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February 12, 2010

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VIA HAND DELIVERY

Chairman Sara Kyle
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-00505

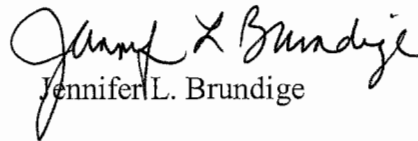
Re: Docket No. 09-00183

Dear Chairman Kyle:

Chattanooga Gas Company ("CGC") is filing in the above referenced docket one copy of its responses to certain discovery requests propounded by the Consumer Advocate and Protection Division ("CAPD") of the Office of Attorney General in its first set of discovery requests. Also, included in this filing are CGC's revised responses for request nos. 4, 6, and 8 of the CAPD's first set of discovery requests.

Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,


Jennifer L. Brundige

Enclosures

cc: Gary Hotvedt, Esq.
Pat Murphy
Cynthia Kinser, Esq.
C. Scott Jackson, Esq.
Ryan McGehee, Esq.
T. Jay Warner, Esq.
Henry M. Walker, Esq.
Elizabeth Wade, Esq.
Archie Hickerson

DISCOVERY REQUEST NO. 4:

Provide the number of residential therms for rate schedule R-1 by the first 25 therms per month, next 25 therms per month, and over 50 therms per month by month for years 2004-2009 in excel format.

Response:

Please see Attachment 4-1 for the number of Residential R-1 therms by month for the years 2004-2009.

Revised February 12, 2010

While preparing its response to another discovery request, the Company determined that in its initial filings it had report the months of January – October 2004 in CCFs instead of therms. The attached revised schedule provides the volumes in therms for those months.

DISCOVERY REQUEST NO. 6:

Provide the number of residential therms for rate schedule R-4 by month for years 2004-2009 in excel format.

Response:

Please see Attachment 6-1 for the number of Residential R-4 therms by month for the years 2004-2009.

Revised February 12, 2010

While preparing its response to another discovery request, the Company determined that in its initial filings it had report the months of January – October 2004 in CCFs instead of therms. The attached revised schedule provides the volumes in therms for those months.

DISCOVERY REQUEST NO. 8:

Provide the number of commercial therms for rate schedule C-1 by month for years 2004-2009 in excel format.

Response:

Please see Attachment 4-1 for the number of Commercial C-1 therms by month for the years 2004-2009.

Revised February 12, 2010

While preparing its response to another discovery request, the Company determined that in its initial filings it had report the months of January – October 2004 in CCFs instead of therms. The attached revised schedule provides the volumes in therms for those months.

DISCOVERY REQUEST NO. 84:

Provide the actual Accumulated Deferred Income Taxes per CGC Exhibit RDH-3, Schedule 1, Line 6 for Chattanooga Gas Company at December 31, 2009 and monthly net additions through April 2011.

Response:

Please see attachment 84-1 for monthly estimated balances of Accumulated Deferred Income Tax through April 2011. Attachments 84-2 through 84-5 provide support of the calculations.

Chattanooga Gas Company
Projected Accumulated Deferred Income Tax by month

Month	Consolidated	Federal	State
December-09	(22,613,306)	(20,861,761)	(1,751,545)
January-10	(22,732,289)	(20,956,629)	(1,775,659)
February-10	(22,851,272)	(21,051,498)	(1,799,774)
March-10	(22,970,254)	(21,146,366)	(1,823,888)
April-10	(23,089,237)	(21,241,235)	(1,848,003)
May-10	(23,202,792)	(21,331,888)	(1,870,904)
June-10	(23,316,346)	(21,422,541)	(1,893,805)
July-10	(23,429,900)	(21,513,195)	(1,916,706)
August-10	(23,543,455)	(21,603,848)	(1,939,607)
September-10	(23,657,009)	(21,694,501)	(1,962,508)
October-10	(23,770,564)	(21,785,155)	(1,985,409)
November-10	(23,884,118)	(21,875,808)	(2,008,310)
December-10	(23,997,672)	(21,966,462)	(2,031,211)
January-11	(24,111,227)	(22,057,115)	(2,054,112)
February-11	(24,224,781)	(22,147,768)	(2,077,013)
March-11	(24,338,336)	(22,238,422)	(2,099,914)
April-11	(24,451,890)	(22,329,075)	(2,122,815)

Chattanooga Gas Company
Accumulated Deferred Income Tax - Combined Federal and State

	As of December 31, 2009			As of April 30, 2010			As of April 30, 2011		
	Consolidated	Federal	State	Consolidated	Federal	State	Consolidated	Federal	State
Federal Depreciation	(21,480,969)	(18,448,988)	(3,033,981)	(21,705,337)	(18,614,181)	(3,091,155)	(22,984,884)	(19,623,876)	(3,361,009)
Contributions in Aid of Construction	1,372,846	1,145,351	227,495	1,386,929	1,157,100	229,829	1,422,264	1,185,030	237,234
Engineering Costs	(223,628)	(185,570)	(37,058)	(240,275)	(200,458)	(39,817)	(290,239)	(242,136)	(48,103)
Software Amortization	(236,088)	(196,966)	(39,122)	(236,086)	(196,966)	(39,122)	(236,086)	(196,966)	(39,122)
Interest and Taxes Charged to Construction	(267,298)	(223,004)	(44,294)	(287,378)	(239,756)	(47,621)	(348,376)	(290,638)	(57,738)
Software Labor	(539)	(450)	(89)	(539)	(450)	(89)	(539)	(450)	(89)
Removal Costs	(230,757)	(192,518)	(38,239)	(242,879)	(202,631)	(40,248)	(275,178)	(229,578)	(45,600)
Gain/Loss Difference	(282,473)	(235,664)	(46,809)	(294,241)	(244,825)	(49,416)	(329,331)	(272,190)	(57,142)
Deductible G & A Costs	(106,813)	(89,946)	(17,667)	(127,985)	(106,776)	(21,208)	(192,165)	(160,321)	(31,843)
481(a)- Deductible G&A Costs	(41,024)	(34,226)	(6,798)	(41,024)	(34,226)	(6,798)	(41,024)	(34,226)	(6,798)
Engineering Cost-G & A	-	-	-	-	-	-	-	-	-
AMT_ SYS	-	-	-	-	-	-	-	-	-
Chattanooga Rate Case	(118,107)	(98,535)	(19,572)	(250,391)	(208,899)	(41,492)	(186,928)	(139,266)	(27,662)
Deferred Reconciliation	-	-	-	-	-	-	-	-	-
Deferred State Reconciliation	-	-	-	-	-	-	-	-	-
PP Treatment of TN excise tax as credit on gross receipts re	-	-	-	-	-	-	-	-	-
State Amortization	1,177,084	(633,815)	1,810,899	1,177,084	(633,815)	1,810,899	1,177,084	(633,815)	1,810,899
Organizational Costs	(289,835)	156,064	(445,899)	(285,922)	153,956	(439,878)	(274,171)	147,627	(421,798)
Miscellaneous Accrued Liabilities	-	-	-	-	-	-	-	-	-
Accrued Severance	3,697	3,086	611	3,697	3,086	611	3,697	3,086	611
Miscellaneous Accrued Taxes	-	-	-	-	-	-	-	-	-
Purchased Gas Adjustment	132,928	110,900	22,028	128,892	107,533	21,359	118,772	97,421	19,351
LNG Maintenance Reserve	-	-	-	-	-	-	-	-	-
NSP	-	-	-	-	-	-	-	-	-
Variable Compensation	(2,014)	(1,680)	(334)	(2,014)	(1,680)	(334)	(2,014)	(1,680)	(334)
Section 481 Adjustment	-	-	-	-	-	-	-	-	-
UNICAP	(601,827)	(502,098)	(99,729)	(601,827)	(502,098)	(99,729)	(601,827)	(502,098)	(99,729)
Bad Debt Reserve	601,777	502,056	99,721	601,777	502,056	99,721	601,777	502,056	99,721
Charitable Contribution Basis Difference	135,901	113,381	22,520	89,600	58,067	11,534	69,600	58,067	11,534
Restricted Stock	3,015	2,515	500	3,015	2,515	500	3,015	2,515	500
Goodwill Amortizations	-	-	-	-	-	-	-	-	-
Pension - Other	1,541,402	1,285,975	255,427	1,541,402	1,285,975	255,427	1,541,402	1,285,975	255,427
Relocation Cost	(492,154)	(410,599)	(81,555)	(500,132)	(417,255)	(82,877)	(524,090)	(437,243)	(86,847)
Accrued Bonus	80,053	66,787	13,266	105,699	88,183	17,516	182,714	152,435	30,279
Accrued Post Retirement Benefits	-	-	-	-	-	-	-	-	-
Charitable Contributions Carryforward	827,012	689,967	137,045	777,946	649,032	128,914	723,974	604,004	119,970
Amortization	(1,521,347)	(1,521,347)	-	(1,507,390)	(1,507,390)	-	(1,465,477)	(1,465,477)	-
Salaries Overhead G and A	(170,715)	(142,426)	(28,289)	(170,715)	(142,426)	(28,289)	(170,715)	(142,426)	(28,289)
Total	(20,189,673)	(18,839,750)	(1,349,923)	(20,696,094)	(19,246,330)	(1,451,765)	(22,060,747)	(20,334,170)	(1,726,577)
Less: Pension - Not included because expense is based on cash contributions	-	-	-	-	-	-	-	-	-
Less: PBOP - Amount including FAS 158	1,541,402	1,285,975	255,427	1,541,402	1,285,975	255,427	1,541,402	1,285,975	255,427
Plus: PBOP Amount Excluding FAS 158	827,012	689,967	137,045	777,946	649,032	128,914	723,974	604,004	119,970
Adjusted Accumulated Deferred Income Tax	(22,613,306)	(20,861,761)	(1,751,545)	(23,089,237)	(21,241,235)	(1,848,003)	(24,451,890)	(22,325,075)	(2,122,815)
Average for Test Period	(23,770,564)	(21,785,155)	(1,985,409)						

**Chattanooga Gas Company
Accumulated Deferred Income Tax - Federal**

	As of December 31, 2008	January-December 2009 Activity	As of December 31, 2009	January-April 2010 Activity	As of April 30, 2010	May 2010 - April 2011 Activity	As of April 30, 2011
Federal Depreciation	(16,276,161)	(2,170,827)	(18,446,988)	(167,153)	(18,614,181)	(1,009,694)	(19,623,876)
Contributions in Aid of Construction	1,120,226	25,125	1,145,351	11,749	1,157,100	27,930	1,185,030
Engineering Costs	(144,178)	(42,392)	(186,570)	(13,888)	(196,966)	(41,678)	(242,136)
Software Amortization	(181,799)	(15,167)	(196,966)	0	(196,966)	0	(196,966)
Interest and Taxes Charged to Construction	(201,161)	(21,843)	(223,004)	(16,752)	(239,756)	(50,882)	(290,638)
Software Labor	(450)	0	(450)	0	(450)	0	(450)
Removal Costs	(154,524)	(37,994)	(192,518)	(10,113)	(202,631)	(26,947)	(229,578)
Gain/Loss Difference	(315,437)	79,773	(235,664)	(9,161)	(244,825)	(27,365)	(272,190)
Deductible G & A Costs	(35,401)	(53,545)	(88,946)	(17,830)	(106,776)	(53,545)	(160,321)
481(a)- Deductible G&A Costs	(34,226)	0	(34,226)	0	(34,226)	0	(34,226)
Engineering Cost-G & A	0	0	0	0	0	0	0
AMT_SYS	0	0	0	0	0	0	0
Chattanooga Rate Case	(60,679)	(37,856)	(98,535)	(110,364)	(208,899)	69,633	(139,266)
Deferred Reconciliation	0	0	0	0	0	0	0
PP Treatment of TN excise tax as credit on gross receipts re	(633,815)	0	(633,815)	0	(633,815)	0	(633,815)
State Amortization	162,393	(6,329)	156,064	(2,108)	153,956	(6,329)	147,627
Organizational Costs	0	0	0	0	0	0	0
Miscellaneous Accrued Liabilities (1)	99,157	(96,071)	3,086	0	3,086	0	3,086
Accrued Severance	0	0	0	0	0	0	0
Miscellaneous Accrued Taxes	121,012	(10,112)	110,900	(3,367)	107,533	(10,112)	97,421
Purchased Gas Adjustment	0	0	0	0	0	0	0
LNG Maintenance Reserve	0	0	0	0	0	0	0
NSP	(1,680)	0	(1,680)	0	(1,680)	0	(1,680)
Variable Compensation	0	0	0	0	0	0	0
Section 481 Adjustment	(502,098)	0	(502,098)	0	(502,098)	0	(502,098)
UNICAP	502,066	0	502,066	0	502,066	0	502,066
Bad Debt Reserve	69,610	43,771	113,381	(55,314)	58,067	0	58,067
Charitable Contribution Basis Difference	2,515	0	2,515	0	2,515	0	2,515
Restricted Stock	0	0	0	0	0	0	0
Goodwill Amortizations	0	0	0	0	0	0	0
Pension - Other	(613,311)	1,899,286	1,285,975	0	1,285,975	0	1,285,975
Relocation Cost	(390,611)	(19,988)	(410,599)	(6,656)	(417,255)	(19,988)	(437,243)
Accrued Bonus	2,535	64,252	66,787	21,396	88,183	64,252	152,435
Accrued Post Retirement Benefits	29,420	660,547	689,967	(40,935)	649,032	(45,028)	604,004
Charitable Contributions Carryforward	0	0	0	0	0	0	0
Amortization	(1,563,260)	41,913	(1,521,347)	13,957	(1,507,390)	41,913	(1,465,477)
Salaries Overhead G and A	0	(142,426)	(142,426)	0	(142,426)	0	(142,426)
Total	(18,999,867)	160,117	(18,839,750)	(406,560)	(19,246,330)	(1,087,840)	(20,334,170)

Less Amortization of Regulatory Liability 35,584
Federal Deferred Provision Excluding Reg. Amortization (1,123,424)

(1) Reconciling item to General Ledger of \$3,086

Chattanooga Gas Company
Accumulated Deferred Income Tax - State

Chattanooga Gas Company
Docket Number 09-00183
CAPD Question 1-84
Attachment 84-4

	As of December 31, 2008	January- December 2009 Activity	As of December 31, 2009	January-April 2010 Activity	As of April 30, 2010	May 2010 - April 2011 Activity	As of April 30, 2011
Federal Depreciation	(2,874,909)	(159,072)	(3,033,981)	(57,174)	(3,091,155)	(269,853)	(3,361,009)
Contributions in Aid of Construction	222,505	4,990	227,495	2,334	229,829	7,405	237,234
Engineering Costs	(28,637)	(8,421)	(37,058)	(2,759)	(39,817)	(8,287)	(48,103)
Software Amortization	(36,110)	(3,012)	(39,122)	(39,122)	(39,122)	0	(39,122)
Interest and Taxes Charged to Construction	(39,956)	(4,338)	(44,294)	(3,327)	(47,621)	(10,116)	(57,738)
Software Labor	(89)	0	(89)	0	(89)	0	(89)
Removal Costs	(30,692)	(7,547)	(38,239)	(2,009)	(40,248)	(5,352)	(45,600)
Gain/Loss Difference	(62,654)	15,845	(46,809)	(2,607)	(49,416)	(7,725)	(57,142)
Deductible G & A Costs	(7,032)	(10,635)	(17,667)	(3,541)	(21,208)	(10,635)	(31,843)
481(a)- Deductible G&A Costs	(6,798)	0	(6,798)	0	(6,798)	0	(6,798)
Engineering Cost-G & A	0	0	0	0	0	0	0
AMT_SYS	0	0	0	0	0	0	0
Chattanooga Rate Case	(12,052)	(7,520)	(19,572)	(21,920)	(41,492)	13,830	(27,662)
Deferred Reconciliation	0	0	0	0	0	0	0
Deferred State Reconciliation	0	0	0	0	0	0	0
PP Treatment of TN excise tax as credit on gross receipts re	1,810,899	0	1,810,899	0	1,810,899	0	1,810,899
State Amortization	(463,979)	18,080	(445,899)	6,021	(439,878)	18,080	(421,798)
Organizational Costs	0	0	0	0	0	0	0
Miscellaneous Accrued Liabilities (1)	19,695	(19,084)	611	0	611	0	611
Accrued Severance	0	0	0	0	0	0	0
Miscellaneous Accrued Taxes	24,036	(2,008)	22,028	(669)	21,359	(2,008)	19,351
Purchased Gas Adjustment	0	0	0	0	0	0	0
LNG Maintenance Reserve	0	0	0	0	0	0	0
NSP	(334)	0	(334)	0	(334)	0	(334)
Variable Compensation	0	0	0	0	0	0	0
Section 481 Adjustment	(99,729)	0	(99,729)	0	(99,729)	0	(99,729)
UNICAP	99,721	0	99,721	0	99,721	0	99,721
Bad Debt Reserve	13,826	8,694	22,520	(10,986)	11,534	0	11,534
Charitable Contribution Basis Difference	500	0	500	0	500	0	500
Restricted Stock	0	0	0	0	0	0	0
Goodwill Amortizations	0	0	0	0	0	0	0
Pension - Other	(121,819)	377,246	255,427	0	255,427	0	255,427
Relocation Cost	(77,585)	(3,970)	(81,555)	(1,322)	(82,877)	(3,970)	(86,847)
Accrued Bonus	503	12,763	13,266	4,250	17,516	12,763	30,279
Accrued Post Retirement Benefits	5,844	131,201	137,045	(8,131)	128,914	(8,944)	119,970
Charitable Contributions Carryforward	0	0	0	0	0	0	0
Amortization	0	0	0	0	0	0	0
Salaries Overhead G and A	0	(28,289)	(28,289)	0	(28,289)	0	(28,289)
Total	(1,664,846)	314,923	(1,349,923)	(101,842)	(1,451,765)	(274,813)	(1,726,577)

Less Amortization of Regulatory Liability

18,080

State Deferred Provision Excluding Reg. Amortization

(292,893)

(1) Reconciling item to General Ledger of \$611

Chattanooga Gas Company
Book vs Tax Depreciation Temporary Difference Calculation for Accumulated Deferred Income Tax Calculation

Line No.	Date	Depreciation Expense	Book depreciation	Tax depreciation	(1)	(2)	(3)	(4) Column 2 Less Column 3	(5)	(6)	(7) Column 5 Less Column 6	(8)	(9)
1	Jan-10	540,673											
2	Feb-10	540,673											
3	Mar-10	540,673											
4	Apr-10	540,673	2,162,692	(1)	2,697,561	534,869	2,697,561	3,042,297	(344,736)	167,193	57,174		
5	May-10	408,310											
6	Jun-10	408,310											
7	Jul-10	408,310											
8	Aug-10	408,310											
9	Sep-10	408,310											
10	Oct-10	408,310											
11	Nov-10	408,310											
12	Dec-10	408,310	3,266,480	(2)	5,403,223	2,136,743	5,403,223	6,093,730	(690,507)	683,540	183,771		
13	Jan-11	408,310											
14	Feb-11	408,310											
15	Mar-11	408,310											
16	Apr-11	408,310	1,633,240	(3)	2,651,192	1,017,952	2,651,192	2,957,578	(306,386)	326,154	86,082		

- (1) Lines 1 through 4 depreciation Expense
(2) Lines 5 through 12 depreciation Expense
(3) Lines 13 through 16 depreciation Expense

DISCOVERY REQUEST NO. 85:

Provide the actual Accumulated Deferred Income Taxes per CGC Exhibit RDH-3, Schedule 1, Line 6 allocated by AGL Services to Chattanooga Gas Company at December 31, 2009 and monthly net additions through April 2011.

Response:

Please see attachment 85-1. See final column titled "Property ADIT Balance allocated to CGC from AGSC".

Month	Beginning Balance	Additions	Retirements	Ending Balance	Property Related ADIT Balance for AGSC (1)	Property ADIT Balance allocated to CGC from AGSC (2)
Jan-10	105,461,001	1,646,352	(209,200)	106,898,153	10,631,677	335,127
Feb-10	106,898,153	1,646,352	(209,200)	108,335,305	10,774,611	339,632
Mar-10	108,335,305	1,646,352	(209,200)	109,772,457	10,917,544	344,138
Apr-10	109,772,457	1,646,352	(209,200)	111,209,609	11,060,478	348,643
May-10	111,209,609	1,646,352	(209,200)	112,646,761	11,203,411	353,149
Jun-10	112,646,761	1,646,352	(209,200)	114,083,913	11,346,345	357,654
Jul-10	114,083,913	1,646,352	(209,200)	115,521,065	11,489,279	362,160
Aug-10	115,521,065	1,646,352	(209,200)	116,958,218	11,632,212	366,665
Sep-10	116,958,218	1,646,352	(209,200)	118,395,370	11,775,146	371,171
Oct-10	118,395,370	1,646,352	(209,200)	119,832,522	11,918,079	375,676
Nov-10	119,832,522	1,646,352	(209,200)	121,269,674	12,061,013	380,182
Dec-10	121,269,674	1,646,352	(209,200)	122,706,826	12,203,947	384,687
Jan-11	122,706,826	1,636,657	(217,488)	124,125,995	12,345,092	389,136
Feb-11	124,125,995	1,636,657	(217,488)	125,545,163	12,486,237	393,585
Mar-11	125,545,163	1,636,657	(217,488)	126,964,332	12,627,382	398,035
Apr-11	126,964,332	1,636,657	(217,488)	128,383,500	12,768,527	402,484
Projected 13 Month Average				119,818,688	11,916,704	375,633

AGSC Property Related ADIT December 2009--13 Mo Avg.	10,148,815
AGSC Plant December 2009-- 13 Mo Avg.	102,043,131
Percentage of ADIT allocated to Plant	9.95%
CGC Allocated Costs	4,908,973
Total Allocable From AGSC 12 months ended 12/31/2009	155,733,884
Percentage Allocated to CGC 12 months ended 12/31/2009	3.15%

- (1) Ending Balance multiplied by Percentage of ADIT to Plant (9.95%)
(2) Property related ADIT multiplied by percentage allocated to CGC (3.15%)

DISCOVERY REQUEST NO. 101:

For each month from July 2008 through June 2009, please provide Chattanooga Gas Company's actual return on equity and the return on equity that would have been realized had the proposed AUA mechanism been in place. Use the capital structure and appropriate cost rates for the twelve months ending June 30, 2009, in calculating the return on equity. Include in your response all supporting source documentation, work papers, and calculations

Response:

Please see attachment 101-1.

DISCOVERY REQUEST NO. 113:

For purposes of this request, please refer to DPY-12. Please provide DPY-12, on an annual historic basis, for each year since the Company's last rate case. Please identify the total annual surcharges or credits that would have arisen had decoupling been in place since the time of the Company's last rate case. Provide all workpapers and source documents used in connection with this response. Provide the requested workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, please provide the information in the form that most closely matches what has been requested.

Response:

Please see Attachment CAPD 113-1.

Chattanooga Gas Company
Alignment and Usage Adjustment Tariff
Sample Annual Calculations 2007-2009

Line No.	Month (a)	2007 Actual		Actual Avg. Revenue / Cust. (d) = (b) / (c)	2006 Benchmark		Difference (f) = (d) - (e)	Total Impact (g) = (f) * (c)	Balance Before Interest (j) = prior (i) + (i)	Monthly Interest (k) = (j) * Int.	Ending Balance (l) = (j) + (k)
		Base Revenues (b)	Number of Customers (c)		Revenue / Cust. (e)	Revenue / Cust. (e)					
1	Residential - R1										
2	Starting Balance - Prior Period Over / (Under) Recovery										\$ -
3	January	\$ 1,232,904	53,918	\$ 22.87	\$ 37.22	\$ (14.35)	\$ (773,779)	\$ (1,934)	\$ (773,779)	\$ (1,934)	\$ (775,714)
4	February	2,057,765	54,180	37.98	34.84	3.14	169,997	(605,716)	(605,716)	(1,514)	(607,231)
5	March	1,570,453	54,028	29.07	28.77	0.30	16,303	(590,928)	(590,928)	(1,477)	(592,405)
6	April	1,152,893	53,578	21.52	22.65	(1.14)	(60,899)	(653,304)	(653,304)	(1,633)	(654,937)
7	May	750,528	53,054	14.15	13.82	0.33	17,426	(637,510)	(637,510)	(1,594)	(639,104)
8	June	655,640	52,574	12.47	12.48	(0.01)	(388)	(639,492)	(639,492)	(1,599)	(641,091)
9	July	637,810	52,162	12.23	12.09	0.13	6,915	(634,176)	(634,176)	(1,585)	(635,761)
10	August	625,403	51,844	12.06	12.16	(0.09)	(4,907)	(640,668)	(640,668)	(1,602)	(642,270)
11	September	630,124	51,740	12.18	12.08	0.10	5,246	(637,024)	(637,024)	(1,593)	(638,616)
12	October	643,436	52,090	12.35	13.55	(1.20)	(62,252)	(700,868)	(700,868)	(1,752)	(702,620)
13	November	1,111,137	53,185	20.89	23.51	(2.61)	(139,061)	(841,681)	(841,681)	(2,104)	(843,786)
14	December	1,509,131	53,748	28.08	31.22	(3.15)	(169,061)	(1,012,847)	(1,012,847)	(2,532)	(1,015,379)
15	January - impact of carrying charges until AUA rate put into effect						\$ (994,459)		(1,015,379)	(2,538)	(1,017,918)
16	February - impact of carrying charges until AUA rate put into effect								(1,017,918)	(2,545)	(1,020,462)
17						Total Credit / (Deficiency)					\$ (1,020,462)
18						Projected Residential Throughput for Recovery Period					36,475,800
19	Pre-tax Residential AUA Charge/(Credit)										\$ 0.0280

Notes:

- (1) 3.0% Annual Interest
(2) Data presented on a calendar year basis, however, the proposed AUA is computed for annual periods beginning each May

Chattanooga Gas Company
Alignment and Usage Adjustment Tariff
Sample Annual Calculations 2007-2009

Line No.	2007 Actual			Actual Avg. Revenue / Cust. (d) = (b) / (c)	2006 Benchmark Revenue / Cust. (e)	Difference (f) = (d) - (e)	Total Impact (g) = (f) * (c)	Balance			
	Month (a)	Base Revenues (b)	Number of Customers (c)					Before Interest (j) = prior (i) + (i)	Monthly Interest (k) = (j) * Int.	Ending Balance (l) = (j) + (k)	
1	Commercial - C-1, C-2 and T-3										
2	Starting Balance - Prior Period Over / (Under) Recovery										
3	January	\$ 1,484,761	8,513	\$ 174.41	\$ 174.38	\$ 0.03	\$ 259	\$ 259	\$ 1	\$ 259	
4	February	1,551,104	8,573	180.93	159.73	21.20	181,713	181,972	455	182,427	
5	March	1,259,163	8,550	147.27	129.29	17.98	153,765	336,192	840	337,033	
6	April	808,035	8,479	95.30	99.80	(4.50)	(38,128)	298,905	747	299,652	
7	May	579,551	8,387	69.10	66.71	2.39	20,048	319,701	799	320,500	
8	June	487,019	8,329	58.47	63.36	(4.89)	(40,728)	279,772	699	280,472	
9	July	477,715	8,228	58.06	61.93	(3.87)	(31,882)	248,590	621	249,211	
10	August	463,515	8,081	57.36	62.00	(4.64)	(37,496)	211,715	529	212,245	
11	September	470,229	8,046	58.44	62.11	(3.67)	(29,515)	182,729	457	183,186	
12	October	493,831	8,038	61.44	66.07	(4.63)	(37,245)	145,941	365	146,306	
13	November	685,368	8,244	83.14	99.64	(16.51)	(136,076)	10,230	26	10,255	
14	December	1,052,797	8,387	125.53	139.85	(14.32)	(120,138)	(109,883)	(275)	(110,158)	
15	January - impact of carrying charges until AUA rate put into effect										
16	February - impact of carrying charges until AUA rate put into effect										
17								\$ (115,423)	(110,158)	(275)	(110,433)
								Total Credit / (Deficiency)	(110,433)	(276)	(110,709)
17									\$ (110,709)		
18								Projected Commercial Throughput for Recovery Period			38,111,370
19	Pre-tax Commercial AUA Charge/(Credit)										\$ 0.0029

Notes:
(1) 3.0% Annual Interest
(2) Data presented on a calendar year basis, however, the proposed AUA is computed for annual periods beginning each May

**Chattanooga Gas Company
Alignment and Usage Adjustment Tariff
Sample Annual Calculations 2007-2009**

Line No.	Month (a)	2008 Actual		Actual Avg. Revenue / Cust. (d) = (b) / (c)	2006 Benchmark Revenue / Cust. (e)	Difference (f) = (d) - (e)	Total Impact (g) = (f) * (c)	Balance Before Interest (j) = prior (i) + (i)	Monthly Interest (k) = (j) * Int.	Ending Balance (l) = (j) + (k)
		Base Revenues (b)	Number of Customers (c)							
1	Residential - R1									
2	Starting Balance - Prior Period Over / (Under) Recovery									\$ -
3	January	\$ 1,807,281	54,012	\$ 33.46	\$ 37.22	\$ (3.76)	\$ (202,901)	\$ (202,901)	\$ (507)	\$ (203,409)
4	February	1,907,722	54,167	35.22	34.84	0.38	20,407	(183,001)	(458)	(183,459)
5	March	1,654,362	54,142	30.56	28.77	1.79	96,933	(86,526)	(216)	(86,742)
6	April	1,215,565	53,789	22.60	22.65	(0.06)	(3,006)	(89,748)	(224)	(89,973)
7	May	745,382	53,295	13.99	13.82	0.17	8,951	(81,022)	(203)	(81,224)
8	June	660,207	52,778	12.51	12.48	0.03	1,634	(79,591)	(199)	(79,789)
9	July	638,288	52,345	12.19	12.09	0.10	5,180	(74,609)	(187)	(74,796)
10	August	629,327	52,102	12.08	12.16	(0.08)	(4,121)	(78,917)	(197)	(79,114)
11	September	637,311	52,062	12.24	12.08	0.16	8,544	(70,569)	(176)	(70,746)
12	October	664,486	52,464	12.67	13.55	(0.88)	(46,269)	(117,015)	(293)	(117,308)
13	November	1,240,642	53,399	23.23	23.51	(0.27)	(14,586)	(131,894)	(330)	(132,224)
14	December	1,751,586	54,005	32.43	31.22	1.21	65,369	(66,855)	(167)	(67,022)
15	January - Impact of carrying charges until AUA rate put into effect						\$ (63,866)	(67,022)	(168)	(67,190)
16	February - Impact of carrying charges until AUA rate put into effect							(67,190)	(168)	(67,358)
17						Total Credit / (Deficiency)			\$	\$ (67,358)
18						Projected Residential Throughput for Recovery Period				36,475,800
19	Pre-tax Residential AUA Charge/(Credit)								\$	\$ 0.0018

Notes:
(1) 3.0% Annual Interest
(2) Data presented on a calendar year basis, however, the proposed AUA is computed for annual periods beginning each May

**Chattanooga Gas Company
Alignment and Usage Adjustment Tariff
Sample Annual Calculations 2007-2009**

Line No.	Month	2008 Actual		Actual Avg. Revenue / Cust.	2006 Benchmark Revenue / Cust.	Difference (f) = (d) - (e)	Total Impact (g) = (f) * (c)	Balance Before Interest (j) = prior (i) + (i)	Monthly Interest (k) = (j) * Int.	Ending Balance (l) = (j) + (k)
		Base Revenues (b)	Number of Customers (c)							
1	Commercial - C-1, C-2 and T-3									
2	Starting Balance - Prior Period Over / (Under) Recovery									\$ -
3	January	\$ 1,295,296	8,460	\$ 153.11	\$ 174.38	\$ (21.27)	\$ (179,964)	\$ (179,964)	\$ (450)	\$ (180,414)
4	February	1,448,222	8,496	170.46	159.73	10.73	91,131	(89,283)	(223)	(89,506)
5	March	1,233,566	8,480	145.47	129.29	16.18	137,218	47,712	119	47,831
6	April	881,901	8,400	104.99	99.80	5.19	43,622	91,453	229	91,682
7	May	566,676	8,284	68.41	66.71	1.70	14,044	105,725	264	105,990
8	June	496,810	8,155	60.92	63.36	(2.44)	(19,912)	86,078	215	86,293
9	July	474,960	8,043	59.05	61.93	(2.88)	(23,180)	63,113	158	63,271
10	August	468,800	7,965	58.86	62.00	(3.14)	(25,019)	38,252	96	38,348
11	September	480,210	7,959	60.34	62.11	(1.78)	(14,130)	24,217	61	24,278
12	October	484,791	7,967	60.85	66.07	(5.22)	(41,594)	(17,316)	(43)	(17,359)
13	November	773,170	8,200	94.29	99.64	(5.35)	(43,891)	(61,250)	(153)	(61,403)
14	December	1,207,573	8,373	144.22	139.85	4.37	36,596	(24,808)	(62)	(24,870)
15	January - impact of carrying charges until AUA rate put into effect						\$ (25,079)	(24,870)	(62)	(24,932)
16	February - impact of carrying charges until AUA rate put into effect							(24,932)	(62)	(24,994)
17					Total Credit / (Deficiency)					\$ (24,994)
18					Projected Commercial Throughput for Recovery Period					38,111,370
19	Pre-tax Commercial AUA Charge/(Credit)									<u>\$ 0.0007</u>

Notes:
(1) 3.0% Annual Interest
(2) Data presented on a calendar year basis, however, the proposed AUA is computed for annual periods beginning each May

Chattanooga Gas Company
Alignment and Usage Adjustment Tariff
Sample Annual Calculations 2007-2009

Line No.	Month (a)	2009 Actual		Actual Avg. Revenue / Cust. (d) = (b) / (c)	2006 Benchmark		Difference (f) = (d) - (e)	Total Impact (g) = (f) * (c)	Balance Before Interest (i) = prior (l) + (i)	Monthly Interest (k) = (j) * Int.	Ending Balance (l) = (j) + (k)
		Base Revenues (b)	Number of Customers (c)		Revenue / Cust. (e)	Revenue / Cust. (e)					
1	Residential - R1										
2	Starting Balance - Prior Period Over / (Under) Recovery										\$ -
3	January	\$ 1,796,118	54,193	\$ 33.14	\$ 37.22	\$ 37.22	\$ (4.07)	\$ (220,800)	\$ (220,800)	\$ (552)	\$ (221,352)
4	February	1,973,243	54,330	36.32	34.84	34.84	1.48	80,250	(141,102)	(353)	(141,455)
5	March	1,586,787	54,247	29.25	28.77	28.77	0.49	26,337	(115,118)	(288)	(115,406)
6	April	1,233,082	53,948	22.86	22.65	22.65	0.20	10,909	(104,497)	(261)	(104,758)
7	May	753,298	53,250	14.15	13.82	13.82	0.33	17,765	(86,994)	(217)	(87,211)
8	June	658,517	52,621	12.51	12.48	12.48	0.04	1,903	(85,308)	(213)	(85,521)
9	July	634,893	52,241	12.15	12.09	12.09	0.06	3,043	(82,479)	(206)	(82,685)
10	August	631,253	52,103	12.12	12.16	12.16	(0.04)	(2,206)	(84,891)	(212)	(85,103)
11	September	627,876	52,227	12.02	12.08	12.08	(0.06)	(2,883)	(87,986)	(220)	(88,205)
12	October	687,095	52,505	13.09	13.55	13.55	(0.46)	(24,215)	(112,421)	(281)	(112,702)
13	November	1,140,243	53,272	21.40	23.51	23.51	(2.10)	(111,999)	(224,701)	(562)	(225,263)
14	December	1,568,900	53,704	29.21	31.22	31.22	(2.01)	(107,919)	(333,182)	(833)	(334,015)
15	January - impact of carrying charges until AUA rate put into effect							\$ (329,817)	(334,015)	(835)	(334,850)
16	February - impact of carrying charges until AUA rate put into effect								(334,850)	(837)	(335,687)
17							Total Credit / (Deficiency)			\$	\$ (335,687)
18							Projected Residential Throughput for Recovery Period				36,475,800
19	Pre-tax Residential AUA Charge/(Credit)										\$ 0.0092

Notes:

- (1) 3.0% Annual Interest
(2) Data presented on a calendar year basis, however, the proposed AUA is computed for annual periods beginning each May

Chattanooga Gas Company
Alignment and Usage Adjustment Tariff
Sample Annual Calculations 2007-2009

Line No.	Month	2009 Actual		Actual Avg. Revenue / Cust.	2006 Benchmark		Difference (f) = (d) - (e)	Total Impact (g) = (f) * (c)	Balance		
		Base Revenues (b)	Number of Customers (c)		Revenue / Cust. (d) = (b) / (c)	Revenue / Cust. (e)			Before Interest (j) = prior (i) + (i)	Monthly Interest (k) = (j) * Int.	Ending Balance (l) = (j) + (k)
1	Commercial - C-1, C-2 and T-3										
2	Starting Balance - Prior Period Over / (Under) Recovery										
3	January	\$ 1,258,223	8,405	\$ 149.70	\$ 174.38	\$ (24.68)	\$ (207,447)	\$ (519)	\$ (207,966)		
4	February	1,451,532	8,439	172.00	159.73	12.27	103,545	(261)	(104,681)		
5	March	1,188,649	8,414	141.27	129.29	11.98	100,834	(10)	(3,857)		
6	April	817,589	8,313	98.35	99.80	(1.44)	(12,008)	(40)	(15,905)		
7	May	562,167	8,204	68.52	66.71	1.81	14,873	(3)	(1,034)		
8	June	481,081	8,076	59.57	63.36	(3.79)	(30,635)	(79)	(31,748)		
9	July	455,728	8,002	56.95	61.93	(4.98)	(39,872)	(179)	(71,799)		
10	August	458,329	7,973	57.49	62.00	(4.51)	(35,985)	(269)	(108,054)		
11	September	432,132	7,590	56.93	62.11	(5.18)	(39,290)	(368)	(147,712)		
12	October	519,548	8,043	64.60	66.07	(1.47)	(11,859)	(399)	(159,970)		
13	November	707,175	8,219	86.04	99.64	(13.60)	(111,778)	(679)	(272,428)		
14	December	1,013,433	8,352	121.34	139.85	(18.51)	(154,608)	(1,068)	(428,103)		
15	January - impact of carrying charges until AUA rate put into effect										
16	February - impact of carrying charges until AUA rate put into effect										
17						Total Credit / (Deficiency)	\$ (424,229)		(428,103)	(1,070)	(429,173)
									(429,173)	(1,073)	(430,246)
17										\$	(430,246)
18						Projected Commercial Throughput for Recovery Period					38,111,370
19	Pre-tax Commercial AUA Charge/(Credit)										\$ 0.0113

Notes:
(1) 3.0% Annual Interest
(2) Data presented on a calendar year basis, however, the proposed AUA is computed for annual periods beginning each May

DISCOVERY REQUEST NO. 156:

Please refer to lines 21-23, page 5 and lines 1-4 of Mr. Nikolich's Direct Testimony. Provide the source documents utilized for each measure life's used by the Company.

Response:

The selection of measure lives was made through a review of literature that presents various lives for equipment and through Mr. Nikolich's gas industry knowledge and experience with regard to customer behavior and gas appliance equipment decisions. The following presents the choice of measure lives for each program with reference to the attached source documents. Due to the voluminous nature of the attachments, they will be filed electronically on a CD.

Free Programmable Thermostats – Two sources of data were examined, a study by the National Association of Home Builders (NAHB) on building component lives (attachment 156-1) and the assumed life in the Energy Star programmable thermostats savings calculator (attachment 156-2). NAHB shows 35 years, while Energy Star shows 15. Based upon experience 17 years was chosen.

Residential High Efficiency Furnace - The NAHB document shows 15-20 years for furnaces, on page 47 of the report to the Energy Trust of Oregon (attachment 156-3). Lawrence Berkley National Laboratory (LBNL) shows gas furnaces with lives of between 10 and 30 years and gas boilers can have lives of over 30 years as also shown on

page 8-15 of attachment 156-4. Based upon this data and Mr. Nikolich's experience and knowledge, 25 years was selected as the measure life.

Low Income Weatherization – the life for this measure was matched to the Residential High Efficiency Furnace program.

Residential Tankless Water Heater – The life for this measure was based upon the life listed on page 3 of attachment 156-5 from the U.S. Department of Energy.

Residential High Efficiency Storage Water Heater – The life for this measure was based upon the life listed on page 3 of attachment 156-5 from the U.S. Department of Energy. Based upon experience a measure life of 12 years was chosen.

Commercial High Efficiency Storage Water Heater – The life for this measure was based upon the life listed on page 3 of attachment 156-5 from the U.S. Department of Energy. Based upon experience a measure life of 12 years was chosen.

Other Commercial Measures – The appliances being rebated here as is shown by the lives of the residential counterparts extends beyond the customers typical economic life as represented in the 15 years life for a commercial customer established in the Company's tariff for main and service extension. As such, a 15 year economic life was used for each of the remaining programs rather than the equipment life.

DISCOVERY REQUEST NO. 157:

For each program and the cost benefit analysis performed, please state whether or not the Company assumed there was spillover, kick-backs, or free-riders associated with the program. Explain the Company's rationale for assuming that there was or was not spillover, kick-backs or free-riders and provide documentation relied upon by the Company to support its assumption.

Response:

The initial cost benefit analysis presented with Mr. Nikolich's testimony assumed no free riders (participating customers who would have enacted the measure even without an incentive), spillover (non-participating customers who enact savings measures on their own as a result of the program) or kick-backs (benefits resulting typically when a customer adds load) with exception of free riders for the residential High Efficiency Furnace incentive. As part of the response to discovery request 152, a revised cost benefit analysis was presented in attachment 152-2 that incorporates additional assumptions for kick-back benefits. As this revised analysis was based upon actual customer data from programs run from 2006-2009 as described and with data presented in discovery requests 142, 172, 173 and 174, this data includes instances where customers actually added load as a result of installing the appliances. Therefore including these instances in arriving at the average savings rates for consumption and energy costs accounts the percentage of customers who would generate kick-back benefits by effectively discounting the consumption and energy cost savings. As to the other assumptions on spillover, kick-back

benefits and free ridership for each program these are in large part based upon Mr. Nikolich's knowledge and experience concerning the behavior of customers and reflects the fundamental economics of customer decisions to add or replace equipment.

Free Programmable Thermostats – There was no assumption made for free riders or spill over. Given the relatively low cost of the item and the fact that one must have a thermostat to operate their heating and cooling systems, the assumption was made that only customers who did not already have a programmable thermostat would request one. Therefore no free riders were assumed. The Company did not look at or estimate spillover effects on electric bill savings as it has no data or means to verify said savings. One assumption was made that indirectly affects the free rider benefits was a reduction in the assumed energy savings levels from the ENERGY STAR projected levels of 18% to only 5%. This assumption was made to account for customers who either installed the device and did not program it up to the full recommended settings, or already had their thermostats set below the ENERGY STAR assumed setting of 70°F.

Low Income Weatherization – Only customers at 175% of the poverty level or less are eligible. As such the costs of weatherization measures are typically sufficient to prevent these customers from affording these measures on their own, thus leading to the assumption of no spillover by non-participating low income customers. Likewise the Company assumed no free riders, as being unable to afford these measures in first place

means they would not undertake them without the incentive. While the Company recognizes that there will be some spillover benefits to the participating customers in terms of electricity savings, as stated above the Company had no data on or means to verify such savings. Therefore, no electric savings additional savings were used in the cost benefit analysis. As far as kick-back benefits, because these are energy efficiency measures specifically targeted at allowing low income customers to reduce their bills, none were assumed.

Residential High Efficiency Furnace Incentive – A 29% free rider rate was assumed based upon the ratio of Tennessee High Efficiency furnace shipments to total furnace shipments from the Air-Conditioning Heating and Refrigeration Institute data (see attachment 157-1). No spillover savings were assumed for additional non-participating customers installing high efficiency furnaces due to the incremental \$700 equipment cost to install a high efficiency furnace over a standard 80% AFUE one. As stated before, in the revised analysis kick-back benefits were accounted for by using an average savings level based upon actual data in which there were some instances where customers actually added load rather than reducing their consumption.

Residential Tankless Water Heater Incentive – This is a relatively new technology with a substantial higher capital cost than a conventional storage tank water heater. As this technology is early in its adoption phase the Company assumes that there will be no

free riders. Further, even with the incentive, at ~ \$1,000, the capital outlay by a consumer is still considered sufficient to limit participation to only those customers who need to replace their water heaters, therefore the Company anticipates little spillover effects in the near term. As stated before, in the revised analysis kick-back benefits were accounted for by using an average savings level based upon actual data in which there were some instances where customers actually added load rather than reducing their consumption.

Residential High Efficiency Storage Water Heater Incentive – This is a relatively few of these products available on the market. As this technology is early in its adoption phase the Company assumes that there will be no free riders. Further, even with the incentive, at ~ \$875, the capital outlay by a consumer is still considered sufficient to limit participation to only those customers who need to replace their water heaters. Therefore the Company anticipates little spillover effects in the near term. In terms of kick-back benefits none were assumed. The assumption that there is no kickback effect to the Company is based on the fact the main alternative choice equipment is already lower efficiency gas units.

Food Service Equipment – This incentive is targeted to small commercial establishments that typically succeed or fail within two years and have an effective economic life of 15 years. This is also relatively new technology. The Company assumes

that there will be no free riders or measurable spillover for two reasons. First, this technology is early in its adoption phase. Second, small commercial food service customers such as restaurants or cafeterias are very capital cost conscious and tend to make capital outlays for equipment with a longer service life than their business' economic life when they start or expand their business. As a result, unless these customers can see an absolute payback of the incremental capital cost in a near term of two to three years these customers generally elect less efficient but also less capital costly equipment. For this type of equipment with an incremental cost to the customer of \$400, and an energy savings of only \$42 per year it will take a customer ~10 years to payback their investment, a period much too long to justify the expenditure for the higher efficiency equipment. The assumption that there is no kickback effect to the Company is based on the fact the main alternative choice equipment is already lower efficiency gas units.

Commercial High Efficiency Furnace Incentive – This incentive is targeted to small commercial establishments that typically succeed or fail within five years and have an effective economic life of 15 years. These customers are very capital cost conscious and tend to make capital outlays for equipment with a longer service life than their business' economic life when they start or expand their business. Generally, unless small commercial customers can see a full payback of their additional investment in two to three years, they elect their short term bottom line and choose to install less efficient but also less capital costly equipment. For this type of equipment with an incremental cost to

the customer of \$800, and an energy savings of only \$58 per year it will take a customer ~14 years to payback their investment, a period much too long to justify the expenditure for the higher efficiency equipment. Given their short economic life there is no simple logic to justify purchase of the higher efficiency equipment without the presence of the \$500 incentive that reduces the payback period down to years. Hence the assumption of no free riders was made. Likewise, the assumption that there would be no spillover benefits from non-participating customers.

Commercial Tankless Water Heater Incentive – This is a relatively new technology with a substantial higher capital cost than a conventional storage tank water heater. As this technology is early in its adoption phase the Company assumes that there will be no free riders. Further, even with the incentive, at ~\$1,000, the capital outlay by a customer is still considered sufficient to limit participation to only those customers who need to replace their water heaters, therefore the Company anticipates little spillover effects in the near term. As this technology effectively reduces the gas load of a customer who would otherwise use a less efficient gas solution, the Company assumes it would receive no kick-back benefits.

Commercial High Efficiency Storage Water Heater Incentive – There are relatively few of these products available on the market. As this technology is also early in its adoption phase the Company assumes that there will be no free riders. Further, even with

the incentive, at ~ \$875, the capital outlay by a consumer is still considered sufficient to limit participation to only those customers who need to replace their water heaters. Therefore the Company anticipates little spillover effects in the near term. As this technology, effectively reduces the gas load of a customer who would otherwise use a less efficient gas solution, there Company assumes it would receive no kick-back benefits.

Commercial Booster Water Heater Incentive – This incentive is targeted to small commercial establishments that typically succeed or fail within two years and have an effective economic life of 15 years. This is a relatively new technology with a substantial higher capital cost than a conventional storage tank water heater. As this technology is early in its adoption phase the Company assumes that there will be no free riders. For this type of equipment with an incremental cost to the customer of \$3,000, and an energy savings of only \$431 per year it will take a customer ~7 years to payback their investment, a period much to long to justify the expenditure for the higher efficiency equipment. Therefore, even with the \$200, incentive, the capital outlay by a customer is still considered sufficient to limit participation to only those customers who need to augment their water heating, therefore the Company anticipates no free riders and little spillover effects in the near term. As this technology, effectively reduces the gas load of a customer who would otherwise use a less efficient gas solution, there Company assumes it would receive no kick-back benefits.

Chattanooga Gas Company
Docket Number 09-00183
CAPD
Question 157
2/12/2010
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DISCOVERY REQUEST NO. 183:

Please provide the Company's complete budgets, with all associated explanations, to replace its distribution mains and services as they were prepared and modified for each of the years 2006, 2007, 2008, 2009, 2010 and 2011.

Response:

The Company's complete budgets and actual spend for the Bare Steel Cast Iron Pipeline Replacement Program are as follows.

CGC PRP CAPEX Budget vs. Actual		
Year	Budget	Actual
2006	\$0	\$0
2007	\$3,000,000	\$2,082,513
2008	\$1,610,000	\$1,605,060
2009	\$809,600	\$1,080,462
2010	\$4,955,243	

* There was no budget for PRP for 2006; however, in 2006 there was 1.35 miles of renewal projects completed in preparation for the 2007 PRP program.

Located in attachment #1, the Company has provided a complete list of details including streets serviced, pipe size, material, footage and mileage for the years 2006, 2007, 2008, 2009 and 2010.

Revised Response February 12, 2010:

This response is being revised to provide the 2006 budget and forecasts. The original response had stated that there was no budget. That statement was incorrect. Additionally,

the mileage replaced in 2006 is 1.29 miles and not 1.35. The response is also being revised to include pressure improvement budgets and forecasts. The original response also stated that there was an attachment, which was inadvertently omitted from the initial response. The revised response contains the attachment. Finally, the response is being revised to include forecasts for each year from 2007 through 2009. The original response included only the original budget amounts.

Attachment 183-1 provides for 2006 through 2009 the budget, subsequent forecasts and the actual amounts incurred for each year as well explanations. The subsequent forecasts are the updates that the Company performs each year. These update include actual expenses incurred to date plus forecast numbers for the remainder of the year. For 2010 and 2011 the budget and forecast amounts, respectively, are presented. The associated explanations are included in the footnotes. Details of actual bare steel and cast iron replacement are included in response Discovery Request Number 178-1.

Chattanooga - Pipeline Replacement Budget, Forecast and Actual 2006-2011

2006		3 Months Actual + 9 Months Forecast			8 Months Actual + 4 Months Forecast			9 Months Actual + 3 Months Forecast			Actual
AFE # & Description	Budget	Actual	Forecast	Total	Actual	Forecast	Total	Actual	Forecast	Total	Actual
30480 - Manufacturers Rd west		-		-	50,803		50,803	50,803		50,803	50,803
25437 - Elrod St at 14th St Area		62,561		62,561	98,097		98,097	98,687		98,687	100,459
29656 - Weeks Dr BSCI Area		-		-	31,454		31,454	35,329		35,329	35,329
Completion of 2005 Projects:											
18912 - Signal Mountain		43,832		43,832	43,832		43,832	43,832		43,832	43,832
17538 - Lookout Mtn		241,919		241,919	293,793		293,793	334,510		334,510	385,847
21006 - Peace Street		-		-	727		727	908		908	908
21004 - Hixson Pike		4,571		4,571	15,608		15,608	16,832		16,832	18,056
20857 - McIntire		765		765	765		765	765		765	765
PRP project not specified	705,000		923,506	923,506		95,547	95,547		64,785	64,785	
Total PRP	705,000	353,648	923,506	1,277,154	535,079	95,547	630,626	581,666	64,785	646,451	635,999
Cost of Removal		327		327	1,089		1,089	1,089	-	1,089	1,089
Pressure Improvement project not specified	100,000	-	100,000	100,000	-	-	-	-	-	-	-
Total Pressure Improvements	100,000	-	100,000	100,000	-	-	-	-	-	-	-
Totals:	805,000	353,975	1,023,506	1,377,481	536,168	95,547	631,715	582,755	64,785	647,540	637,088
2007		No forecast performed			6 Months Actual + 6 Months Forecast			9 Months Actual + 3 Months Forecast			Actual
AFE # & Description	Budget				Actual	Forecast	Total	Actual	Forecast	Total	Actual
21008 - St Elmo Ave Area BSCI					208,082		208,082	291,330		291,330	536,427
21010 - Forrest Ave Mississippi					119,939		119,939	225,821		225,821	662,712
033264 - King Edward Ave Area					254,674		254,674	283,759		283,759	284,995
033266 - Gaut St Area BSCI					314,286		314,286	402,493		402,493	405,342
033271 - Oakland Ave Area					119,155		119,155	124,736		124,736	126,113
036226 - 1750-14785 Griffin Lakes											66,924
2007 Projects Completed in 2008 (17538,25437)					3,990		3,990	4,101		4,101	4,138
PRP project not specified	3,000,000					1,984,000	1,984,000		1,265,000	1,265,000	
Total PRP	3,000,000				1,020,126	1,984,000	3,004,126	1,332,240	1,265,000	2,597,240	2,086,651
Cost of Removal	-				-	-	-	-	-	-	-
33787 - Lookout Mountain-pressure improvement	200,000				14,209		14,209	54,720		54,720	68,499
Pressure improvement project not specified	100,000					48,900	48,900		8,000	8,000	
Total Pressure Improvements	300,000				14,209	48,900	63,109	54,720	8,000	62,720	68,499
Totals:	3,300,000				1,034,335	2,032,900	3,067,235	1,386,960	1,273,000	2,659,960	2,155,150

Chattanooga - Pipeline Replacement Budget, Forecast and Actual 2006-2011

2008		Budget			3 Months Actual + 9 Months Forecast			5 Months Actual + 7 Months Forecast			9 Months Actual + 3 Months Forecast			Actual
A/E # & Description					Actual	Forecast	Total	Actual	Forecast	Total	Actual	Forecast	Total	
036630 - Ringgold Road		280,000			597		597	45,395		45,395	467,826		467,826	573,832
037107 - White Oak Dr/Memorial Dr/					112,225		112,225	463,791		463,791	682,146		682,146	687,008
039415 - Brainerd Rd BSCI		330,000												
2007 Projects Completed in Q1 2008 (21008,33264,33266, 33271 & 36226)					336,821		336,821	941,960		941,960	343,766		343,766	344,220
PRP project not specified		1,000,000				1,160,057	1,160,057		766,422	766,422		132,000	132,000	
Total PRP		1,610,000			449,643	1,160,057	1,609,700	851,146	766,422	1,617,568	1,493,738	132,000	1,625,738	1,605,060
Cost of Removal		-			7,123		7,123	7,123	-	7,123	7,123	-	7,123	9,018
36628 - Hunter Road-pressure improvement		350,000			191,570		191,570	194,026		194,026	195,255		195,255	195,255
Hixon Pike - Pressure Improvement		200,000												
33787 - Lookout Mountain					353		353	353		353	353		353	353
38739 - South Lee Highway-pressure improvement											34,067		34,067	137,504
Pressure improvement project not specified						212,000	212,000		210,000	210,000		100,000	100,000	
Total Pressure Improvements		550,000			191,923	212,000	403,923	194,379	210,000	404,379	229,675	100,000	329,675	333,112
Totals:		2,160,000			648,689	1,372,057	2,020,746	1,052,648	976,422	2,029,070	1,730,536	232,000	1,962,536	1,947,190
2009		Budget			3 Months Actual + 9 Months Forecast			6 Months Actual + 6 Months Forecast			9 Months Actual + 3 Months Forecast			Actual
A/E # & Description					Actual	Forecast	Total	Actual	Forecast	Total	Actual	Forecast	Total	
039415 - Brainerd Rd BSCI		425,600			242,505	231,500	474,005	365,264	450,000	815,264	504,854		504,854	550,442
039417 - McCallie Ave Area BSCI		384,000			4,422	227,000	231,422	126,945	35,000	161,945	329,462		329,462	346,845
040743 - John Ross Bennett BSCI											43,965		43,965	83,860
2008 & 2007 Projects completed in Q1 2009 (36226, 36630, 37107)					97,876		97,876	97,876		97,876	97,876		97,876	99,315
PRP project not specified						248,202	248,202		198,094	198,094		63,657	63,657	
Total PRP		809,600			344,803	706,702	1,051,505	590,085	683,094	1,273,179	976,157	63,657	1,039,814	1,080,462
Cost of Removal		-			10,847	-	10,847	13,344	-	13,344	25,359	-	25,359	33,401
39637 - N Winer Road - Pressure Improvement		65,000												
38739 - South Lee Highway-pressure improvement					3,089		3,089	3,089		3,089	3,089		3,089	3,097
39940 - Teal Lane-pressure improvement					31,695		31,695	31,703		31,703	31,703		31,703	32,212
Pressure improvement project not specified						30,216	30,216		311,144	311,144		310,208	310,208	
Total Pressure Improvements		65,000			34,784	30,216	65,000	34,792	311,144	345,936	34,792	310,208	345,000	35,309
Totals:		874,600			390,434	736,918	1,127,352	638,221	994,238	1,632,459	1,036,308	373,865	1,410,173	1,149,172
2010 (Budgeted)		Budget												
Description														
Main Street Area		383,948												
South Crest Road Area		432,355												
Douglas Street Area		590,700												
Market Street Area		1,431,165												
60# System - East Chattanooga		2,117,075												
Total PRP		4,955,243												
Hixon Pike - Pressure Improvement		941,071												
Total Pressure Improvements		941,071												
Totals:		5,896,314												
2011 (Forecast)		Budget												
East Main Street @ South Willow Street Area		637,714												
South Highland Park Avenue Area		600,706												
Total PRP		1,238,420												

(6)

For Pressure Improvement for 2011 the Company included \$56,608 in the attrition period. This amount was based on the 4-year average of actual expenditures for the months January through April for 2006 through 2009.

- (1) For 2006 the budgeted amounts were based on the pipe that was considered to most need replacement. The 3+9 forecast included amounts related to the anticipated pipeline replacement program proposed in Docket Number 06-00175.
- (2) For 2007 10.31 miles were replaced consistent with TRA Order in Docket Number 06-00175. 10.76 miles were to be replaced consistent with the settlement agreement per the Order.
- (3) Also in the settlement agreement in Docket Number 06-00175 an additional 10 miles (20.76 less 10.76 in 2007) were to be replaced from 2008 through 2010. The Company replaced 2.09 miles in 2008 and 3.64 miles in 2009 of the 10.
- (4) Per the Company's current 10 year plan as shown for 2010 and provided in detail on attachment 181-2 the Company plans on replacing 10.8 miles in 2010 and 4.8 miles in 2011.
- (5) Pressure improvement budgets are based on either specific known improvement projects and/or a single budget amount for a general level expected to occur but not yet known.
Please note that there is a slight difference between the total of \$4,955,243 which represents the final budget and \$4,952,559 on attachment 181-2 due to changes the finalization of budget amounts.
- (6) For the attrition period \$300,000 for the months of January through April 2011 of the \$1,238,420 were included in the forecast of rate base.

DISCOVERY REQUEST NO. 195:

Please provide a detailed cost breakout (by primary USOA Account) that shows the cost of adding a new customer versus the embedded (average) cost of serving existing customers. Please provide any associated documentation for the information provided in response to this request. Please provide workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, please provide the information in the form that most closely matches what has been requested.

Response:

Please see Attachment CAPD 195-1.

DISCOVERY REQUEST NO. 198:

Provide a recast of the Company's financial results (this would include revenue, expenses, rate base, capital, return on equity, and return on rate base) for the years 2004 through 2008 assuming the Company's proposed revenue decoupling mechanism had been implemented in 2004 through 2008, using 2003 as the base year. Provide all workpapers (in electronic spreadsheet format with all formulas and links intact) and supporting documents used to develop this response and explain all assumptions and calculations used.

Response:

Please see attachments 198-1 through 198-8 for pro forma revenue, return on equity and return on rate base. The Company has had two rate increases since 2003. Therefore, comparison of all years requested to 2003 as the base year would not provide an accurate or relevant comparison. Year 2004 was calculated using 2003 as the base year. Since the Company had a rate increase in late 2004, years 2005 and 2006 were compared to the 2004 rate case margin and base rates. For 2007 and 2008, the margin and base rates from the 2006 rate case were used as the base year. The Company had a rate increase effective January 2007, and there were material changes to the Company's rate design. There would be no material effect on expense, rate base or capitalization for any of the years provided.