

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

**February 28, 2008**

<b>IN RE:</b>	)	
	)	
<b>DOCKET TO EVALUATE CHATTANOOGA</b>	)	<b>Docket No. 07-00224</b>
<b>GAS COMPANY'S GAS PURCHASES AND</b>	)	
<b>RELATED SHARING INCENTIVES</b>	)	
	)	

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**CHATTANOOGA GAS COMPANY'S  
MOTION TO ACCUMULATE AND DEFER LITIGATION COSTS**

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Chattanooga Gas Company ("CGC" or "Company") respectfully requests that the Tennessee Regulatory Authority ("TRA") allow it to accumulate and defer the costs incurred in defending the litigation in this contested case proceeding so that it may ultimately recover these costs from the ratepayers. At the February 11, 2008 status conference, the Company orally requested permission to defer the litigation costs incurred in this docket, and the Company represented that it would seek recovery of the costs from the ratepayers through the appropriate mechanism as an ultimate issue in the contested case either at the hearing on the merits or through a dispositive motion if appropriate. CGC is now filing this written motion pursuant to the Hearing Officer's February 19, 2008 Order, and is only seeking, at this time, an order to accumulate and defer its litigation costs.

The deferral order is an important preliminary determination that is necessary for both financial accounting purposes and regulatory purposes. It is necessary for CGC to obtain a deferral order to allow CGC to accumulate these litigation costs for regulatory

purposes if the TRA should ultimately determine that the costs are recoverable from the ratepayers.

CGC is seeking as an ultimate issue in this proceeding to recover the costs incurred in this contested case proceeding from the ratepayers through the Purchased Gas Adjustment Rule ("PGA"), Chapter 1220-4-7. The TRA has traditionally reviewed and handled all costs associated with gas supply and capacity assets, as well as all revenues generated from non-jurisdictional transactions associated with capacity assets, through the PGA. The CAPD has filed its "Statement of Claims and Issues" pursuant to the Hearing Officer's February 19, 2008 Order, which contains statements that only relate to CGC's capacity assets and the management of those assets, including the sharing of gains generated from non-jurisdictional transactions with CGC's customers.<sup>1</sup> As all claims to be litigated in this docket relate to gas and capacity related costs includable in CGC's PGA, it is proper for CGC to recover the costs associated with the litigation in this contested case proceeding through the PGA.

In fact, the TRA has allowed natural gas companies to recover expenses associated with gas and capacity related costs through the PGA. In Rule 1220-4-7-.05, the TRA has recognized the costs incurred by a company to engage an outside consultant to perform a prudency audit of gas and capacity related costs included in its PGA and has allowed the company to recover those expenses through the PGA. As the litigation costs that CGC will incur in this matter are related to gas and capacity related costs that are recoverable through its PGA, CGC should be allowed to recover these costs from ratepayers through the PGA. CGC reserves its right to brief and litigate the recovery

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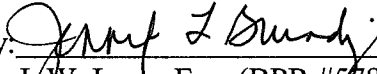
<sup>1</sup> As explained in its February 22, 2008 filing, CGC believes that the Consumer Advocate and Protection Division of the Attorney General has failed to set forth with any specificity the claims and issues that it will be litigating against CGC in this contested case proceeding.

issue as this case proceeds either at the hearing on the merits or through a dispositive motion.

In summary, CGC respectfully requests that the TRA enter an order allowing it to accumulate and defer the litigation costs incurred in this docket.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the foregoing has been forwarded by electronic mail on this the 28th day of February, 2008, to the following:

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