

# TENNESSEE REGULATORY AUTHORITY

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



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460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

T.R.A. DOCKET ROOM

November 27, 2006

Mr. Glen L. Tilton  
President of Community Initiative  
4305 Overstreet Drive  
Cookeville, TN 38506

RE: Application of Community Initiative for a CCN to Provide Natural Gas Services in Certain Areas of Macon County, TN (Including within the City of Red Boiling Springs); to Approve the Transfer of Customers and Certain Assets and Customers of RBS Gas Utility Inc.; to Approve Franchise from the City of Red Boiling Springs; to Confirm Cancellation of Special Contract of RBS Utility Inc. and to Set Rates and Approve Tariff.  
Docket No. 06-00281

Dear Mr. Tilton:

A petition was filed in this Docket on November 13, 2006. To assist the Authority in its review of Community Initiative's ("CI") petition, please provide the following information:

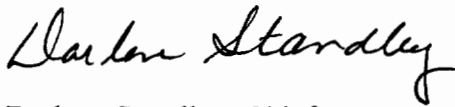
1. CI's contract with AUI states that AUI will be paid an annual sum of \$250,000 to manage RBS Utility. Please identify, by line item, what portion of the expenses listed in the five year income statement provided on November 21, 2006 will be covered by the \$250,000 management fee each year. For expenses not covered by the \$250,000 paid to AUI, please itemize the expense and explain who will pay the expense.
2. Please provide a five year forecast of customer and usage volumes.
3. Please itemize each expense included on the income statement.
4. Is interest on the \$600,000 short term loan reflected in the income statement? If so, please identify the expense. If not, please explain.
5. Is the \$350,000 of the short term loan included in the calculation of working capital?
6. Please identify the accumulated depreciation at the time of purchase. Is this reflected in the combined statement?
7. Please provide supporting calculations for the annual depreciation expense included in the five year forecast.
8. Identify the amount of deferred federal income taxes in the combined statement? Include all calculations.
9. Who is responsible for retaining qualified personnel who meet gas safety guidelines? Who will pay for the associated expense, AUI or CI?
10. Please provide a copy of the contracts with Hal Novak and Earl Burton. Who will pay these contracts, AUI or CI?

11. Will current contracts for outsourced labor be retained? If so, who will pay these contracts, AUI or CI?
12. Is it CI's intent to issue an RFP for gas procurement? If so, please explain the RFP process CI plans to use. If not, please explain how CI can insure that it is procuring gas at a prudent cost for consumers.
13. Please explain the \$70,000 decrease in salary and wages between the first year and second year of the five year forecast. Please explain why this decrease is not reflected in the management fee paid to AUI.
14. Please explain the annual increases in Plant in Service reflected in the five year forecast. Describe the area of expansion. Provide a price out of the additional customers and usage generated each year due to this expansion.

It is requested that this information be provided no later than 2:00 p.m. on Monday, December 4, 2006, and that you reference Docket No. 06-00281 on the response. In accordance with TRA rules submit either (1) thirteen written copies of your response or (2) four written copies and an electronic version.

Should you have any questions regarding this request, please contact Patsy Fulton at (615) 741-2904 ext. 193 or Ginger Collier at (615) 741-2904, ext. 174.

Sincerely,



Darlene Standley, Chief  
Utilities Division

C: Jeffery A. Callahan  
Jack W. Robinson, Jr.  
Docket File