

**BEFORE THE  
TENNESSEE REGULATORY AUTHORITY**

**PRPARED DIRECT TESTIMONY**

**OF**

**ARCHIE R. HICKERSON**

**IN RE:  
CHATTANOOGA GAS COMPANY  
DOCKET NO. 09-00183**

1   **Q.   Please state your name, position and address.**

2   A.   My name is Archie R. Hickerson. I am a Director- Regulatory Affairs at AGL  
3       Services Company and my office is located at 150 West Main Street, Suite 1510,  
4       in Norfolk, Virginia. In that capacity, I am responsible for Chattanooga Gas  
5       Company ("CGC" or "Company") compliance filings with the Tennessee  
6       Regulatory Authority ("TRA" or "Authority") and developing and maintaining  
7       CGC's Tariffs. I also have similar duties with respect to Virginia Natural Gas  
8       Company's filings with the Virginia State Corporation Commission.

9   **Q.   Please describe your professional background and education.**

10  A.   I have over 33 years experience with utility rates, utility accounting and the  
11       regulation of public utilities. Over this period, I have worked for consumers of  
12       utilities and other services in addition to my work for CGC and AGL Resources  
13       Inc. ("AGLR").

Hickerson-Direct

1 I received a Bachelor of Science degree with a major in mathematics and later  
2 accounting from Austin Peay State University in Clarksville, Tennessee, and I am  
3 a Certified Public Accountant in the State of Tennessee.

4 Prior to becoming Director - Regulatory Affairs at AGL Services Company, I  
5 served as Manager – Rates for AGL Services Company from 2000-2004, where I  
6 was responsible for all regulatory filings before the TRA for Chattanooga Gas  
7 Company, and preparing and maintaining the Tariffs of Atlanta Gas Light  
8 Company.

9 Prior to joining AGL Resources, I was the Director of the Consumer Advocate  
10 Division Staff with the Tennessee Office of the Attorney General and Reporter  
11 (1994-2000), where I often appeared as an expert witness to present comments on  
12 utility cost of service, cost allocation and rate design and supervise the technical  
13 staff, notably in proceedings before the Tennessee Public Service Commission  
14 (“TPSC”) and the TRA. I also served on the National Association of State Utility  
15 Consumer Advocates’ (“NASUCA”) Accounting and Tax Committee, and as an  
16 observer member of National Association of Regulatory Utility Commissions’  
17 (“NARUC”) Subcommittee on Accounts. From 1976-1982, I was a Financial  
18 Analyst for the TPSC, then served as Assistant Director of the TPSC Accounting  
19 Division for four years (1982-1986), and later as the Deputy Director of the  
20 TPSC’s Utility Rate Division for approximately seven years (1987-1994). While  
21 employed by the TPSC, I served on the NARUC Staff Subcommittee on  
22 Communications, the NARUC Subcommittee on Accounts, and the NARUC’s  
23 Southern Accounting Taskforce. My work at TPSC, like much of my later

1 experience, included significant work with compliance and management audits,  
2 cost of service, rate design and earnings and rate investigations of utilities.

3 **Q. Have you ever testified before the Tennessee Regulatory Authority?**

4 A. Yes, I have testified in numerous Authority proceedings, on behalf of the  
5 Consumer Advocate Division, and before the Tennessee Public Service  
6 Commission on behalf of the Commission Staff.

7 **Q. Have you testified before other regulatory agencies?**

8 A. Yes. I testified before the Virginia State Corporation Commission on behalf of  
9 Virginia Natural Gas in Case No. PUE 2008-00060 (Virginia Natural Gas, Inc. -  
10 For approval to implement a natural gas conservation and ratemaking efficiency  
11 plan including a decoupling mechanism and to record accounting entries  
12 associated with such mechanism), Case No. PUE-2006-00095 (Virginia Natural  
13 Gas, Inc. - For approval of an Experimental Weather Normalization Adjustment  
14 for General Service Customers), and Case No. PUE-2005-00057 (Virginia  
15 Natural Gas, Inc. - For approval of a performance based rate regulation  
16 methodology pursuant to VA Code section 56-235.6). I have also testified on  
17 behalf of Atlanta Gas Light Company ("AGLC") in Docket No. 14311-U ( IN  
18 RE: Earnings Review To Establish Just and Reasonable Rates for Atlanta Gas  
19 Light Company) before the Georgia Public Service Commission.

20

1   **Q.    What is the purpose of your testimony?**

2   A.    I will address the recovery of litigation costs incurred by CGC in Docket 07-  
3       00224 (Docket to Evaluate Chattanooga Gas Company's Gas Purchases and  
4       Related Sharing Incentives). I will also address how CGC has incorporated  
5       conservation into its plans and planning process in accordance with PURPA  
6       Standard 5 (Energy Efficiency).

7  
8   **Q.    Are you including any exhibits in connection with your testimony?**

9   A.    Yes, the following exhibits have been included:

- 10       •     Exhibit ARH-1 – Timeline of the Proceedings in Docket 07-00224;
- 11       •     Exhibit ARH-2 – Summary of Litigation Costs incurred from February 1,  
12       2009 through August 31, 2009 in Docket 07-00224;
- 13       •     Exhibit ARH-3 - Stipulation Regarding CGC's Requested Cost Recovery  
14       filed in Docket 07-00224 on October 28, 2009;
- 15       •     Exhibit ARH-4 - Summary of Litigation Costs incurred from September 1,  
16       2009 through January 31, 2010 in Docket 07-00224; and
- 17       •     Exhibit ARH-5 – Temporary Litigation Cost Recovery Rider.

18  
19   **Q.    Why are you filing this supplemental testimony at this time?**

20   A.    On December 29, 2009, the Chattanooga Manufacturers Association ("CMA")  
21       filed a motion to move the issues related to CGC's recovery of litigation costs  
22       incurred in Docket 07-00224 into this proceeding. On February 11, 2010, the  
23       Hearing Officer in this proceeding issued an order granting CMA's request.

1 Since the recovery of the litigation costs was transferred into this docket after the  
2 Company pre-filed its testimony on November 16, 2009, the issue was not  
3 previously addressed by any of the Company's witnesses.  
4

5 **Q. Can you provide a brief history of Docket 07-00224 and the issue concerning**  
6 **the recovery of the litigation costs?**

7 A. Yes. On June 30, 2006, Chattanooga Gas filed a petition to increase its base rates  
8 - Docket 06-00175 (Petition of Chattanooga Gas Company to Increase Rates,  
9 Including a Comprehensive Rate Design Proposal and Revised Tariff.). On July  
10 10, 2006, the Authority directed that the case be bifurcated into:

11 Phase I- Revenue Requirement Issues, and

12 Phase II-Rate Design Issues.

13 During that proceeding, the Attorney General's Consumer Advocate and  
14 Protection Division ("CAPD" or "CAD") and the CMA raised concerns related to  
15 CGC's purchased gas costs and the related sharing of gains from asset  
16 management. Since gas costs are recovered through the Purchased Gas  
17 Cost/Actual Cost Adjustment ("PGA/ACA") mechanism and not through a  
18 utility's base rates, those concerns did not neatly fit within either of the phases  
19 initially designated in the docket. Those concerns, however, along with CGC's  
20 Energy Conservation Plan and the Conservation Usage Adjustment were moved  
21 into Phase II.  
22

1 On November 20, 2006, CGC, the CAPD, and the CMA filed a joint Proposed  
2 Settlement Agreement for Phase I of Docket 06-00175. In the settlement, the  
3 parties agreed to the Company's revenue requirements, and the rate design that  
4 would allow the Company an opportunity to recover its cost of service. CGC's  
5 proposed Energy Conservation Plan and the Conservation and Usage Adjustment  
6 were specifically exempted from the settlement and were to be addressed in Phase  
7 II. The proposed settlement was accepted by the TRA at its December 5, 2006  
8 conference.

9  
10 As directed by the Hearing Officer, on February 9, 2007, the CAD, the CMA, and  
11 CGC each filed proposed issues to be addressed in Phase II of Docket 06-00175.  
12 While the parties had filed their proposed issues, an official list was never  
13 adopted, and on February 23, 2007, the Phase II proceedings were suspended  
14 pending a decision on a similar question already before the Authority in another  
15 docket. There was no activity in the docket until May 8, 2007 when CGC filed a  
16 motion requesting to withdraw the proposed Energy Conservation Plan and the  
17 Conservation Usage Adjustment and close the docket. The Authority had opened  
18 Docket 06-00309 – Docket for the Collection of Data and Comments Relating to  
19 Home Energy Conservation Matters in Tennessee. It was the Company's  
20 position, at the time, that it would be beneficial to consider implementing a pilot  
21 conservation program through the Energy Conservation Taskforce. The gas cost,  
22 asset management, and related concerns raised by the CAD and the CMA were  
23 not issues that the TRA has routinely or traditionally addressed in rate cases.

1 Since it had been the TRA's practice to review and address all gas costs  
2 associated with a utility's capacity assets, the related revenues collected through  
3 the PGA/ACA mechanism, and the gain resulting from non-jurisdictional use of  
4 such assets in the annual Actual Cost Adjustment ("ACA") audit as provided  
5 under the Purchased Gas Adjustment ("PGA") Rule (Administrative Rule 1220-  
6 04-07), CGC proposed that the gas cost and sharing concerns raised by the CAD  
7 and the CMA be addressed in Docket 06-00298 (Chattanooga Gas Company  
8 Actual Cost Adjustment for the 12 Months Ended June 30, 2006) or another  
9 appropriate docket that addressed gas costs.

10  
11 At the July 9, 2007 TRA conference, the panel hearing Docket 06-00175  
12 approved the Company's request to close the rate case docket, and directed that a  
13 new docket be opened in which the asset management and capacity release issues  
14 proposed by the CAD and CMA could be considered. As a result, Docket 07-  
15 00224 was opened September 26, 2007.

16  
17 On December 28, 2007, the CAPD filed to intervene. On January 15, 2008, the  
18 Authority issued an Order convening a contested case, and appointing a Hearing  
19 Officer for the purpose of preparing the matter for hearing, establishing an issues  
20 list and procedural schedule, ruling on intervention requests, and entering a  
21 protective order if necessary. The Hearing Officer convened a Status Conference  
22 on February 11, 2008 that was attended by representatives of CGC, the CAD, and  
23 the CMA. At that conference, CGC made an oral motion to defer any litigation

1 costs associated with this docket and to be allowed to seek recovery from the  
2 panel hearing this matter. On February 28, 2008, in compliance with the Hearing  
3 Officer's February 19, 2008 Order, CGC filed a written motion asking to defer the  
4 litigation costs and to include the recovery of the litigation costs as an issue in the  
5 proceeding. On March 17, 2008, the Hearing Officer issued an Order adopting an  
6 Issues List that included issue number 15:

7 "Should CGC be able to recover litigation costs incurred as a result  
8 of its participation in this docket from ratepayers in the future?"  
9

10 The proceeding continued for approximately 18 months with multiple rounds of  
11 discovery, filing of direct testimony, the filing of rebuttal testimony, the filing of  
12 reformatted testimony, filing of supplemental testimony, withdrawal of testimony,  
13 six status conferences, two pre-hearing conferences, two oral arguments before  
14 the panel of Directors hearing the matter, and various meetings and conference  
15 calls between the CGC and the CAD.  
16

17 The matter was heard by the panel on July 13, 2009, and was considered at the  
18 Authority Conferences on August 24, 2009 and September 23, 2009. Exhibit  
19 ARH-1 provides a timeline for the proceeding.  
20

21 **Q. Did the CMA participate in the proceeding?**

22 A. Counsel for the CMA attended and participated in the February 11, 2008 status  
23 conference when CGC made the oral motion to defer the litigation costs to be  
24 incurred in that proceeding for future recovery. At that time, it was indicated that



1 an intervention by the CMA would be forthcoming, but a petition on behalf of the  
2 CMA was never filed.

3  
4 **Q. What are the gas cost issues that were raised by the CAD and CMA in docket**  
5 **06-00175?**

6 A. The following gas cost issues are those included on the list of issues that the CAD  
7 filed February 9, 2007 in Phase II of Docket 06-00175:

- 8 1. How Chattanooga Gas Company is compensated for sale, lease, or release  
9 of capacity and any other gas supply asset, and is that compensation fair to  
10 customers?
- 11 2. What exactly is the amount of total capacity and other gas supply assets,  
12 and what amount of capacity or gas supply assets are available for sale,  
13 lease, or release to third parties or affiliates or divisions of Chattanooga  
14 Gas Company?
- 15 3. What is the appropriate relation between Chattanooga Gas Company and  
16 Sequent and any other affiliated entity or division related to AGL Holding  
17 Company?
- 18 4. Are consumers receiving fair compensation for the assets related to the  
19 sale, lease or release of idle gas supply assets and excess capacity for  
20 which they have paid?
- 21 5. Should the Tennessee Regulatory Authority impute to Chattanooga Gas  
22 Company all or a portion of profits Sequent generates through its  
23 management of Chattanooga Gas Company's idle gas supply assets and  
24 excess capacity?
- 25 6. Should Chattanooga Gas Company return to consumers or share with  
26 consumers the money it receives from Sequent under the terms of the asset  
27 management contract?
- 28
- 29
- 30
- 31
- 32
- 33

34 The gas cost issues raised by the CMA, also filed on February 9, 2009 in Docket  
35 06-00175, are:

- 36 1. the asset management practices of the Chattanooga Gas Company;

2. the relationship between the Company and its affiliate, Sequent Energy Management, L.P.;
3. how ratepayers paid for the investments required to create the storage field currently being used by the Company and Sequent to manage excess Company assets;
4. whether the ratepayers are being treated just and fairly relative to the returns being generated by such Company ratepayer assets;
5. Should all or part of the profits earned by Sequent under its current contract with the Company be imputed to the Company;
6. and how Sequent has accounted for the recovery of capital costs incurred by the Company's ratepayers.

Each of these issues relate directly to cost that is recovered through the PGA/ACA mechanism as provided under the Authority's Administrative Rule 1220-04-07 "Purchased Gas Rules" and not the cost of service recovered through the utility's base rates.

**Q. Did the CAD propose the same claims and issues in Docket 07-00224?**

A. The statement of claims and issues proposed by the CAD in Docket 07-00224 were worded differently and were somewhat more specific, but were along the same lines as those proposed in Phase II of Docket 06-00175. The following is the list of claims and issues that the CAD proposed on February 20, 2008 to be considered in Docket 07-00224:

1. Do the customers of Chattanooga Gas Company ("CGC") receive less than fair compensation for the sale, lease, relinquishment, or assignment of gas supply, pipeline capacity and storage assets (also known as "system capacity") by CGC to its asset manager, thereby depriving customer of money that should be used to lower their natural gas bills? If so, what should be done to achieve fair compensation?

2. Is CGC subscribing to too much system capacity relative to its jurisdictional requirements, thereby unfairly inflating customer's natural gas utility bills by charging them for more system capacity than is required to adequately serve the their gas supply needs? If so, what changes should be made?
3. Should the Tennessee Regulatory Authority ("TRA") establish rules, regulations, tariffs, order, or requirements regarding transactions between CGC and affiliated entities, such as Sequent Energy Management ("Sequent"), including but not confined to standards of conduct establishing minimum standards for accounting, record-keeping, reporting, enforcement, and audit and third-party rights? If so, what should they be?
4. Should the TRA establish periodic audits or reviews of CGC's system capacity arrangements and gas supply plans to be performed by the TRA or by and independent consultant for the purpose of evaluating the facts relevant to analyzing efficiency and fairness? If so, what should they be?
5. Should the TRA make changes to the request for proposals ("RFP") process or to the agreements included in the RFP process? If so, what should they be?
6. Should the TRA make other changes to the current systems, procedures or arrangements regarding system capacity, gas supply planning, gas purchases or related sharing incentives? If so, what changes should be made?

**Q. What were the issues designated by the Hearing Officer to be addressed in Docket 07-00224?**

**A.** In the March 17, 2008 Order, the Hearing Officer identified the following 15 issues to be addressed Docket 07-00224.

1. Should the current CGC sharing mechanism for profits from the sale, lease or release of capacity and any other gas supply assets, be revised? If so, how?
2. Is the current bidding process fair and reasonable?

- 1 3. How is a FERC-mandated payment accounted for, and is it fair to  
2 consumers?
- 3
- 4 4. What is the appropriate level and mix of firm transportation, peaking and  
5 storage capacity?
- 6
- 7 5. Has CGC oversubscribed to storage and transportation capacity assets to  
8 handle its jurisdictional requirements?
- 9
- 10 6. What safeguards should exist to ensure CGC subscribes to the proper level  
11 of capacity?
- 12
- 13 7. Have CGC's storage injections been prudent with regard to timing of  
14 costs?
- 15
- 16 8. Have CGC's sales and purchase of natural gas been prudent and should  
17 safeguards be put in place to ensure least cost purchasing of natural gas?  
18 If so, what should these safeguards be?
- 19
- 20 9. Is CGC currently utilizing its gas storage assets to maximize benefits to  
21 ratepayers?
- 22
- 23 10. Is the amount paid by Sequent for the right to utilize or market assets,  
24 which are paid for by the customers of CGC, representative of the fair  
25 market value of such assets?
- 26
- 27 11. Is it proper to impute to CGC all or a portion of the profits Sequent  
28 generates through its management of CGC's idle gas supply assets and  
29 excess capacity?
- 30
- 31 12. What regulatory approval should occur in the event that assets are added  
32 or removed from the asset mix set forth in the asset management  
33 agreement? What affiliate guidelines should be in place if those assets are  
34 subsequently purchased by an affiliate or parent company?
- 35
- 36 13. Are current affiliate guidelines sufficient? If no, in what ways(s) should  
37 they be amended?
- 38
- 39 14. If the CGC were to engage in asset management itself, how should the  
40 Tennessee Regulatory Authority monitor CGC's asset management  
41 activities?
- 42
- 43 15. Should CGC be able to recover litigation costs incurred as a result of its  
44 participation in this docket from ratepayers in the future?
- 45

1 **Q. Did the CAD file testimony on these issues?**

2

3 A. Yes and no. In the docket, the CAD initially filed voluminous testimony and  
4 exhibits that were later withdrawn. Much of the effort expended by and on behalf  
5 of CGC was spent preparing responsive testimony and otherwise defending  
6 against and/or responding to the incorrect analysis and allegations included in  
7 testimony and exhibits that were withdrawn on July 2, 2009. While this  
8 testimony was withdrawn and not presented during the July 13, 2009 hearing on  
9 the merits, CGC had already expended a great deal of effort in preparing to  
10 defend its position.

11

12 **Q. In Docket 07-00224 did the Authority determine that CGC's sharing**  
13 **mechanism for profits from the sale, lease, or release of capacity and any**  
14 **other gas supply assets should be revised?**

15 A. No. The Authority did not direct that any changes be made to the current  
16 mechanism.

17

18 **Q. Did the Authority determine that the current bidding process is unfair or**  
19 **unreasonable?**

20 A. No.

21

22 **Q. Did the Authority determine that CGC or its asset manager, Sequent Energy**  
23 **Management, had acted improperly or otherwise taken action detrimental to**  
24 **its customers?**

1 A. No. The Authority found no improper action by CGC or its asset manager. In the  
2 September 23, 2009 Order, the Authority found that:

- 3 1. CGC shall submit future asset management RFPs for approval prior to  
4 placing them out for bid.
- 5 2. CGC subscribes to an appropriate level and mix of storage, peaking and  
6 transportation capacity.
- 7 3. While CGC's asset mix appears reasonable at this time, changes in  
8 customer mix, weather, and usage patterns necessitate periodic review of  
9 CGC capacity planning. Therefore, a triennial review of capacity planning  
10 shall occur beginning in 2012 with selection of an independent consultant.  
11 Implementation of this triennial review requires the adoption of  
12 procedures and processes; therefore, the parties shall provide comments  
13 regarding the proposed procedures/criteria within ten days.

14  
15 The Order was modified by the Authority's October 13, 2009 Order as follows:  
16

- 17  
18 1. The first triennial review will occur in 2013 with any future review  
19 determined at the conclusion of that review.
- 20 2. Procedures and processes for review in 2013 were adopted and are  
21 attached to this Order as Exhibit 1 and are hereby referenced and  
22 incorporated as if copied herein.
- 23 3. Performance of a previous review of CGC or any gas company regulated  
24 by the TRA does not constitute a relationship between the company, TRA  
25 or Consumer Advocate and the consultant for the purpose of this review.  
26

27  
28 **Q. Does CGC have any concerns with submitting the RFP for approval?**

29 A. No. In 2007, prior to issuing the RFP for the asset management agreement that  
30 was approved by the TRA in Docket 08-00012, CGC had planned to submit the  
31 RFP to the TRA Staff for review prior to issuing it to prospective bidders, but at  
32 that time, CGC was directed by the Staff not to do so.  
33

34 **Q. Does CGC have a concern with the engagement of an outside consultant to**  
35 **review CGC's capacity planning?**

1 A. No. CGC's concern has been the implementation of a process that would result in  
2 automatic engagement of such a consultant that would unnecessarily increase  
3 costs for its customers. CGC has always understood that the TRA has the  
4 authority to direct that such a review be undertaken when the Authority  
5 determines that a review is needed. However, the number of CGC customers and  
6 their usage characteristics are relatively predictable and the Company seldom  
7 adds to, reduces, or otherwise modifies its pipeline contracts. Since the TRA  
8 Staff annually audits CGC's gas cost and the recovery of the cost, the Staff can  
9 monitor and advise the Authority when such a review may be needed. The  
10 Authority's decision that it will determine, after the initial 2013 review, the  
11 requirement for any future review is consistent with CGC's position.

12  
13 **Q. Did CGC request to recover litigation costs in the 2006 base rate case docket**  
14 **06-00175?**

15 A. Yes. In Docket 06-00175, the Company included \$300,000 as rate case costs to  
16 be amortized over three years and recovered through base rates. The \$300,000  
17 was the estimated cost of a general rate case and included cost of consultants and  
18 outside attorneys' fees that are a cost of doing business as a regulated utility. It  
19 did not include the cost of an extended proceeding to address CGC's cost of  
20 purchasing gas, asset management, and the sharing of the gain from non-  
21 jurisdictional transactions.

1   **Q.    When Docket 07-00224 was initiated, why didn't CGC do as it did in Docket**  
2       **06-00175 and estimate the case costs to be incurred during the proceeding?**

3    A.   Docket 07-00224 was not initiated by CGC, but was initiated as a result of the  
4       action of the CAPD and the CMA. It was not a traditional rate proceeding by any  
5       means, and CGC could not reasonably estimate the cost to be incurred. In a  
6       traditional rate case, the utility initiates the procedure by filing a petition  
7       accompanied by expert testimony and exhibits. The issues generally address the  
8       revenue to be achieved under current base rates, the non gas expense to be  
9       incurred in the provision of service, the required amount of investment required in  
10      plant and other assets, the return required to attract the necessary capital, and the  
11      design of rates to allow the utility the opportunity to recover its cost of service. In  
12      Docket 07-00224, the intervening parties were bringing the issues, and were to  
13      file the initial testimony and exhibits. Unlike a traditional rate proceeding, the  
14      CAD had the burden of proof with CGC having to respond. CGC could not  
15      speculate how the proceeding would unfold. Rather than attempt to estimate the  
16      cost as it has and does in base rate cases, the Company proposed to defer the cost  
17      to be recovered through the PGA once the proceeding was completed. At the  
18      time the case began, CGC had no way of knowing how the case would proceed,  
19      how the issues would be pursued, what experts would be needed, and the amount  
20      of legal assistance that would be required.

21  
22   **Q.    What is the nature of the litigation costs that the Company has proposed to**  
23       **recover relative to Docket 07-00224?**



1 A. The Company has proposed to recover only the outside attorneys' fees incurred as  
2 a result of participating in Docket 07-00224. In Docket 07-00224, the Company  
3 did not engage other outside experts, but relied on the expertise of AGL Services  
4 Company employees. While there was an extensive amount of time and travel  
5 cost for these employees, CGC has not included these costs in the litigation costs  
6 that it has requested to recover.

7  
8 **Q. Does the NARUC Uniform System of Accounts as adopted by the Authority**  
9 **address how to account for such expenses?**

10 A. Both the NARUC and FERC Uniform System of Accounts for Class A and B Gas  
11 Utilities provide:

12 928 Regulatory Commission Expenses.

13 A. This account shall include all expenses (except pay of regular  
14 employees only incidentally engaged in such work) properly includible in  
15 utility operating expenses, **incurred by the utility in connection with**  
16 **formal cases before regulatory commissions, or other regulatory**  
17 **bodies**, or cases in which such a body is a party, including payments made  
18 to a regulatory commission for fees assessed against the utility for pay and  
19 expenses of such commission, its officers, agents, and employees.  
20 (Emphasis Added.)

21 B. Amounts of regulatory commission expenses which by approval or  
22 **direction of the Commission are to be spread over future periods shall**  
23 **be charged to account 186, Miscellaneous Deferred Debits, and**  
24 **amortized by charges to this account.** (Emphasis Added)

25 C. The utility shall be prepared to show the cost of each formal case.

26 Items

27 **1. Salaries, fees, retainers, and expenses of counsel, solicitors,**  
28 **attorneys, accountants, engineers, clerks, attendants, witnesses, and**  
29 **others engaged in the prosecution of, or defense against petitions or**  
30 **complaints presented to regulatory bodies, or in the valuation of**

1 property owned or used by the utility in connection with such cases.  
2 (Emphasis Added)

3 2. Office supplies and expenses, payments to public service or other  
4 regulatory commissions, **stationery and printing, traveling expenses,**  
5 **and other expenses incurred directly in connection with formal cases**  
6 **before regulatory commissions.** (Emphasis Added)

7 3. All application fees except those involving construction certificate  
8 applications which have been approved. (See Gas Plant Instruction 16.)

9 Note A: Exclude from this account and include in other appropriate  
10 operating expense accounts, expenses incurred in the improvement of  
11 service, additional inspection, or rendering reports, which are made  
12 necessary by the rules and regulations, or orders, of regulatory bodies.

13 Note B: Do not include in this account amounts includible in account 302,  
14 Franchises and Consents, account 181, Unamortized Debt Expense, or  
15 account 214, Capital Stock Expense.

16  
17 **Q. What is the amount of Docket 07-00224 litigation cost that CGC proposes to**  
18 **recover?**

19 A. The total amount of that litigation cost is \$744,743.81 paid to the law firms of the  
20 Luna Law Group, PLLC (f/k/a Farmer & Luna, PLLC until September 1, 2009),  
21 and McKenna, Long, and Aldridge, LLP.

22  
23 **Q. What was the CAD's position concerning the recovery of litigation costs in**  
24 **Docket 07-00224?**

25 A. The recovery of litigation costs was not addressed in the testimony presented on  
26 behalf of the CAD. On July 7, 2009, the CAD and CGC filed with the Authority  
27 a proposed settlement that included CGC's recovery of the costs incurred as a  
28 result of the proceeding in Docket 07-00224:

1           **“E. Cost incurred in Docket 07-00224 -** CGC’s costs incurred as a  
2 result of the proceedings in Docket 07-00224 shall be recorded in the  
3 Deferred Gas Cost Account and shall be recovered based on the  
4 schedule below through the procedures set forth in the PGA rules,  
5 subject to submission of such costs to the Authority, the Authority’s  
6 determination that such costs were prudently incurred, and subject to a  
7 maximum cap in the amount of \$500,000:  
8

2009 ACA Filing -	One Third(1/3) of the total
2010 ACA Filing -	One Third(1/3) of the total
2011 ACA Filing -	One Third(1/3) of the total

9  
10           Within thirty (30) days of the Authority’s order approving this  
11 settlement agreement, CGC shall submit to the Authority verification  
12 of such costs that have been incurred, with a copy of the same  
13 contemporaneous submitted to the Consumer Advocate.”  
14

15           Since the proposed settlement was not accepted by the Authority, this and the other  
16 provisions of the proposed settlement are not binding on the CAD, CGC, or the  
17 Authority. The \$500,000 cap included in the settlement was based on the costs  
18 incurred as of that date and does not include additional costs incurred subsequent to  
19 the filing of the proposed settlement.  
20

21 **Q. Did CGC submit verification of the litigation costs to the Authority and the**  
22 **CAD?**

23 **A.** Yes. On October 6, 2009, CGC filed the verification for the litigation costs and  
24 provided a copy to the CAD. A summary is attached as Exhibit ARH-2. On  
25 October 28, 2009, the CAD filed a Stipulation (Exhibit ARH-3) with the Authority  
26 that it had reviewed the documentation provided in support of CGC’s costs in  
27 Docket 07-00224 filed with the TRA on October 6, 2009. The Stipulation included  
28 the following statement:

1 “The Consumer Advocate has reviewed the documentation provided in  
2 support of CGC’s costs in Docket 07-00224, filed with the TRA on  
3 October 6, 2009. Specifically, the Luna Law Group, PLLC f/k/a  
4 Farmer & Luna, PLLC, has submitted billing to CGC of \$467,148.62  
5 as of August 31, 2009, in its capacity as counsel in this Docket and  
6 anticipates additional billing of approximately \$14,000 for the month  
7 of September; additionally, the law firm of McKenna, Long &  
8 Aldridge, LLP, has billed CGC \$205,109.71 as of August 31, 2009,  
9 and has not provided an estimate of amounts incurred since that time.  
10 After a review of these records, the Consumer Advocate stipulates that  
11 it has no basis to contest that either Farmer & Luna, PLLC or  
12 McKenna, Long & Aldridge, LLP, did not perform all of the work  
13 described in their monthly billings in this Docket. As noted in the  
14 record, the documentation is heavily redacted, so review by the  
15 Consumer Advocate was limited to the material CGC provided. The  
16 Consumer Advocate stipulates that is does not intend to contest the  
17 accuracy of the total amount of billings submitted on October 6,  
18 2009.”  
19

20 **Q. Has CGC incurred additional litigation costs that were not included in the**  
21 **documentation provided to the Authority and the CAD on October 6, 2009?**

22 A. Yes. CGC has incurred an additional \$72,485.48. Supporting documentation is  
23 provided as Exhibit ARH-4. The total is \$744,743.81.  
24

25 **Q. How does CGC propose to recover the Docket 07-00224 litigation costs?**

26 A. While CGC believes that, consistent with the Authority’s direction that the cost of  
27 the consultant to be engaged to conduct the 2013 review may be recovered  
28 through the PGA, these costs are also directly related to the PGA and may be  
29 recovered through the PGA/ACA mechanism, to avoid a technical argument  
30 concerning what costs are appropriate for recovery through the PGA, CGC is  
31 proposing to recover these costs through a temporary rider over a three year  
32 period. Under this rider, a uniform per therm factor will be applied to each therm

1 of gas that is sold and/or transported to end use customers served under each of  
2 CGC's Rate Schedules.

3  
4 **Q. What would be the approximate value of this factor?**

5 A. The factor would be approximately \$0.00175/therm. Since the total cost is to be  
6 amortized over three years, the annual amount to be recovered is \$233,333  
7 (\$744,743.81 / 3= \$248,247.93). Annual through put per Exhibit DPY-9 is  
8 projected to be 133,210,114 Therms. The factor would be \$0.00186  
9 (\$248,247.93/133,210,114 Therms=\$0.00186/Therm). If the total amount is  
10 recovered before the end of three years, the rider would terminate. Exhibit ARH-  
11 5 is a copy of the Temporary Litigation Cost Recovery Rider.

12  
13 **Q. When CGC pre-filed its testimony on November 16, 2009, did it address the**  
14 **2007 PURPA Standards?**

15 A. Not completely. In Docket 09-00065, the Authority determined during its  
16 December 14, 2009 Authority Conference that the 2007 PURPA standards for  
17 natural gas utilities were to be addressed on an individual company basis. At the  
18 December 14, 2009 status conference in Docket 09-00183, the Hearing Officer  
19 directed CGC to address the 2007 PURPA standards in Docket 09-00183. While  
20 Mr. Lindsey explained in his testimony that CGC will implement the PURPA  
21 policy through its proposed conservation programs and rate design modification  
22 which are discussed in detail in the Company's pre-filed testimony, he did not

1 discuss how CGC has addressed integrating conservation into its resource  
2 planning process.

3  
4 **Q. How will CGC implement the PURPA standards into its resource planning**  
5 **process?**

6 A. In evaluating and determining the needed gas supply contracts and assets, CGC  
7 includes in its analysis use per customer per heating degree day. This allows the  
8 Company to take into consideration the conservation effect associated with  
9 increased energy efficiency when determining the level and type of resources  
10 needed to serve customer needs. To the extent that there is a decline in usage by  
11 existing customers as a result of improved energy efficiency, resources may  
12 become available to provide service to new customers that are added to the  
13 system or to allow for a reduction in supply assets. As the conservation programs  
14 proposed in this proceeding mature, additional efficiencies may make available  
15 more supply resources that can be used to address future needs. CGC has  
16 integrated energy efficiency resource into the plans and planning process and has  
17 established energy efficiency as a priority resource in the plans and planning  
18 process.

19  
20 **Q. Does this conclude your testimony?**

21 A. Yes.

## Timeline of the Proceedings in Docket 07-00224

Date	Docket 07-00224 Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives
09/26/2007	The TRA opened Docket 07-00224. <sup>1</sup>
12/28/2007	The Consumer Advocate and Protection Division ("CAD") of the Office of the Attorney General filed a Petition to Intervene.
01/25/2008	The TRA issued its Order Convening a Contested Case and Appointing a Hearing Officer.
02/11/2008	<p>Status Conference.</p> <p>In attendance:  Chattanooga Gas Company ("CGC").  Consumer Advocate Division ("CAD"), and.  Chattanooga Manufacturers Association ("CMA")  <small>(While CMA had not filed a petition to intervene in the docket, counsel for CMA informed the Hearing Officer that such a filing will be forthcoming upon the appropriate client confirmations.)</small></p> <p>At the status conference, CGC made an oral motion to defer litigation costs to be considered for recovery.<sup>2</sup></p>
02/19/2008	Order from the 2/11/2008 Status Conference CGC is directed to file a written motion to defer the litigation costs.
02/28/2008	CGC's written motion to defer litigation costs.
03/05/2008	<p>CAD Response to CGC' motion to defer litigation costs.</p> <p>"If CGC wants to add the potential recovery of litigation costs to the issues list and wants to keep track of its litigation costs for that purpose, the Consumer Advocate does not object. The Consumer Advocate does object to the extent that CGC asks the hearing officer for a decision on the merits of the issue. A decision on the merits of the issue would be premature at this time and should be decided by the Tennessee Regulatory Authority ("TRA") as a contested issue rather than by the hearing officer as a preliminary matter. Too much about the future of this docket is unknown including, but not limited to, the amount and nature of the litigation costs, the development of the docket, the prevailing of specific issues, and the relief granted by the TRA."</p>
03/07/2008	Status Conference

<sup>1</sup> September 29, 2009 Order in Docket 07-00224.<sup>2</sup> February 19, 2008 Hearing Officer's Order in Docket 07-00224.

## Timeline of the Proceedings in Docket 07-00224

03/17/2008	<p>Order setting the following issues list:</p> <ol style="list-style-type: none"> <li>1. Should the current CGC sharing mechanism for profits from the sale, lease or release of capacity and any other gas supply assets, be revised? If so, how?</li> <li>2. Is the current bidding process fair and reasonable?</li> <li>3. How is a FERC-mandated payment accounted for, and is it fair to consumers?</li> <li>4. What is the appropriate level and mix of firm transportation, peaking and storage capacity?</li> <li>5. Has CGC oversubscribed to storage and transportation capacity assets to handle its jurisdictional requirements?</li> <li>6. What safeguards should exist to ensure CGC subscribes to the proper level of capacity?</li> <li>7. Have CGC's storage injections been prudent with regard to timing of costs?</li> <li>8. Have CGC's sales and purchase of natural gas been prudent and should safeguards be put in place to ensure least cost purchasing of natural gas? If so, what should these safeguards be?</li> <li>9. Is CGC currently utilizing its gas storage assets to maximize benefits to ratepayers?</li> <li>10. Is the amount paid by Sequent for the right to utilize or market assets, which are paid for by the customers of CGC, representative of the fair market value of such assets?</li> <li>11. Is it proper to impute to CGC all or a portion of the profits Sequent generates through its management of CGC's idle gas supply assets and excess capacity?</li> <li>12. What regulatory approval should occur in the event that assets are added or removed from the asset mix set forth in the asset management agreement? What affiliate guidelines should be in place if those assets are subsequently purchased by an affiliate or parent company?</li> <li>13. Are current affiliate guidelines sufficient? If no, in what ways(s) should they be amended?</li> <li>14. If the CGC were to engage in asset management itself, how should the Tennessee Regulatory monitor CGC's asset management activities?</li> <li>15. <b>Should CGC be able to recover litigation costs incurred as a result of its participation in this docket from ratepayers in the future?</b></li> </ol>
03/18/2008	CAD issues first round of discovery requests to CGC.



**Timeline of the Proceedings in Docket 07-00224**

04/8/2008	CGC files a Motion to Dismiss Docket 07-00224.
04/11/2008	CGC files responses and objections to CAD's first round of discovery requests.
04/22/2008	CAD's Motion to Compel.
04/24/2008	Status Conference
05/05/2008	TRA Conference Oral arguments on CGC's 4/8/2008 Motion to Dismiss Docket 07-00224
05/18/2008	TRA Conference CGC's Motion to Dismiss Docket 07-00224 is denied.
05/30/2008	CAD files Direct Testimony of: Dr. Steve Brown, and Mr. Terry Buckner.
06/06/2008	CGC issues discovery to CAD.
07/30/2008	CGC files testimony of Mr. Tim Sherwood.
08/06/2008	CAD issues second round of discovery to CGC.
08/26/2008	CGC files responses and objections to certain of CAD's second round of discovery requests.
09/02/2008	CAD's Motion to Compel
09/04/2008	CGC's Response to CAD's Motion to Compel
09/09/2008	Status Conference
10/13/2008	CAD files Rebuttal Testimony and Exhibits of Dr. Brown (84 pages).
12/01/2008	CGC files Exhibits for Use During Direct and Re-Direct Testimony at Hearing on Merits
12/02/2008	CGC's Motion to Strike and Objections to Portions of Dr. Brown's Direct and Rebuttal Testimony

**Timeline of the Proceedings in Docket 07-00224**

12/03/2008	CAD's Objections and Motion to Exclude CGC's Exhibits
12/05/2008	CGC's Reply to CAD's Objections and Motion to Exclude CGC's Exhibits
12/05/2008	CAD's Response to CGC's Objections and Motion to Strike
12/08/2008	Status Conference
12/16/2008	Joint Status Report on status of settlement negotiations
12/16/2008 12/17/2008 12/19/2008	Further Filings regarding the status of settlement negotiations
01/27/2009	CGC's Reply to CAD's Response to CGG's Motion to Strike
02/09/2009	Status Conference
03/02/2009	Order on February 9, 2009 Status Conference
03/02/2009	CAD files Revised Direct and Rebuttal Testimony and Exhibits of Dr. Brown pursuant to Hearing Officer's 3/2/2009 Order on February 9, 2009 Status Conference.
04/01/2009	CGC files Supplemental Testimony of Mr. Tim Sherwood to address new issues raised in Dr. Brown's Rebuttal pursuant to Hearing Officer's 3/2/2009 Order.
04/15/2009	CAD issues third round of discovery requests to CGC.
04/22/2009	CGC's Objections to CAD's third round of discovery requests
04/27/2009	CAD's Motion to Compel
04/30/2009	CGC's Response to CAD's Motion to Compel
05/05/2009	Status Conference
05/19/2009	CAD's Motion for Interlocutory Review
05/21/2009	Order on Third Round of Discovery Disputes

**Timeline of the Proceedings in Docket 07-00224**

06/02/2009	CGC's Response to CAD's Motion for Interlocutory Review
06/10/2009	CAD files Surrebuttal Testimony of Dr. Steve Brown.
06/15/2009	TRA Conference Consider CAD's Interlocutory Appeal – denied
06/22/2009	CGC's Motion to Exclude Dr. Brown's Testimony for Failure to Meet Expert Witness Qualifications and Reliability Standards  CGC's Motion for Clarification Relating to Issues of Accumulated and Deferred Litigation Costs  CGC's Request for the Authority to Take Administrative Notice of Certain Documents  CAD's Motion to Take Administrative Notice  CAD's Motion to file Additional Discovery
06/25/2009	CAD's Response to CGC's Motion to Exclude Dr. Brown's Testimony  CAD's Response to CGC's Request for the Authority to Take Administrative Notice of Certain Documents  CAD's Response to CGC's Motion for Clarification Relating to Issues of Accumulated and Deferred Litigation Costs  CGC Objection to CAD's Additional Discovery Request  CGC Responds to CAD's Motion to Take Administrative Notice.
06/29/2009	Pre-Hearing Conference
07/02/2009	CAD's Notice of the Withdrawal of Dr. Brown as a witness
07/06/2009	Pre-Hearing Order
07/08/2009	Proposed Settlement Agreement Filed
07/13/2009	Settlement not approved Hearing on Merits

**Timeline of the Proceedings in Docket 07-00224**

07/31/2009	Post Hearing Brief of the CAD  Post Hearing Brief of CGC
08/24/2009	TRA Regularly Scheduled Conference TRA found that: <ol style="list-style-type: none"> <li>1. Chattanooga Gas Company shall submit future asset management Request for Proposals for approval prior to placing them out for bid.</li> <li>2. A triennial review of capacity shall occur beginning in 2012 with selection of an independent consultant. The parties shall provide comments regarding the proposed procedures/criteria for such triennial review within ten days.</li> <li>3. The Hearing Officer ruling that CGC file for recover of litigation costs upon completion of this docket is upheld.</li> </ol> (See TRA Order entered September 23, 2009.)  TRA directed parties to comment on the proposed processes and procedures for the review.
09/03/2009	CAD files comments on the proposed processes and procedures.  CGC files comments on the proposed processes and procedures.
09/23/2009	TRA Conference comments on August 24, 2009 decision.
10/06/09	CGC's Documentation and Information Supporting Its Request to Recover Costs Incurred to Defend against Claims of CAD in Docket 07-00224
10/13/2009	TRA Order - Reconsideration of the August 24, 2009 decision. TRA found that: <ol style="list-style-type: none"> <li>1. The first triennial review sill occur in 2013 with any future review determined at the conclusion of that review.</li> <li>2. Procedures and process for the review in 2013 were adopted are attached to this Order as Exhibit 1 and are herby referenced and incorporated as if copied herein.</li> <li>3. Performance of a previous review of CGC or any gas company regulated by the TRA does not consistent a relationship between the company, TRA or Consumer Advocate and the consultant for the purpose of this review.</li> </ol>
10/23/2009	Order Setting Issues & Time for Filing Briefs Relating to Recovery of Litigation Costs

**Timeline of the Proceedings in Docket 07-00224**

10/28/2009	Stipulation Regarding CGC's Request for Cost Recovery  Brief of CGC Regarding Cost Recovery  Brief of CAD in Relation to CGC's Request for Cost Recovery
11/9/2009	TRA Conference Oral Argument regarding CGC's Request for Litigation Cost Recovery
01/12/10	CAD files notice of CMA's motion filed in Docket 09-00183 to have the litigation cost recovery issue transferred from Docket 07-00224 to Docket 09-00183 and notice of the responses filed by CGC and the CAD.

## EXHIBIT C

Docket No. 09-00183

Exhibit ARH-2

Page 1 of 2

Farmer & Luna, PLLC Invoice Listing for AGL Resources, Inc. -- Asset Management Docket (07-00224)										
<u>Invoice Date</u>	<u>Invoice Number</u>	<u>Dates of Services Rendered</u>	<u>F&amp;L Legal Fees</u>	<u>Expense: Court Reporter Fees</u>	<u>Expense: Electronic Research</u>	<u>General Expenses (including copies, overnight delivery charges)</u>	<u>Expense: Working Lunch</u>	<u>Expense: Travel</u>	<u>Invoice Total</u>	
3/25/2008	3543	2/1/08 - 2/28/08	\$18,280.50	\$309.75	\$106.13	\$4.95			\$18,701.33	
4/29/2008	3567	3/1/08 - 3/31/08	\$19,506.50			\$44.85			\$19,551.35	
5/28/2008	3597	4/1/08 - 4/30/08	\$35,160.50	\$125.75	\$798.42	\$2,422.26			\$38,506.93	
6/30/2008	3619	5/1/08 - 5/31/08	\$18,307.00	\$370.50	\$217.20	\$222.19	\$39.01		\$19,155.90	
7/21/2008	3641	6/1/08 - 6/30/08	\$1,837.50			\$20.58			\$1,858.08	
8/27/2008	3666	7/1/08 - 7/31/08	\$7,185.00			\$15.00			\$7,200.00	
9/29/2008	3681	8/1/08 - 8/31/08	\$6,441.00		\$34.62	\$91.83			\$6,567.45	
10/28/2008	3709	9/1/08 - 9/30/08	\$20,516.00			\$39.30			\$20,555.30	
11/18/2008	3729	10/1/08 - 10/31/08	\$53,514.50	\$112.25		\$32.78		\$1,324.10	\$54,983.63	
12/12/2008	3752	11/1/08 - 11/30/08	\$21,566.00		\$677.92	\$136.80			\$22,380.72	
1/26/2009	3781	12/1/08 - 12/31/08	\$47,684.00		\$239.81	\$157.84	\$57.19		\$48,138.84	
2/24/2009	3807	1/1/09 - 1/31/09	\$9,147.50		\$1,303.73	\$11.25			\$10,462.48	
3/25/2009	3832	2/1/09 - 2/28/09	\$5,560.00			\$7.20	\$37.00		\$5,604.20	
4/30/2009	3859	3/1/09 - 3/31/09	\$13,835.00			\$23.55			\$13,858.55	
5/22/2009	3878	4/1/09 - 4/30/09	\$22,643.50			\$742.97			\$23,386.47	
6/22/2009	3896	5/1/09 - 5/31/09	\$31,026.00	\$112.25	\$344.57	\$354.48			\$31,837.30	
7/22/2009	3923	6/1/09 - 6/30/09	\$45,657.00	\$186.50	\$13.91	\$139.05			\$45,996.46	
8/24/2009	3937	7/1/09 - 7/31/09	\$62,382.50	\$467.75	\$93.32	\$723.16	\$148.58		\$63,815.31	
9/25/2009	3957	8/1/09 - 8/31/09	\$14,135.00	\$74.00	\$374.52	\$4.80			\$14,588.32	

**Totals:**

\$454,385.00

\$1,758.75

\$4,204.15

\$5,194.84

\$1,324.10

\$467,148.62

**Estimated Total for Services Rendered 9/1/09 to 9/30/09:**

\$14,000.00\*

**Estimated Total:**

\$481,148.62

\* Invoice 3896 includes \$25 filing fee that should have been charged to the general account. Invoice 3807 includes an entry for 1/20/09 that was billed at JWL's rate and should have been billed at JLB's rate resulting in a \$50 overcharge. A credit of \$75.00 will be included in the invoice for services rendered 9/1/09 to 9/30/09 in this Docket.

EXHIBIT B										
McKenna Long & Aldridge										
Invoice Listing for AGL Resources, Inc. -- Asset Management Docket (07-00224)										
<u>Invoice Date</u>	<u>Invoice Number</u>	<u>Dates of Services Rendered</u>	<u>MLA Legal Fees</u>	<u>Expense: Court Reporter Fees</u>	<u>Expense: Transcripts/</u>	<u>Expense: Electronic Research</u>	<u>General Expenses (including copies, overnight delivery charges, long distance telephone)</u>	<u>Expense: Working Lunch</u>	<u>Expense: Travel</u>	<u>Invoice Total</u>
11/20/2008	626060	10/1/08 - 10/31/08	\$12,330.00							\$12,330.00
12/4/2008	627605	11/1/08 - 11/30/08	\$17,145.00				\$0.15			\$17,145.15
1/30/2009	635444	12/1/08 - 12/31/08	\$29,430.00				\$14.90		\$649.27	\$30,094.17
2/24/2009	638397	1/1/09 - 1/31/09	\$14,895.00				\$37.35			\$14,932.35
3/11/2009	640648	2/1/09 - 2/28/09	\$15,697.00			\$556.34			\$275.00	\$16,528.34
4/13/2009	646504	3/1/09 - 3/31/09	\$4,417.50				\$20.30			\$4,437.80
5/18/2009	652194	4/1/09 - 4/30/09	\$12,670.50			\$397.08	\$30.50			\$13,098.08
6/9/2009	655381	5/1/09 - 5/31/09	\$8,740.00				\$15.10			\$8,755.10
7/10/2009	660782	6/1/09 - 6/30/09	\$46,381.00			\$325.63	\$12.40		\$384.42	\$47,103.45
8/14/2009	666782	7/1/09 - 7/31/09	\$34,627.50				\$172.85		\$290.82	\$35,091.17
9/21/2009	671963	8/1/09 - 8/31/09	\$5,462.50				\$3.45		\$128.15	\$5,594.10

**Totals:** \$201,796.00 \$0.00 \$1,279.05 \$307.00 \$0.00 \$1,727.66 \$205,109.71

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

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

---

**STIPULATION REGARDING CGC'S REQUESTED COST RECOVERY**

---

Robert E. Cooper, Jr., the Attorney General and Reporter for the State of Tennessee, through the Consumer Advocate and Protection Division ("Consumer Advocate"), and the Luna Law Group, through J. W. Luna, respectfully provide the following stipulation in relation to Chattanooga Gas Company's ("CGC") Request to Recover the Costs Incurred in Docket 07-00224, before the Tennessee Regulatory Authority ("TRA" or "the Authority").

**STIPULATION**

The Consumer Advocate has reviewed the documentation provided in support of CGC's costs in Docket 07-00224, filed with the TRA on October 6, 2009. Specifically, the Luna Law Group, PLLC f/k/a Farmer & Luna, PLLC, has submitted billings to CGC of \$467,148.62 as of August 31, 2009, in its capacity as counsel in this Docket and anticipates additional billings of approximately \$14,000 for the month of September; additionally, the law firm of McKenna, Long & Aldridge, LLP, has billed CGC \$205,109.71 as of August 31, 2009, and has not provided an estimate of amounts incurred since that time. After a review of these records, the Consumer Advocate stipulates that it has no basis to contest that either Farmer & Luna, PLLC or McKenna, Long & Aldridge, LLP, did not perform all of the work described in their monthly billings in this Docket. As noted in the record, the documentation is heavily redacted, so review




by the Consumer Advocate was limited to the material CGC provided. The Consumer Advocate stipulates that it does not intend to contest the accuracy of the total amount of billings submitted on October 6, 2009.

Furthermore, the parties have agreed that the amount of costs allowed to be recovered shall be recovered through the PGA. The parties have not agreed as to the amortization period for the recovery of costs.

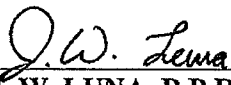
Respectfully submitted,

**ROBERT E. COOPER, JR., No. 010934**  
**Attorney General and Reporter**



---

**T. JAY WARNER, B.P.R. # 026649**  
Assistant Attorney General  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, Tennessee 37202  
(615) 741-7629



*J. W. Luna w/ permission by T. Jay Warner*  
**J. W. LUNA, B.P.R. # 005780**  
Luna Law Group, PLLC  
333 Union St., Suite 300  
Nashville, Tennessee 37201  
(615) 254-9146

**CERTIFICATE OF SERVICE**

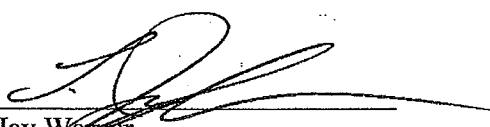
I hereby certify that a true and correct copy of the foregoing was served via first-class U.S. Mail, postage prepaid, or electronic mail upon:

J.W. Luna, Esq.  
Jennifer Brundige, Esq.  
Farmer & Luna  
333 Union Street  
Suite 300  
Nashville, TN 37201

L. Craig Dowdy, Esq.  
McKenna Long & Aldridge LLP  
303 Peachtree Street  
Suite 5300  
Atlanta, GA 30308

Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

This the 28<sup>th</sup> day of October, 2009.

  
\_\_\_\_\_  
T. Jay Warner  
Assistant Attorney General

Farmer & Luna, PLLC Invoice Listing for AGL Resources, Inc. -- Asset Management Docket (07-00224)										
<u>Invoice Date</u>	<u>Invoice Number</u>	<u>Dates of Services Rendered</u>	<u>F&amp;L Legal Fees</u>	<u>Expense: Transcripts/Court Reporter Fees</u>	<u>Expense: Electronic Research</u>	<u>General Expenses (including copies, overnight delivery charges)</u>	<u>Expense: Working Lunch</u>	<u>Expense: Travel</u>		<u>Invoice Total</u>
10/19/2009	3971	9/1/09-9/30/09	\$14,115.00	\$45.00		\$52.86				\$14,137.86
11/19/2009	3991	10/1/09-10/31/09	\$29,737.50	\$2.50		\$126.88				\$29,866.88
12/11/2009	4007	11/1/09 - 11/30/09	\$13,467.50	\$76.75		\$4.80	\$32.17			\$13,581.22
1/29/2010	4044	12/1/09 - 12/31/09	\$9,989.50							\$9,989.50
2/26/2010	4071	1/1/2010 - 1/31/2010	\$4,548.50		\$361.52					\$4,910.02

Totals:

\$71,858.00    \$124.25    \$361.52    \$184.54    \$32.17    \$0.00    \$72,485.48

Total for Services rendered by Farmer & Luna, PLLC from 2/1/08 - 8/31/09:

\$467,148.62

Total for Services rendered by McKenna Long & Aldridge from 10/1/08 - 8/31/09:

\$205,109.71

Combined Total:

\$744,743.81

\* Invoice 3971 contains a \$75 credit.

CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TRA NO. 1

ORIGINAL SHEET NO.54

**TEMPORARY LITIGATION COST RECOVERY RIDER**

**APPLICABILITY**

This Rider shall apply to and become part of each of Chattanooga Gas Company's (Company's) Rate Schedules under which gas is sold and/or transported on a firm or interruptible basis.

**INTENT AND APPLICATION**

This Temporary Litigation Cost Recovery Rider is to authorize the Company to recover over a three year period the litigation cost incurred in docket 07-00224 (Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives.) The rider shall be terminated prior to the end of the three year period if Company has recovered the full amount of the Authorized Litigation Costs.

The rates for gas service set forth in all of the Rate Schedules of the Company shall be adjusted by the Litigation Cost Recovery Adjustment Factor pursuant to the terms of the this Rider. The Litigation Cost Recovery Adjustment Factor shall be a component of the Other Surcharges and Credits on Chattanooga Gas Company Gas Tariff TRA No. 1, Sheet No. 55.

No provision of this Rider shall supersede any provision of a Special Contract approved by the Authority.

**FILING WITH THE AUTHORITY**

The Company shall track the amount of litigation cost recovered through the application of the Litigation Cost Recover Adjustment Factor and annually shall file a report with the Authority identifying the amount of the cost that has been recovered during the previous twelve months, and the amount of litigation cost remaining to be recovered. The Annual report shall be for the 12 months ended June 30 of each year. If the Company determines that the Litigation Cost Recovery Adjustment Factor is inadequate to provide for the recovery of the unrecovered litigation cost during the remainder of the three year recovery period, the Company may file workpapers supporting the computation the revised Litigation Cost Recovery Adjustment Factor required to provide for recovery during the remainder of the recovery period. A revised Litigation Cost Recovery Adjustment Factor shall not become effective until reviewed by the Authority Staff.

If the Company recovers the total litigation cost prior to the end of the three year recovery period, the Company will terminate the application of the Rider. Upon termination, the Company shall file a report with the Authority. If the Company has recovered more than the amount of Authorized Litigation Cost, the report will include a proposal for addressing the disposition of any such over collection.

**DEFINITIONS**

For Purpose of this Rider:

"Annual Throughput" means the projected total metered volume of natural gas sold and/or transported to end use customers by the Company during the twelve month period ended June 30.

"Authority" means the Tennessee Regulatory Authority.

"Authorized Litigation Cost" means the litigation cost incurred in docket 07-00224 --"Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives" approved by the Authority for recovery through this rider.

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"Authorized Annual Litigation Cost" mean the total Authorized Litigation Cost divided by the number of years include recovery period.

"Litigation Cost Recovery Adjustment Factor (LCRAF)" means the per therm amount billed by the Company to its Customers solely for the recovery of Authorized Litigation Cost.

COMPUTATION OF THE LITIGATION COST RECOVERY RIDER FACTOR

The Litigation Cost Recovery Adjustment Factor shall be computed to the nearest one-hundredth cent per therm by the following formula:

$$LCRAF = \frac{\text{Annual Authorized Litigation Cost}}{\text{Annual Throughput}}$$