

# TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman  
Eddie Roberson, Director  
Pat Miller, Director  
Ron Jones, Director



460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

## DELIVERED VIA EMAIL AND US MAIL

August 9, 2006

J.W. Luna, Esq.  
Farmer & Luna, PLLC  
333 Union Street, Suite 300  
Nashville, TN 37200

RE: Docket No. 06-00175 – PETITION OF CHATTANOOGA GAS COMPANY TO INCREASE RATES, INCLUDING A COMPREHENSIVE RATE DESIGN PROPOSAL AND REVISED TARIFF

Dear Mr. Luna:

Please provide the information as outlined on the attached First Discovery Requests of TRA Advisory Staff. You are not required to provide paper copies of items submitted in electronic format.

All information should be provided by September 6, 2006. Should you have questions regarding the attached request, please contact Paul Greene (extension 156) for clarification.

Sincerely,

Darlene Standley  
Utilities Division Chief

Attachment (2)

C: Jennifer L. Brundige  
Steven L. Lindsey  
Archie Hickerson  
Elizabeth Wade  
Timothy Phillips  
Stephen R. Butler  
Henry Walker  
David C. Higney  
Catharine H. Giannasi  
TRA Docket Room

### **First Discovery Requests of TRA Advisory Staff**

#### **GENERAL**

1. Provide all exhibits and schedules included in pre-filed testimony and all other work papers supporting the pre-filed exhibits and schedules in electronic format via CD.
2. Does the company use the FERC Uniform System of Accounts? If not, provide the chart of accounts the company utilizes and provide a mapping to the FERC Uniform System of Accounts.
3. Provide a mapping of account numbers used by the company to all revenue, expense and rate base categories reported on the monthly 3.03 report.
4. Provide an update to your response to TRA Filing Guidelines (FG) 21 to include the latest year-to-date (YTD) 2006 information currently available.
5. Provide an update to your response to TRA FG 23 to include monthly Trial Balances for each company for each month of 2006 which is currently available.
6. Provide budget-to-actual analysis for fiscal year (FY) 04, FY05 and YTD 06.
7. Provide copies or specific cites for any warnings or notifications to stockholders regarding customer loss, declining usage, revenue decline or expense increases related to the operations of the Local Distribution Company (LDC), its parent or affiliates.
8. On page 17 of his pre-filed direct testimony Mr. Nikolich states, "A customer would have to pay \$39 for the energy checkup and inspection, with CGC picking up the remaining 57% of the cost." Is this 57% being funded by CGC stockholders or CGC ratepayers?
9. Why is the company proposing a subsidy in the instance of the weatherization kit when other company testimony argues to align rates with cost causation?
10. Has the company considered a plan to provide assistance to low-income customers through voluntary customer contributions such as "the add a dollar plan" and/or through assistance provided by the company, its parent and stockholders and/or universal service fund rather than through an embedded subsidy in rates?
11. On page 17 of Daniel J. Nikolich's pre-filed direct testimony, he states that the Company is proposing a series of rebates for highly energy efficient furnaces and water heaters. Is Chattanooga Gas proposing that any part of this rebate program for non-regulated equipment be subsidized via regulated rates and/or ratepayers? If so, please provide the dollar amount included to fund this program and explain the rationale for regulated

operations to subsidize non-regulated operations. Please include any case law and TRA Orders that have allowed such cross-subsidization.

12. Mr. Nikolich states on pages 17 and 18 of his pre-filed direct testimony that customers can save up to \$366 on their heating bill via the Company's conservation programs. Please provide all documentation, assumptions and rationale for how each amount of savings was calculated for each program.
13. Please describe the entire process that a subscriber must undergo to qualify for the Chattanooga Assisted Rate for Energy Service (CARES) program. This includes how applications are obtained, where applications are sent, what happens if applications are incomplete, how the Company verifies the income information, any annual recertification processes, etc.
14. Explain the differences between the Bare Steel and Cast Iron Tracker proposed in this docket and the tracker proposed in Docket 04-00034?
15. Provide the Company's detailed calculation of the \$738,980 Energy Conservation Program (ECP) costs included in the Company's cost of service for the attrition year.
16. Regarding Company witness Dan Nikolich's Exhibit DJN-3 (page 1); provide the Company's detailed calculation of the \$122,682 CARES Discount for the R-1 class.
17. Is the ECP program applicable to all customers, or only residential customers? Please provide the dollar amount included in fixed and volumetric rates for each class to which it is applied to fund this program.
18. Is the Conservation and Usage Adjustment (CUA) applicable to all customers, or only residential customers? Is there an estimated CUA recovery in the proposed rates? If so, please provide the dollar amount included in the fixed and volumetric rates for each class to which it is applied to fund this program.
19. Please quantify the net effect of the CUA by customer class. For example, what are customers expected to save through conservation and how much of that amount will be returned to CGC through the CUA? For example, if a customer's volume reduces thus reducing her bill how much of that savings would be subsequently billed to the customer through the CUA?
20. Please provide the dollar amount included in the fixed and volumetric rates for each class to which it is applied to fund the CARES program.
21. Please provide work papers showing calculations to support Dan Nikolich's statement on page nine of his pre-filed direct testimony that commercial and industrial customers subsidize residential customers.

22. Witnesses repeatedly attribute decline in gas sales to installation of more efficient equipment. Has CGC conducted a study to show what percentage of reduced consumption is attributable to new appliances versus customers voluntarily lowering thermostats?
23. On page 21 of Dan Nikolich's pre-filed direct testimony, he states that 56.7% of CGC's revenue requirements will be recovered through volumetric rates under the new rate design. Please provide this percentage by service class.
24. On page 22 of Dan Nikolich's pre-filed direct testimony, he states that the Weather Normalization Adjustment (WNA) does not protect the Company against drops in non-heating loads. Is the referenced drop due to conservation or a switch to other energy sources?
25. In Dan Nikolich's pre-filed direct testimony, the discussion of interruptible services seems to indicate that the cost incurred by CGC is similar to firm service while the rates are lower. It also appears that the proposed rates for interruptible service are reduced even further. Please explain the changes made to the interruptible rates and the reasons for those changes.
26. Please provide rates based on the proposed revenue requirement using CGC's current rate structure.

## **REVENUES**

27. Provide an update to your response to TRA FG 31 to include actual 1/00 – 7/06 amounts and projected amounts by month for 8/06 – 12/07.
28. Provide actual usage by customer class, by month, from 1/00 – 7/06 and projected usage by month for 8/06 – 12/07.
29. Provide the customer charge revenue and the base rate volumetric revenue by customer class, by rate block, by month from 1/03 – 7/06 and projected amounts by month for 8/06 – 12/07.
30. Provide the factors that the company utilized to project customers and usage for the period 8/1/06 through 12/31/06 and for the fiscal year ending 12/31/07. Provide detailed computations to support each factor the company utilized and explain the rationale for the use of each factor.
31. Please update Exhibit PGB-1 to show revenue based on test year billing units (column [1]) and current rates (column [6]).

## **EXPENSES**

32. Provide an update to your response to TRA FG 45 to include 1/06 – 7/06.
33. Provide the amount of image advertising expense incurred by the LDC or directly charged or allocated to the LDC by its parent or affiliates for FY05 and YTD 7/06.
34. Provide the amount of pension expense and other post employment benefits (OPEBs) expensed in FY05 by the LDC or directly charged or allocated to the LDC by its parent or affiliates.
35. Provide an Excel spreadsheet on a CD showing the amount of each non-recurring expense incurred by the LDC or directly charged or allocated to the LDC by its parent or affiliates for each month for the fiscal year ended 12/31/05 included in the company's projection of FY07 costs to be recovered in regulated rates. Identify the business reasons for each expense, the business unit which incurred such expenses, the accounts charged for each expense, the amount directly assigned or allocated to Tennessee operations and the 3.03 monthly report expense category to which each cost is charged.
36. Provide an Excel spreadsheet on CD showing total expenses subject to allocation to the LDC by its parent or affiliates, by account, by affiliated company, and total expenses allocated to the LDC by account, by affiliated company, for the fiscal year ended 12/31/05 and for fiscal year-to-date 7/31/06 and the forecasted amounts for the period 8/1/06 through 12/31/07 including the date, nature and amount of each transaction. Additionally, indicate the amount of return on investment and interest expense charged to the LDC by account, by affiliated company for each period.
37. Provide the calculation of the allocation factor(s) used by the parent and each affiliate to allocate costs to each business unit, regional office or other entity for the fiscal year ended 12/31/05 and fiscal year-to-date 7/31/06 and the forecasted allocation factor(s) for the period 8/1/06 through 12/31/07. Your response should detail the basis for the allocation (i.e., customers, Plant in Service, total O&M – direct, etc.) that comprise the factors used to arrive at the composite allocation percentage. Provide the actual number of customers, the Plant in Service, total O&M – direct, etc. for each business unit, regional office or other entity that receives an allocation of costs from the parent and each affiliate for each period requested above supporting the calculation of the allocation factors.
38. Provide the amount of any expense associated with Hurricane Katrina or other natural disasters booked by the LDC, its parent or affiliates during FY05. If such expenses were directly assigned or allocated to the LDC, provide the total amount booked by each business unit by account number, the factors used for the allocation and the resulting amounts allocated to the LDC. If hurricane or other natural disaster expenses were directly assigned or allocated to the LDC, provide the company's rationale for such charges.

39. Is the company required to make a minimum funding contribution to pension plans during fiscal years ending 12/31/06 or 12/31/07? Does the company anticipate making any voluntary contributions during fiscal years ending 12/31/06 or 12/31/07? If so, provide the business unit account to which such expenses book and the amount to be directly charged to or allocated to the LDC.
40. Does the company anticipate making any OPEBs contributions during fiscal years ending 12/31/06 or 12/31/07? If so, provide the business unit account to which such expenses book and the amount to be directly charged to or allocated to the LDC.
41. The Test Period Bad Debt Expense shown on MJM-2, Schedule 2 does not agree to the 2005 Unrecovered Margin calculated from the monthly reports filed with the TRA in Docket 03-00209. Provide a reconciliation explaining the reason for the variance. Additionally, explain the rationale for the projected 22.19% increase in bad debt expense when "revenues – sales of gas" are projected to increase only 0.26%.
42. Are the amounts reported for account 449100 "Donations – other" on the trial balances at 12/31/05 of the LDC, its parent and its affiliate included in the base year expenses which are grown to arrive at the projected FY07 expenses to be recovered from ratepayers?
43. Did the LDC, its parent or affiliates book any prior period adjustments in 2005? If so, list each adjustment and quantify the amount booked by the LDC or the amount allocated or directly assigned to the LDC by the parent or affiliates.
44. Provide an itemized listing of the total estimated rate case cost referenced in Morley Direct, p.11.

#### **RATE BASE**

45. Provide the Excel spreadsheets on a CD for your response to TRA FG 64. Additionally, update your response to include actual amounts by month through 7/31/06 and projected amounts by month for 8/06 through 12/07. Your response should show resulting monthly balances for each plant account and a reconciliation of the total of each plant account to total plant in service reported on the trial balance. Further, provide the depreciation rates for each plant account and apply the rates to the plant balances to compute depreciation expense.
46. Provide Excel spreadsheets on a CD showing the development of the 13 end of month average account balances for each rate base item reported on the monthly 3.03 reports from 1/05 through the most current report filed and projected amounts by month through 12/07.

**NET OPERATING INCOME ADJUSTMENTS**

47. Provide an Excel spreadsheet on CD showing the actual net operating income adjustment amounts reported on the 3.03 reports, by month, for FY05 and YTD06 and the forecasted amounts, by month, through 12/07. Your response should show the total dollar amount for each adjustment and the conversion factor utilized to determine the proper amount of each adjustment to net operating income.

## **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing First Discovery Requests of the TRA Advisory Staff was served on the parties listed below via email and U.S. Mail on August 9, 2006.

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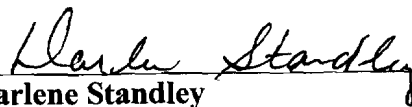
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