

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

September 3, 2009

IN RE:)	
)	
DOCKET TO EVALUATE)	
CHATTANOOGA GAS COMPANY'S)	DOCKET NO. 07-00224
GAS PURCHASES AND RELATED)	
SHARING INCENTIVES)	
)	

COMMENTS OF CHATTANOOGA GAS COMPANY

At the August 24, 2009 Conference, the Tennessee Regulatory Authority ("TRA" or "Authority") voted, in part, in the above-referenced docket to require a triennial review starting in 2012 of Chattanooga Gas Company's ("CGC" or "Company") capacity planning. The TRA distributed proposed procedures and processes for implementing the triennial review and directed the parties to file comments on the proposed procedures and processes within ten (10) days. CGC is hereby filing its comments pursuant to the TRA's directions.

The TRA's proposed processes and procedures in this docket as indicated at the top of its filing is the same triennial review process that was negotiated and entered into by Piedmont Natural Gas (f/k/a Nashville Gas) and the Consumer Advocate and Protection Division ("CAPD") of the Office of Attorney General and Reporter to settle TRA Docket 05-00165. CGC was not a party, and did not participate, in Docket 05-00165. The TRA has substituted "CGC" for references to Nashville Gas and has substituted "Performance-Based Ratemaking Mechanism" for "Performance Incentive Plan" in the Nashville Gas settlement agreement. This change was necessary because

CGC does not have a performance incentive plan like Piedmont. Instead, CGC has a performance based ratemaking mechanism ("PBRM") that allows CGC to forego the TRA's annual prudency review set forth in TRA Rule 1220-4-7-.05 when the Company's gas purchases are within one percent (1%) of the benchmarks or indices. Because the language of the proposed processes and procedures was drafted to apply to Piedmont's more complicated performance incentive plan, the broad scope of the proposed processes and procedures was negotiated with that in mind. Since CGC does not have a performance incentive plan, CGC believes that the scope of the proposed processes and procedures that the TRA enters in the current docket should be tailored to CGC and its PBRM. Much time and resources have been expended by the Company in the current docket to defend against the CAPD's litigation of broad issues. In fact, at the hearing on the merits, the CAPD who had the burden of proof failed to provide any evidence on the gas supply and capacity planning issues. To have the resolution of this docket potentially provide for convening and conducting similar costly dockets every three years for the litigation of broad issues would be a waste of the customers' money. Perhaps the best approach would be for the Authority to dictate the scope at the time of the next review.

While CGC acknowledges that the TRA will conduct a review of its gas supply and capacity planning in autumn of 2012, CGC questions whether it is necessary at this time to dictate the frequency of future reviews thereafter. At the hearing on the merits, CGC presented evidence that it is a small LDC (smaller than the other Tennessee LDCs) and has fairly modest customer growth that makes rigid review requirements of gas supply and capacity planning costly to its customers without much perceived benefit. As the TRA has made findings that CGC currently has the appropriate level and mix of

storage, peaking, and transportation capacity and has determined that it will conduct another review in 2012, it would be costly to CGC's customers to require CGC automatically to be subject to a review in 2015. Rather, it would be appropriate and more cost effective to require a review only if there are substantive, material changes in the customer mix and usage patterns that would justify the time and expense to the Company and its customers for performing any subsequent reviews.

CGC further believes that the TRA should avoid mandating that all triennial reviews be conducted by an outside consultant. The TRA has already made such a review by reviewing the information and data submitted by CGC to the CAPD in this docket and by making the determination that "Chattanooga Gas Company subscribes to an appropriate level and mix of storage, peaking, and transportation capacity." (TRA Transcript Excerpts for Docket 07-00224 from Aug. 24, 2009 TRA Conference). The TRA Staff may wish to conduct the reviews internally especially if the circumstances regarding CGC's gas supply and capacity assets have not changed significantly to warrant the expenditure of the customers' money to conduct a review by an outside consultant. Additionally, circumstances may change that would make it beneficial for the TRA to conduct the reviews internally. Allowing the TRA to determine at the beginning of a review process whether retaining an outside consultant at the customers' expense is prudent and necessary would be a better practice as it would afford the TRA the flexibility to respond to changing circumstances instead of binding itself to rigid processes and procedures that may become unnecessary, inappropriate, or unworkable in the future for the TRA and CGC.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 3rd day of September 2009, a true and correct copy of the foregoing was served on the persons below by electronic mail:

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