal line.