

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

August 2, 2006

2006-08-02 10:15
T.R.A. DOCKET ROOM

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)

RESPONSE TO HEARING OFFICER'S ORDER
ESTABLISHING A PROCEDURAL SCHEDULE

On June 30, 2006, Chattanooga Gas Company ("CGC" or "Company") filed with the Tennessee Regulatory Authority ("TRA" or "Authority") its Petition to adjust its rates and implement its comprehensive rate design proposal, which includes an Energy Conservation Plan ("ECP") and a Conservation and Usage Adjustment ("CUA"). Along with its Petition, CGC filed a proposed protective order and a proposed procedural schedule.

On July 27, 2006, the Hearing Officer filed an Order establishing in part a Procedural Schedule and giving the parties five (5) days to comment on the schedule. The Procedural Schedule sets forth a bifurcated process in which Phase I consists of two rounds of discovery and a hearing on the revenue requirement and Phase II consists of one round of discovery and a hearing on rate design. Chattanooga Gas Company ("CGC" or "Company") has some concerns about how the bifurcation will proceed, including which issues will be addressed in Phase I and Phase II, as well as with some of the dates within the schedule. CGC will describe these concerns generally below, but

proposes that the Hearing Officer allow the parties to meet and clarify their understanding of the issues to be addressed in the two phases as set forth in the Hearing Officer's Procedural Schedule and to recommend a joint proposal that will allow the case to be completed within six months from CGC's filing of the Petition as required by law.

First, regarding the bifurcation of the case, Director Roberson suggested on July 10, 2006, that the Hearing Examiner consider bifurcating the case into revenue requirement and rate design issues. It was unclear, however, whether he intended for the second phase, or rate design phase, to include traditional rate design issues or be limited to CGC's proposed Energy Conservation Program and Conservation and Usage Adjustment. The Procedural Order does not clarify which issues would be addressed in each phase. Further, at the July 24, 2006 TRA Conference, Director Roberson moved, and it was adopted by the full TRA, to convene a Task Force to propose a statewide conservation policy by November 10, 2006. Director Roberson recognized that the TRA currently has CGC's company-specific conservation plan pending before the TRA and acknowledged his goal to create an industry-wide conservation policy rather than having company-specific conservation plans.

In addition, regarding CGC's concerns with the schedule, the final deadline in the Procedural Schedule is January 9, 2007, which is the date scheduled for oral arguments. This date is after the six month deadline. Moreover, the schedule does not include a date for the Authority to issue a final order. CGC has additional concerns with the tight time frame for the second phase, as well as the lack of opportunity to file rebuttal testimony. In addition, CGC notes that one of the deadlines is a week-end day.

CGC would like an opportunity to work with the parties to address its concerns relating to which issues will be addressed in each phase, as well as to develop a schedule that will allow the case to be completed within six months in a manner that provides a full and fair opportunity for all parties. CGC understands the basis for extending the schedule beyond the six month time frame is its failure to file all of the Minimum Filing Guidelines (“MFGs”) at the same time it filed its Petition. Notwithstanding that the MFGs are voluntary guidelines that are not required to be filed by Tennessee statute and have not been adopted by the Authority through Order or Rule, CGC did in fact file sixty-four (64) out of the eighty-six (86) specific requests for information at the time it filed its Petition, which is approximately seventy-four percent (74%) or three-fourths (3/4) of the information covered by the MFGs.¹ Twenty (20) of the remaining twenty-two (22) MFGs (or ninety-seven percent (97%)) were provided within two weeks of filing the Petition. As stated above, the MFGs were established as an optional guideline for providing the TRA and the Consumer Advocate and Protection Division (“CAPD”) with information that is typically sought in discovery requests. The Guidelines explain that they are requests for information and “are intended to initiate, and should be regarded as part of, the data request process.”² Further, the Guidelines explain that failure to file any specific information set forth in the Guidelines “shall not be grounds for non-acceptance of the application or for an extension of the time intervals set forth in Tenn. Code Ann. §

¹ The Minimum Filing Guidelines only set forth eighty-six (86) specific requests for information, not ninety-nine (99). The first thirteen (13) enumerated paragraphs of the Minimum Filing Guidelines contain the instructions for how the Company is to respond to the eighty-six (86) specific requests for information.

² “Filing Guidelines for Rate Cases”, at p. 1.

65-5-203.”³ The MFGs were not intended to extend the statutory time period for allowing proposed rates to go into effect if a final order has not been made within six months of filing a rate case.

The Company believes that it has provided responses to the MFGs in a timely manner. Given the volume of the information that was initially provided to the TRA on June 30, 2006, CGC does not believe that it has caused a delay in the processing of this case by providing some of the information within two weeks of filing the case. Moreover, since filing its rate case on June 30, 2006, CGC has worked diligently to expedite this case. CGC has initiated several conversations with the CAPD to try to schedule a status conference to discuss and agree to as many of the issues as possible. Due to scheduling conflicts with both parties, however, we have been unable to schedule a status conference to date. CGC has already agreed to waive Rule 1200-1-2-.11(5) regarding the number of discovery requests and has communicated this to the other parties in this case.

In light of its concerns, CGC proposes scheduling a meeting with representatives of the CAPD and the Chattanooga Manufacturers Association (“CMA”) to discuss a strategy for addressing the issues described above. CGC has contacted representatives of the CAPD and the CMA, and the parties have tentatively scheduled a meeting for August 4th that will hopefully result in a recommendation to the Hearing Officer clarifying the parties’ understanding of the bifurcated process, and proposing a schedule that will provide a full and fair opportunity for all parties to present their case and allow for a final order in the time frame required by law. In addition, CGC notes that the CAPD filed a

³ Id. Tenn. Code Ann. § 65-5-203 has been re-codified as § 65-5-103 and contains the six month time period.

response on August 1 and also requested that the Hearing Officer give the parties an opportunity to meet.

In conclusion, CGC requests that the Hearing Officer allow the parties to meet and clarify their understanding of the issues to be addressed in the two phases as set forth in the Hearing Officer's Procedural Schedule and to recommend a proposal that will address the issues discussed herein.

Respectfully submitted,

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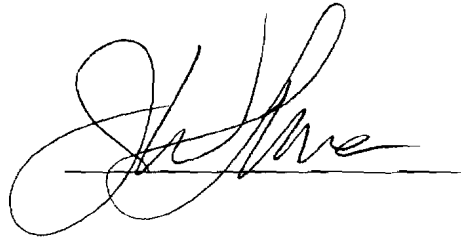
CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of August 2006, a true and correct copy of the foregoing was served on the person below by email and U.S. Mail:

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A handwritten signature in black ink, appearing to be "H. Walker", written over a horizontal line.