

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 17, 2007

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

ORDER CLOSING PHASE II OF DOCKET

This docket came before Chairman Eddie Roberson, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference on July 9, 2007 for consideration of *Chattanooga Gas Company’s Request to Close Docket (“Request”)* filed on May 8, 2007.

BACKGROUND

On June 30, 2006, Chattanooga Gas Company (“CGC” or the “Company”) filed its *Petition* for adjustment of its rates and charges including a comprehensive rate design proposal and a revised tariff with the Authority. At the regularly scheduled Authority Conference on July 10, 2006, the panel of Directors assigned to this docket voted unanimously to convene a contested case and appointed General Counsel or his designee as Hearing Officer for the purpose of preparing the case for hearing.

The Consumer Advocate and Protection Division of the Office of the Attorney General (“Consumer Advocate”) and the Chattanooga Manufacturers Association (“CMA”) each filed a petition to intervene in the proceedings on July 10, 2006 and July 19, 2006, respectively. The

petitions were granted and other matters were determined, as set forth within the Hearing Officer's *Order Suspending Tariffs, Granting Motions to Intervene and Establishing a Procedural Schedule* issued on July 27, 2006. The procedural schedule set forth by the Hearing Officer separated the proceedings into two phases: a revenue requirement phase, deemed to be Phase I, and a rate design phase, referred to as Phase II. On August 9, 2007, the parties filed a *Joint Proposed Procedural Schedule* that reflected an agreement among the parties as to both the bifurcation and subsequent progression of the proceedings.

On November 20, 2006, CGC, the Consumer Advocate, and CMA filed with the Authority a *Proposed Settlement Agreement* ("*Agreement*") in resolution of the Phase I issues in the docket. Subsequently, the *Agreement* was considered and unanimously approved by the voting panel at a regularly scheduled Authority Conference held on December 5, 2006.¹

On February 9, 2007, the Company, Consumer Advocate and CMA each filed a proposed issues list for Phase II. In its issues list, the Company set forth both its proposed Energy Conservation Plan ("ECP") and Conservation Usage Adjustment ("CUA"). The lists submitted by the Consumer Advocate and CMA each proposed the inclusion of asset management, capacity release and related issues as a part of Phase II. On February 21, 2007, CGC filed objections to the issues proposed for Phase II filed by the Consumer Advocate and CMA. On February 23, 2007, the Hearing Officer convened a Status Conference to address the issues proposed for consideration for Phase II of this docket. During the Status Conference, each of the parties was afforded an opportunity to articulate its position regarding what issues were appropriate for inclusion in Phase II. Disagreement arose among the parties regarding the nature of the issues and the procedural schedule, and no consensus was reached. At that time, the Hearing Officer

¹ *Transcript of Proceedings*, p. 14 (December 5, 2006).

decided to suspend the Phase II proceedings pending a decision on a similar question already before the Authority in another docket.

On May 18, 2007, the Company filed its *Request* asking to withdraw its ECP and CUA proposed initiatives and to close Phase II. In its *Request*, the Company reasoned that it may choose to raise its ECP and CUA proposals through the home energy conservation task force, and further asserted that issues pertaining to asset management and capacity release would be more appropriately considered in an audit or other separate docket. The Consumer Advocate and CMA each filed a response to the Company's *Request* and expressed concern regarding an opportunity to be heard on the asset management and capacity release issues. Nevertheless, in their responses to CGC's *Request* the Consumer Advocate and CMA each agreed that an audit docket, such as CGC's ACA audit docket (TRA Docket No. 06-00298), convened as a contested case, would provide an acceptable forum for litigation of the issues.

FINDINGS & CONCLUSIONS

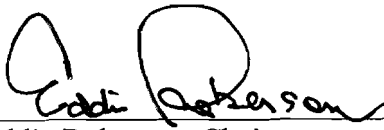
At the regularly scheduled Authority Conference on July 9, 2007, the panel voted unanimously to approve the Company's *Request*. Additionally, as the ACA audit performed in Docket No. 06-00298 is complete, the introduction of new issues is likely to create unnecessary delay in the resolution of the audit. Therefore, the panel determined that a separate docket in which the asset management and capacity release issues proposed by the Consumer Advocate and CMA may be considered should be opened.² Further, the majority of the panel reasoned that the closing of the docket would not preclude consideration of the Company's proposed ECP and

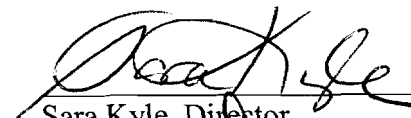
² Director Jones concurred only with the result of the panel decision to move the asset management and capacity release issues raised in this docket into a new docket. Director Jones stated that he would have preferred to continue consideration of the asset management and capacity release matters in Phase II of this docket having found no reason sufficient to justify substantially altering the course of the proceedings in this docket. Additionally, Director Jones stated that in his opinion, any activity of a regulated company is relevant to and an appropriate subject of scrutiny in a proceeding to establish rates for that company. In conclusion, Director Jones stated that he voted in favor of opening a separate docket because it achieved the objectives of ensuring that these issues be considered sooner rather than later and in the context of a contested case.

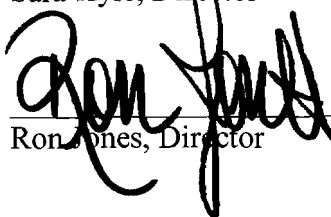
CUA initiatives, as those programs might be raised and addressed through the home energy conservation task force.³

IT IS THEREFORE ORDERED THAT:

1. *Chattanooga Gas Company's Request to Close Docket* is granted.
2. A docket shall be opened to consider issues concerning asset management and capacity release raised by the Consumer Advocate and Protection Division of the Office of the Attorney General and the Chattanooga Manufacturers Association.⁴
3. The Consumer Advocate and Protection Division of the Office of the Attorney General and the Chattanooga Manufacturers Association may file a petition to intervene in the new docket for consideration of the Authority or Hearing Officer as appropriate.


Eddie Roberson, Chairman


Sara Kyle, Director


Ron Jones, Director

³ Director Jones stated that he did not oppose the filing of the ECP and/or CUA proposals in the home energy conservation task force docket. However, without particular knowledge of the proposal he is unable to determine whether a workshop-type proceeding is the proper procedural vehicle for consideration of such a proposal.

⁴ Docket No. 07-00224 has been opened to address these issues.