

Before the
TENNESSEE REGULATORY AUTHORITY

IN RE:

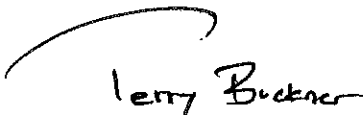
PETITION OF CHATTANOOGA GAS
COMPANY FOR APPROVAL OF ITS
RATES AND CHARGES, MODIFICATION
OF ITS RATE DESIGN, AND REVISED
TARIFF

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DOCKET NO. 09-00183

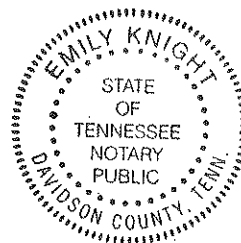
AFFIDAVIT

I, Terry Buckner, Regulatory Analyst, for the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.


TERRY BUCKNER

Sworn to and subscribed before me
this 10th day of March, 2010.


NOTARY PUBLIC



My commission expires: Aug. 23, 2011

My Commission Expires AUG. 23, 2011

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TENNESSEE REGULATORY AUTHORITY

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DIRECT TESTIMONY
OF
TERRY BUCKNER

March 10, 2010

INTRODUCTION

Q. Please state your name for the record.

A. My name is Terry Buckner.

Q. By whom are you employed and what is your position?

A. I am employed by the Consumer Advocate and Protection Division ("Consumer Advocate") in the Office of the Attorney General for the State of Tennessee ("Office") as a Financial Regulatory Analyst.

Q. How long have you been employed in conjunction with the public utility industry?

A. Approximately thirty-three years. Before my current employment with the Office, I was employed by the Comptroller of the Treasury ("Comptroller") for the State of Tennessee for nearly two years as the Assistant Director responsible for public utility audits. Prior to my employment with the Comptroller, I was employed for approximately eight years with the Office. Formerly, I was employed with the Tennessee Public Service Commission ("Commission") in the Utility Rates Division as a Financial Analyst for approximately six years. My responsibilities included testifying before the Commission as to the appropriate cost of service for public utilities operating in Tennessee. Prior to my employment with the

1 Commission, I was employed by TDS Telecom for eight years and the
2 First Utility District of Knox County for three years.

3
4 **Q. What is your educational background and what degrees do you**
5 **hold?**

6 A. I have a Bachelors degree in Business Administration from the
7 University of Tennessee, Knoxville with a major in Accounting. I am
8 also a Tennessee Certified Public Accountant ("CPA") and a member
9 of the American Institute of Certified Public Accountants.

10
11 **Q. Would you briefly describe your responsibilities as a Financial**
12 **Regulatory Analyst with the Consumer Advocate?**

13 A. I prepare testimony and financial exhibits in rate proceedings
14 as an employee with the Consumer Advocate. Additionally, I review
15 a portion of the tariff filings by Tennessee public utilities, which are
16 subject to the jurisdiction of the Tennessee Regulatory Authority
17 ("TRA"). Finally, I assist in the coordination between the Financial
18 Regulatory Analysts and the attorneys in the Office.

19
20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to represent the forecasted
22 financial exhibits prepared by the Consumer Advocate ("Exhibits of
23 Consumer Advocate") and provide my exhibit of work papers
24 ("Work Papers of Terry Buckner") for forecasted AFUDC,

1 Depreciation Expense, and Rate Base for Chattanooga Gas Company
2 ("CGC") for the attrition year ending April 30, 2011. Additionally, I
3 will address the issues of rate design for this docket, legal fee
4 recovery resulting from TRA Docket #07-00224, SouthStar
5 transactions, and consumer protection recommendations.

6
7 **SUMMARY OF RESULTS**
8

9 **Q. Please summarize the results of the Consumer Advocate forecast of**
10 **CGC's earnings for the attrition year.**

11 **A.** The attrition year in this case is the twelve months ending April
12 30, 2011. For the attrition year, CGC asked for a \$2.573¹ million rate
13 increase whereas the Consumer Advocate's forecasted results show
14 that customer rates should actually be increased by \$0.439 million
15 instead, which is a difference of \$2.134 million between CGC's
16 forecast and the Consumer Advocate's forecast. The \$2.134 million
17 difference assumes that CGC's proposed Alignment and Usage
18 Adjustment ("AUA") or revenue decoupling tracker mechanism is
19 rejected by the TRA and results from the following areas of
20 disagreement between CGC and the Consumer Advocate: (1) The
21 Consumer Advocate analysis indicates that the forecasted rate base of
22 CGC will be approximately \$3.9 million less than the rate base
23 estimates included in CGC's rate increase petition, which is

¹ CGC Petition dated November 16, 2009, Section 4, Page 2.

1 approximately \$0.5 million less in revenue requirement; (2) The
2 Consumer Advocate is projecting about \$0.1 million more in
3 operating revenue gross margin; (3) The Consumer Advocate is
4 projecting about \$0.1 million less in operation and maintenance
5 expenses than the amount projected by CGC due to the exclusion of
6 Long Term Incentive Pay ("LTIP"), half of the Annual Incentive Pay
7 ("AIP"), and half of CGC's proposed regulatory expense; (4) The
8 Consumer Advocate is projecting about \$0.1 million more in Taxes
9 Other Than Income Taxes; and (5) The amount of revenue required
10 for CGC to have an opportunity to earn a fair profit is about \$1.6
11 million less in the Consumer Advocate's forecast due to the
12 Consumer Advocate's computation of a lower cost of capital.
13 However, these amounts are offset by the Consumer Advocate's
14 lower calculation of Allowance for Funds Used During Construction
15 ("AFUDC") (\$0.14 million) and higher depreciation expense (\$0.1
16 million) to net to approximately \$2.134 million less in revenue
17 requirement.

18 Accordingly, the Consumer Advocate's position is that CGC
19 has requested over \$2.134 million more in customer rates than the
20 company actually needs to meet their expenses and provide a fair
21 return to their shareholders while providing quality natural gas
22 service to CGC's customers. Although there are many underlying
23 details supporting the Consumer Advocate's position, all of which
24 are discussed below and shown in the testimony, work papers, and

1 exhibits of the Consumer Advocate's witnesses, the areas discussed
2 above serve as an overview of the primary areas of dispute between
3 CGC and the Consumer Advocate in this case.

4 However, if CGC's decoupling tracker mechanism is adopted
5 by the TRA, then customers rates would only need to be increased by
6 \$67,000.

7
8 **Q. Please summarize why the Consumer Advocate is projecting about**
9 **\$0.1 million more in operating revenue gross margin than CGC.**

10 **A.** The \$0.1 million difference in operating revenue gross margin is
11 due to the Consumer Advocate's belief that the residential bills for
12 the attrition year will trend slightly higher than the amount projected
13 by CGC. Consumer Advocate witness, Dave W. Peters will address
14 this issue more fully in his Direct Testimony in this docket.

15
16 **Q. Please summarize why the Consumer Advocate is projecting about**
17 **\$0.1 million less in operation and maintenance expenses than CGC.**

18 **A.** The \$0.1 million difference in operation and maintenance
19 expenses between the Consumer Advocate and CGC is primarily due
20 to the Consumer Advocate's projecting: (1) \$0 in LTIP and AIP
21 compensation of \$67,679, which is half of CGC's forecasted AIP; and
22 (2) approximately \$100,000 less in regulatory expense.

23 The approximate \$100,000 difference in regulatory expense
24 stems from the Consumer Advocate's disagreement with the

1 reasonableness of these charges. The Consumer Advocate urges the
2 TRA to follow the ruling precedent established in Docket #08-00039
3 in disallowing half of the Regulatory Commission Expense proposed
4 by CGC. As a result, the Consumer Advocate urges the TRA to
5 allow the total Regulatory Commission Expense to be only one-half
6 of CGC's \$212,781 attrition year amounts, reduced by 50% to a total
7 of \$106,536.

8 Also, the Consumer Advocate asserts that it is improper for
9 customers to be called upon to pay CGC's legal bills for pursuing a
10 rate increase which, as demonstrated by the testimony and exhibits of
11 the Consumer Advocate's witnesses, is without merit. Much of this
12 is offset by the use of a later test period by the Consumer Advocate,
13 which nets to a \$0.1 million difference.

14 Mr. John Hughes, Consumer Advocate witness, will address
15 the specifics of his forecast of operation and maintenance expense for
16 the attrition year in his Direct Testimony.

17
18 **Q. Please summarize why the Consumer Advocate is projecting about**
19 **\$80,000 more in depreciation expenses than the amount projected**
20 **by CGC.**

21 **A.** This difference in depreciation expense is primarily attributable
22 to two reasons. First, the Consumer Advocate adopted the ALG
23 depreciation rates as proposed by CGC in computing depreciation
24 expense using a later test period ending December 31, 2009. CGC

1 used a test period ending June 30, 2009. In an effort to eliminate
2 outdated financial information and to shorten the forecast window,
3 the Consumer Advocate has adopted the test year ended December
4 2009 in its forecast for the attrition year ending April 2011.

5 As a result, approximately \$4 million in plant additions to
6 Account #381, at December 31, 2009, were not included in CGC's
7 forecast. Secondly, the Consumer Advocate did not compute any
8 depreciation expense for plant accounts that were fully depreciated --
9 that is, the plant accounts had a net book value of zero dollars (\$0.00).
10 Once a capitalized item has been depreciated completely,
11 depreciation expense related to that item should no longer be
12 recognized.

13
14 **Q. Please explain why the Consumer Advocate's forecast of taxes**
15 **other than income taxes is about \$129,000 lower than CGC's other**
16 **tax calculations.**

17 **A.** This difference is primarily due to the Consumer Advocate's
18 computation of property taxes. In computing its property tax
19 forecast, the Consumer Advocate utilized the actual 2009 tax bills.
20 CGC, however, calculated their property taxes using older, less
21 precise test period information.

1 Q. Please summarize the \$1.6 million difference in revenue
2 requirements attributable to the Consumer Advocate's computation
3 of a lower cost of capital for CGC.

4 A. Based on the cost of capital testimony of Consumer Advocate
5 witness Dr. Chris C. Klein, the Consumer Advocate incorporated
6 a lower overall rate of return of 7.29% on rate base rather than CGC's
7 rate of return as requested in its rate increase petition. This lower
8 return decreases the revenue requirements of CGC by \$1.6 million.
9 Again, if the decoupling mechanism tracker is adopted by the TRA,
10 then Dr. Klein is recommending an overall rate of return of 7.05%.
11 The testimony of Consumer Advocate witness Klein sets forth the
12 details of the Consumer Advocate's position on cost of capital in this
13 case.

14
15 RATEMAKING THEORY AND PRACTICE
16

17 Q. What is a public utility?

18 A. In the context of this case, a public utility is a business formed
19 as a shareholder-owned corporation. Even though the public utility
20 in this case is a for profit corporation, it is also important to note that
21 this public utility is:

22 an organization that has been designated by law as
23 a business affected with a significant public interest,
24 and that also possesses all of the following
25 characteristics: (1) The business is essentially free
26 from direct competition, i.e., it operates in a

1 monopolistic environment; (2) The business is
2 required by law to charge rates for its services that
3 are reasonable and not unjustly discriminatory; (3)
4 The business is allowed to earn (but not
5 guaranteed) a "reasonable" profit; and (4) The
6 business is obligated to provide adequate service to
7 its customers, on demand.²
8

9 **Q. Does CGC possess these public utility characteristics?**

10 A. Yes. CGC is a shareholder-owned public utility³ that has been
11 granted the advantage of operating in a monopolistic environment in
12 exchange for special obligations, namely, the requirement to provide
13 adequate service to all customers at rates that are just, reasonable,
14 and non-discriminatory.
15

16 **Q. From a regulated ratemaking perspective, what is the TRA called**
17 **upon to do in this proceeding?**

18 A. In a rate case such as this one, the TRA is asked to establish the
19 amount of revenues that the utility should collect in order to cover its
20 reasonable and necessary expenses and to reasonably compensate the
21 utility's investors for their investment in the plant and equipment
22 necessary to provide utility service to the public. The following
23 ratemaking formula can be used to express this concept:
24

²*Accounting for Public Utilities*, Hahne and Aliff §1.01.

³CGC is a subsidiary of AGL Resources, Inc, Inc. ("AGL").

1 **Revenue Requirement = (Rate Base X Rate of**
2 **Return) + Operations and Maintenance**
3 **Expense + Depreciation Expense + Taxes.**

4 In this equation, "Rate Base" is essentially the plant and
5 equipment paid for by the investors in the utility. The "Rate of
6 Return" is comprised of two major components: (1) the "Cost of
7 Debt," which constitutes the interest rate on borrowed money and (2)
8 the "Return on Shareholders' Equity" ("ROE"), which is the rate of
9 compensation that flows to the owners of the utility for their
10 investment. "Operations and Maintenance Expense" is the costs of
11 operating the utility day-to-day, such as payroll, employee benefits,
12 fuel and power to pump the water, chemicals to treat the water
13 supply, rents, office supplies, postage and billing costs, etc.
14 "Depreciation Expense" is the systematic recovery of the cost of the
15 plant and equipment over their useful lives. "Taxes" are the business
16 taxes owed by the utility to federal, state, and municipal
17 governments, such as income taxes, payroll taxes, property taxes, and
18 franchise taxes. In order to arrive at the appropriate amounts for
19 each component of the ratemaking formula, the TRA should consider
20 the expert witness testimony of economists, accountants, and other
21 subject matter experts. These experts usually calculate the amount of
22 each component of the ratemaking formula for the "Attrition Year."
23 In making their "Attrition Year" forecast, ratemaking experts often
24 consider "Test Year" data.

1 Q. Please explain the difference between a "Test Year" and an
2 "Attrition Year."

3 A. A "Test Year" is a measure of a utility's financial operations
4 and investment over a specific twelve month period. It is the "raw
5 material" for developing an attrition year measure of the utility's
6 financial operations and investment (that is, the utility's Rate Base,
7 Operations and Maintenance Expense, Depreciation Expense, and
8 Taxes). Therefore, the selection of the test year is quite important:

9
10 The selection of the timing of the test year may be
11 the most significant single factor in the rate-making
12 process. The more outdated the test year levels of
13 operations, the more critical is the need for
14 significant restatement to produce representative
15 levels of future conditions.⁴

16
17 An "Attrition Year," also known as a forecast period, is the
18 "finished product" and is to be representative of the period for any
19 rate adjustment. The attrition year can also be viewed as the first
20 year during which the TRA's rate order will be applied.

21 In this docket, CGC's filing used a test year ended June 2009
22 and an attrition year ending April 2011. In an effort to eliminate
23 outdated financial information and to shorten the forecast window,
24 the Consumer Advocate has adopted the test year ended December
25 2009 in its forecast for the attrition year ending April 2011.

⁴Accounting for Public Utilities, Hahne and Aliff §7.03.

1 Q. Please explain how the TRA should calculate any adjustment in
2 customer rates to be applied during the attrition year.

3 A. Once the TRA arrives at the appropriate Revenue Requirement
4 for the attrition year (as described above), it must then determine
5 whether a rate adjustment is needed. If the Revenue Requirement is
6 greater than the amount of operating revenue forecasted for the
7 attrition year at present customer rates, then a rate increase is
8 required. However, if the Revenue Requirement is less than the
9 amount of operating revenue forecasted for the attrition year at
10 present customer rates, then a rate decrease is required.

11 In determining whether a rate increase or rate decrease is
12 warranted, the TRA should again consider the testimony of the
13 parties' expert witnesses. In addition to forecasting the Revenue
14 Requirement for the attrition year, these experts also forecast the
15 amount of operating revenue that the utility is expected to collect
16 during the attrition year at the current customer rates set forth in the
17 utility's tariff.

18
19 AFUDC
20

21 Q. Please explain the calculation of the Consumer Advocate's AFUDC.

22 A. As previously disclosed AFUDC is an acronym for "Allowance
23 for Funds Used During Construction." The purpose of AFUDC is: (1)
24 to recognize the financing costs of construction activities; (2) to shield

1 the utility from financing costs of construction activities; and (3) to
2 afford the utility the opportunity to recover the costs when the plant
3 is placed in service.⁵ It is appropriate to recognize both debt and
4 equity components in the financing costs of construction activities.
5 The capitalized financing cost creates income, which should be
6 reported on the income statement.⁶ The AFUDC rate is the weighted
7 average cost of debt and equity. In this docket, the Consumer
8 Advocate has adopted the rate of return of 7.29% as recommended by
9 Dr. Klein as the AFUDC rate. As a matter of normal utility
10 accounting practice, AFUDC is added monthly to the Construction
11 Work in Progress ("CWIP") account amount. CWIP is an
12 accumulation of work order amounts. Upon completion of a CWIP
13 work order, the cumulative work order amount is closed to plant in
14 service accounts. In this docket, the Consumer Advocate applied the
15 AFUDC rate to the average monthly forecasted CGC plant additions.
16 Consequently, the beginning CWIP account balance and the ending
17 CWIP account balance does not change.

18 As a result, the Consumer Advocate's AFUDC amount for the
19 attrition years is \$210,826. CGC's forecasted AFUDC amount of
20 \$352,221 is predicated on the 13 month average CWIP balance at June
21 30, 2009. However, CGC's CWIP balance at December 31, 2009 is

⁵ *Accounting for Public Utilities*, Hahne and Aliff §4.04[5].

⁶ *Id.*

1 (\$615,013). This abnormality does not allow the Consumer Advocate
2 to replicate the same AFUDC calculation methodology used by CGC.

3 Therefore, the Consumer Advocate's calculation of AFUDC is
4 more reasonable than CGC's forecast.

5
6 **DEPRECIATION EXPENSE**
7

8 **Q. Please explain the calculation of the Consumer Advocate's**
9 **Depreciation and Amortization Expense.**

10 **A.** CGC has forecasted Depreciation and Amortization Expense of
11 \$5,119,444 for the attrition year. CGC's Depreciation Expense is
12 based on a depreciation study performed for property as of
13 December 30, 2008, using the average life group ("ALG") procedure,
14 which is in accordance with the settlement agreement in TRA Docket
15 #06-00175. CGC's depreciation study prescribes ALG rates by plant
16 account. The ALG rates "translate into an annual depreciation
17 amount of \$4.5 million based on CGC's depreciable investment at
18 December 31, 2008."⁷ This annual depreciation expense difference
19 does not recognize the additions and retirements through the
20 attrition year. In their forecast, CGC has included depreciation
21 expense on assets with a book value of zero or less. These assets
22 include LNG Tank (Account #362), Heavy Trucks (Account #3922),
23 and Stores Equipment (Account #393).

⁷ CGC Exhibit RW-1, Page 2 of 57.

1 Specifically, accounting for depreciation expense is "no more
2 nor no less than the cost of the asset"⁸. As a practice, monthly
3 depreciation expense is calculated using the ending plant account
4 balance of the previous month times the prescribed plant account
5 depreciation rate. The Consumer Advocate calculated Depreciation
6 Expense of \$5,201,431⁹, which is \$81,987¹⁰ more than the projected
7 depreciation expense of CGC. The Consumer Advocate applied
8 CGC's new depreciation rates¹¹ to the actual December 31, 2009 Plant
9 in Service balances and the net monthly plant additions and
10 retirements¹² through April 30, 2011. As previously mentioned, over
11 \$4 million in plant additions to Account #381 at December 31, 2009
12 were not included in CGC's forecast.

13 Therefore, the Consumer Advocate's calculation of
14 Depreciation Expense is more reasonable than CGC's forecast.
15
16

⁸*Public Utility Accounting: Theory and Application*, James E. Suelflow, Michigan State University Public Utilities Studies, P. 102.

⁹Consumer Advocate work paper, E-DEP.

¹⁰Consumer Advocate Exhibit Schedule 3, Line 8.

¹¹Exhibit of CGC witness, Rhonda Watts, Appendix A.

¹²CGC response to TRA FG #25-13.

RATE BASE

Q. Please summarize the difference in the forecast of Rate Base.

A. The table below summarizes the differences in rate base forecasts by component.

| Additions: | Consumer Advocate | CGC | Difference |
|--------------------------------------|--------------------------|----------------------|----------------------|
| Utility Plant in Service | \$202,717,046 | \$198,761,734 | \$3,955,312 |
| Construction Work in Progress | (189,090) | 4,655,182 | (4,844,272) |
| Working Capital | 12,302,888 | 14,910,913 | (2,608,025) |
| OPEBs | 248,501 | 302,798 | (54,297) |
| Total Additions | <u>\$215,079,345</u> | <u>\$218,630,627</u> | <u>\$(3,551,282)</u> |
| Deductions: | | | |
| Accumulated Depreciation | \$96,370,052 | \$96,171,548 | \$198,504 |
| Contributions in Aid of Construction | 1,508,644 | 1,561,644 | (53,000) |
| Advances in Aid of Construction | 286,394 | 286,394 | - |
| Accumulated Deferred Tax | 23,770,564 | 22,851,051 | 919,513 |
| Total Deductions | <u>\$121,935,654</u> | <u>\$120,870,637</u> | <u>\$1,065,017</u> |
| Rate Base | <u>\$93,143,690</u> | <u>\$97,759,990</u> | <u>\$(4,616,299)</u> |

1 **Q. Please explain the difference in forecasted Plant in Service.**

2 A. The Consumer Advocate forecasted Plant in Service by using
3 actual plant balances as of December 31, 2009. Forecasted plant
4 additions and retirements, which were provided by CGC, were then
5 added to actual balances at December 31, 2009, to arrive at monthly
6 Plant in Service amounts through April 30, 2011. A thirteen month
7 Plant in Service average was calculated in the amount of
8 \$202,717,046. CGC has forecasted \$198,761,734 for Plant in Service.

9 The Consumer Advocate's attrition year forecast of Plant in
10 Service is \$3,955,312 higher than the CGC's forecasted amount due to
11 the inclusion of a more recent test period balance.

12
13 **Q. Please explain the difference in CWIP.**

14 A. The Consumer Advocate forecasted CWIP using a thirteen
15 month CWIP average based on the balance of \$(189,090) at December
16 31, 2009.

17 As a result, the Consumer Advocate's attrition year forecast of
18 CWIP is \$4,844,272 lower than the CGC forecasted amount, which
19 was based on a balance at June 30, 2009.

20
21 **Q. Please explain the difference in Working Capital Requirement.**

22 A. CGC has included the following items in their calculation of
23 Working Capital Requirement: Materials & Supplies; Deferred Rate
24 Case; Other Accounts Receivable; Lead-Lag amount; Stored Gas

1 Inventory; Reserve for Uncollectible; Customer Deposits; and
2 Accrued Interest on Customer Deposits.

3 CGC used a thirteen month average for the test year ended
4 June 2009 to calculate Materials and Supplies for the attrition year
5 ending April 2011. The Consumer Advocate included thirteen month
6 averages for each using the test period ended December 2009.

7 Regarding the Deferred Rate Case, the Consumer Advocate has
8 forecasted \$263,334 while CGC has forecasted \$531,955 for a
9 difference of \$268,621. The TRA should reject CGC's Deferred Rate
10 Case amount of \$531,955 as unduly unjust and unreasonable to
11 ratepayers for setting prospective rates. CGC should not profit from
12 the inclusion in rate base for their excessive regulatory expenses.
13 CGC's projected rate case costs in this docket more than doubles the
14 \$300,000 amount forecasted in TRA Docket #06-00175.

15 CGC used a thirteen month average for the test year ended
16 June 2009 to calculate Other Accounts Receivable for the attrition
17 year ending April 2011. The Consumer Advocate included thirteen
18 month averages for each using the test period ended December 2009.

19 Also, the Consumer Advocate asserts that a payment lag for the
20 current portions of state excise tax and federal income tax should be
21 calculated on the basis of the statutory payment requirements of a
22 calendar year's liability, paid in four equal installments on April 15,

1 June 15, September 15, and December 15. On this basis, a lag of
2 approximately 37 days is calculated.¹³

3 Using the Consumer Advocate's forecasted revenue, expenses,
4 Lead-Lag changes, and CGC's 2003 Lead-Lag Study results in a
5 Requirement for Lead Lag amount of \$1,164,573.

6 CGC used a thirteen month projected average for the attrition
7 year ended April 2011 to calculate Stored Gas Inventory. However,
8 April 2009 was the last actual Stored Gas Inventory balance to
9 calculate their forecasted amount. The remaining projections were
10 priced using the NYMEX future prices for natural gas as of October
11 31, 2009. The Consumer Advocate forecasted a thirteen month
12 average using the actual storage balance at December 2009 and
13 NYMEX future prices as of January 10, 2010. The use of later
14 information reduced the projected Stored Gas Inventory by
15 \$1,188,872.

16 The Consumer Advocate's forecasted Working Capital
17 Requirement is \$1,820,008 lower than the forecasted CGC amount.
18 The TRA should adopt a more recent test period in the forecast of
19 Working Capital because it is known and measurable.
20
21
22

¹³*Accounting for Public Utilities*, Hahne & Aliff § 5.04[4], Page 5-25.

1 **Q. Please explain the difference in forecasted Accumulated**
2 **Depreciation.**

3 A. The Consumer Advocate forecasted Accumulated Depreciation
4 by using actual balances as of December 31, 2009. Forecasted
5 monthly depreciation expense and retirements were then added to
6 actual balances at December 31, 2009 to arrive at monthly
7 Accumulated Depreciation amounts through April 30, 2011. A
8 thirteen month Accumulated Depreciation average was calculated for
9 the attrition year in the amount of \$96,370,052,¹⁴ which is \$198,504
10 higher than CGC's estimate.
11

12 **Q. Please explain the difference in Accumulated Deferred Income Tax.**

13 A. The Consumer Advocate forecasted Accumulated Deferred
14 Income Tax by using actual balances as of December 31, 2009 and
15 their projected balances through April 30, 2011. The incremental
16 change for the attrition year resulted from the projected tax
17 depreciation minus the book depreciation multiplied by the statutory
18 state and federal tax rates. Forecasted timing differences were spread
19 evenly from the starting point to the end of the attrition year. A
20 thirteen month average was then calculated for the attrition year,
21 which is consistent with the methodology used for all primary rate
22 base categories. Tax depreciation in excess of book depreciation is
23 the primary component of Accumulated Deferred Income Taxes that

¹⁴Consumer Advocate work paper, RB-ACC DEP.

1 generates deferred tax differences. As a result, the Consumer
2 Advocate forecasts Accumulated Deferred Income Tax in the amount
3 of \$23,770,564, which is \$919,513 higher than the forecasted amount
4 of CGC.

5
6 **Q. Please summarize the calculation of Rate Base amounts for the**
7 **attrition year.**

8 A. The forecasted net rate base of the Consumer Advocate is
9 roughly \$3.8 million lower than the rate base amount submitted by
10 CGC for the period ended April 30, 2011.

11
12 **RATE DESIGN**

13
14 **Q. Please discuss the revenue impact of CGC's proposed rate design.**

15 A. CGC is proposing the following margin revenue percentage
16 increases and decreases for residential customers: an increase in
17 fixed charges of \$4 per month (\$12 to \$16), or 33%, for residential
18 customers (R-1) during the winter season (months of November
19 through April) and \$1 per month (\$10 to \$11), or 10%, for residential
20 customers during summer months (May through October). The
21 increase in fixed charges would generate approximately 23% in new
22 residential revenues. Also, CGC is proposing 3.5% cumulative
23 increase in the residential volumetric revenues. The total overall
24 increase in residential margin proposed by CGC is 13.7%.

1 CGC proposed no increases for commercial rates in monthly
2 fixed charges. However, CGC has proposed the following changes in
3 volumetric rate design: (1) a 34% increase in the commercial (C-1)
4 volumetric rates; (2) a 12.75% decrease in the commercial (C-2)
5 volumetric rates with a corresponding 36% increase in Demand Dths
6 or \$2 per Dth (\$5.50 to \$7.50); (3) and a 13.59% decrease in the
7 commercial transportation (T-3) volumetric rates with a
8 corresponding 36% increase in Demand Dths or \$2 per Dth (\$5.50 to
9 \$7.50). The total overall increase in commercial margin proposed by
10 CGC is 5.9%.

11 Interruptible Sales (I-1) volumetric rates would decrease by
12 approximately 11%, but there is a proposed increase in monthly fixed
13 charges of \$75 per month (\$300 to \$375), or 25%. The total overall
14 decrease in Interruptible Sales margin proposed by CGC is 7.7%.

15 Industrial Transport with Full Standby (F-1/T-2) volumetric
16 rates would decrease by approximately 15%, but again there is a
17 proposed increase in monthly fixed charges of \$75 per month (\$300 to
18 \$375), or 25%, and a 36% increase in Demand Dths, or \$2 per Dth
19 (\$5.50 to \$7.50). The total overall increase in Industrial Transport (F-
20 1/T-2) margin proposed by CGC is 6.1%.

21 Industrial Transport with Partial Standby (F-1/T-2+T-1)
22 volumetric rates would decrease by approximately 15%, but again
23 there is a proposed increase in monthly fixed charges of \$75 per
24 month (\$300 to \$375), or 25%. Also, CGC is proposing a 36% increase

1 in Firm Demand Dths, or \$2 per Dth (\$5.50 to \$7.50), and a 74%
2 increase in Non-Firm Demand Dths, or \$2 per Dth (\$1.35 to \$2.35).
3 The total overall increase in Industrial Transport (F-1/T-2+T-1)
4 margin proposed by CGC is 2.6%.

5 Interruptible Industrial Transportation (T-1) volumetric rates
6 would decrease by approximately 18%, but once again there is a
7 proposed increase in monthly fixed charges of \$75 per month (\$300 to
8 \$375), or 25%. Also, CGC is proposing a 74% increase in Non-Firm
9 Demand Dths, or \$2 per Dth (\$1.35 to \$2.35). The total overall
10 decrease in Interruptible Industrial Transportation (T-1) margin
11 proposed by CGC is 1.5%.

12 There is no change for the Special Contract customers. In
13 summary, exclusive of the Special Contract customers, the proposed
14 rate design of CGC produces the following rate changes by class:

| | | |
|----------------|----------------|--------|
| 16 Residential | 13.7% Increase | \$1.8M |
| 17 Commercial | 5.9% Increase | \$0.7M |
| 18 Industrial | 2.2% Increase | \$0.1M |
| 19 Total | 10.0% Increase | \$2.6M |

20
21 CGC's proposed rate increases to the customers are predicated
22 on stable gas commodity costs. If gas costs decline, then the margin
23 rate increase would be mitigated on customers' bills. However, if gas
24 costs increase, then the margin rate increase would be exacerbated on
25 customers' bills.

1 **Q. Please discuss the recent historic changes in CGC's rate design.**

2 **A.** In TRA Docket #06-00175, the monthly residential fixed rates
3 were increased from \$7.50 to \$12 in the winter season and from \$7.50
4 to \$10 during the summer months, and the volumetric rates were
5 decreased by approximately 13%. The monthly commercial fixed
6 rates were increased from \$20 to \$29 during the winter months and
7 from \$15 to \$25 in the summer months, and the volumetric rates were
8 a net decrease of approximately 9.8%. Only the volumetric rates
9 were a net decrease for the other classes.

10
11 **Q. Provide a comparison of CGC's current monthly fixed residential**
12 **and commercial rates with the other large local distribution**
13 **companies ("LDCs") in Tennessee.**

14

| | | | | | |
|----|-----------|----------------|-------------------|--------------------|---------------|
| 15 | A. | <u>Company</u> | <u>Rate Class</u> | <u>Winter</u> | <u>Summer</u> |
| 16 | | Piedmont | Residential | \$13 ¹⁵ | \$10 |
| 17 | | | Commercial | \$29 | \$29 |
| 18 | | Atmos | Residential | \$13 ¹⁶ | \$10 |
| 19 | | | Commercial | \$27.50 | \$27.50 |
| 20 | | CGC | Residential | \$12 | \$10 |
| 21 | | | Commercial | \$29 | \$25 |

22
23 The comparison shows that the monthly residential and
24 commercial fixed charges for the LDCs in Tennessee are nearly

¹⁵ Piedmont Rate Schedule 301, Winter(November-March).

¹⁶ Atmos Rate Schedule 210, Winter(October-April).

1 identical. Therefore, abundant equity now exists for the residential
2 and commercial customers of the three major LDCs in Tennessee.

3
4 **Q. Please discuss the revenue impact of the Consumer Advocate's**
5 **proposed rate design.**

6 A. The Consumer Advocate proposes that any change in revenue
7 requirements ordered by the TRA in this docket be spread uniformly
8 to all customer classes. This approach would assure that the benefits
9 or burdens created by any rate adjustment in this case are shared
10 proportionately by all customers.

11 Further, the Consumer Advocate recommends that an
12 appropriate mix between fixed customer charges and volumetric
13 rates be achieved. Determining the appropriate mix is critically
14 important because moving the rate design toward more fixed charges
15 through higher monthly customer charges will likely negatively
16 impact the conservation efforts of customers. As volumes decline
17 and the number of bills increase, the ratio of base rate margin
18 collected through the customer charge may go even higher.

19 The volumetric usage by the customers of CGC indicates a
20 decline over the last five years. While there could be several reasons,
21 e.g. gas commodity costs, economic conditions, more efficient
22 appliances, changing customer lifestyles for the decline in usage, one
23 of the reasons is undoubtedly conservation efforts by customers. As
24 commodity and distribution prices of natural gas rise, customers

1 have a greater incentive to conserve. This principle is clearly
2 illustrated by recent spikes in gasoline prices; when the price for
3 gasoline-sky rocketed in the summer of 2008, there was a resulting
4 decline in gasoline usage. In fact, there was energy conservation.
5 Therefore, the Consumer Advocate recommends that conservation
6 would be better achieved through a higher percentage increase in
7 volumetric rates relative to the percentage increase in fixed monthly
8 customer charges. This is because the customer's behavior has more
9 of an impact on the monthly utility bill under this pricing structure,
10 i.e. if customers need to reduce their bills, then customers can act
11 through reducing usage. Conversely, customers have less of an
12 incentive to conserve energy as more of their bill becomes fixed, i.e. a
13 higher fixed charge lessens the customers' ability to reduce their bills.

14 Therefore, the Consumer Advocate proposes a 2.44% increase
15 to all volumetric rates, excluding special contracts, which should
16 result in the approximate \$0.439 million needed revenue
17 requirement. This proposed rate design is consistent with the
18 Consumer Advocate's position in TRA Docket #06-00175.¹⁷

19
20 **Q. Does a rate design for a public utility need to mirror the cost of**
21 **service?**

22 **A.** No. "Cost of Service is not an exclusive method of determining
23 rate design.... Establishment of just and reasonable public utility

¹⁷ Consumer Advocate, Direct Testimony, Dan W. McCormac, Page 9, Lines 10-13.

1 rates is a value judgment to be made by Public Service Commission
2 in the exercise of its sound regulatory judgment and discretion.”¹⁸
3

4 LEGAL FEES

5

6 **Q. Please discuss CGC’s proposed recovery of legal fees.**

7 A. The recovery of legal fees was an issue in TRA Docket #07-
8 00224. CGC contends that the legal fees at issue should be
9 categorized as “gas related costs” and collected from the ratepayers
10 pursuant to the Purchased Gas Adjustment (“PGA”) rules.”¹⁹ The
11 TRA Hearing Officer in this docket “is of the opinion that....the legal
12 fees were incurred....from CGC’s previous rate case, Docket No. 06-
13 00175.”²⁰ The Chattanooga Manufacturers Association (“CMA”)
14 “argues that the TRA does not have the statutory authority to award
15 attorney’s fees....[and attorney fees] can only be considered within
16 the confines of a rate case.”²¹ The Consumer Advocate “agrees with
17 the CMA that the TRA has no statutory authority to award legal
18 fees”, but “these are simply litigation fees unrelated to the instant
19 rate case.”²²

20 Therefore, the Consumer Advocate argues that an award of
21 legal fee recovery by the TRA “is not authorized under the existing

¹⁸ *CF Industries v Tennessee Public Service Commission et al.*, May 19, 1980 Supreme Court of Tennessee.

¹⁹ Order dated February 11, 2010, TRA Docket #09-00183.

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

1 law in the State of Tennessee, regardless of the docket or forum in
2 which this issue is ultimately heard.”²³

3
4 **Q. Are the legal fees proposed for recovery in this docket recurring**
5 **operating expenses?**

6 A. No. The Hearing Officer asked, “Are past nonrecurring
7 regulatory costs included in the projected attrition period expense?”²⁴
8 CGC rightly answered, “No.”²⁵ Moreover, “gas cost, asset
9 management, and related concerns raised by the CAD and the CMA
10 were not issues that the TRA has routinely or traditionally addressed
11 in rate cases.”²⁶

12
13 **Q. Were the legal fees proposed for recovery by CGC prudently**
14 **incurred?**

15 A. There has been no evidentiary hearing over the approximate
16 \$700,000 in legal fees and whether CGC acted prudently on behalf of
17 ratepayers or its shareholders. In my opinion, however, the
18 approximate \$700,000 in legal fees is an excessive amount for the
19 ratepayers. This is especially true in light of the estimated rate case
20 costs in this proceeding with multiple issues and witnesses.

21

²³ Consumer Advocate response dated January 8, 2010, Page 10.

²⁴ TRA Status Conference, January 25, 2010, transcript Pages 97-98.

²⁵ *Id.*

²⁶ CGC Direct Testimony, A. Hickerson, Page 6, Lines 21-23.

1 **Q. Does this conclude the Consumer Advocate's testimony on the**
2 **proposed recovery of legal fees?**

3 **A.** No. The Consumer Advocate reserves the right to supplement
4 its testimony once the discovery process has been completed.
5

6 **SOUTHSTAR**
7

8 **Q. Please discuss your concerns with SouthStar in this docket.**

9 **A.** CGC and Sequent Energy Management, LP ("Sequent") have
10 entered into a contract approved by the TRA in Docket #08-00012.
11 Through this contract, Sequent manages the sale, lease, release or
12 assignment of gas supply and storage assets (also known as "system
13 capacity") of CGC. By contract, Sequent pays CGC 50% of the net
14 margin and provides an Annual Guaranteed Minimum amount. This
15 is the primary transaction for CGC's system capacity. CGC's system
16 capacity is entirely paid for by ratepayers. SouthStar markets natural
17 gas and related services....to retail customers on an unregulated
18 basis, primarily in Georgia as well as to commercial and industrial
19 customers, principally in Florida, Ohio, Tennessee, North Carolina,
20 South Carolina, and Alabama.²⁷ CGC, Sequent, and SouthStar are
21 affiliated companies under the corporate umbrella of AGL Resources,
22 Inc.

²⁷ 2008 SEC Form 10-K, AGL Resources Inc., Page 9.

1 The Consumer Advocate is concerned that Sequent may sell a
2 portion of CGC's system capacity to SouthStar Energy Services, LLC
3 ("SouthStar"), its affiliate, at a below market value price. Although
4 ratepayers would receive their rightful portion of profits from the
5 CGC/SouthStar transaction, CGC's ratepayers would not receive any
6 profits generated from SouthStar's sale to its end user because this is
7 an unregulated secondary transaction. In this situation, CGC would
8 be switching the profit generation from CGC to SouthStar, wherein
9 the ratepayer receives no benefit. It is important to note that
10 secondary transactions with affiliates are not uncommon. In fact,
11 Piedmont has also conducted secondary market transactions with
12 SouthStar, of which they are a minority owner.²⁸

13 The Consumer Advocate believes that all revenues from
14 secondary transactions of system capacity to an affiliated company
15 should inure to the ratepayers of CGC. An appropriate transparent
16 safety net should exist for the protection of ratepayers from
17 secondary transactions with affiliates. The TRA Staff's annual audits
18 of CGC's gas cost and the existing contract between Sequent and
19 CGC may not totally capture secondary transactions with an
20 affiliated company such as SouthStar. The Consumer Advocate
21 urges the TRA to require CGC to account for all secondary
22 transactions with affiliates, such as SouthStar, so that the ratepayers
23 of CGC are rightly remunerated for the system capacity paid in full

²⁸ Exeter report Section 3.3.3, TRA Docket #05-00165.

1 by them. This could be done through contract amendments or future
2 asset management agreements approved by the TRA.

3 **Q. Has CGC engaged in secondary transactions either directly or**
4 **indirectly with SouthStar?**

5 A. At this time, it is unclear whether CGC and SouthStar have
6 engaged in secondary transactions. The Consumer Advocate
7 reserves the right to supplement its testimony once the discovery
8 process has been completed.

9
10 **CONSUMER PROTECTION**
11

12 **Q. Do you have consumer protection recommendations?**

13 A. Yes. Attached is Appendix A, which lists consumer protection
14 recommendations to be considered by the TRA. Given the difficult
15 current economic conditions, the Consumer Advocate urges the TRA
16 to be especially cognizant for the protection of ratepayers.

17
18 **Q. Does this conclude your testimony?**

19 A. Yes, it does.
20

Before the
TENNESSEE REGULATORY AUTHORITY

IN RE:

**PETITION OF CHATTANOOGA GAS
COMPANY FOR APPROVAL OF ITS
RATES AND CHARGES, MODIFICATION
OF ITS RATE DESIGN, AND REVISED
TARIFF**

)
)
)
)
)
)
)

DOCKET NO. 09-00183

**EXHIBITS
OF
TERRY BUCKNER**

March 10, 2010

Chattanooga Gas Company
Index to Schedules
For the Twelve Months Ended April 30, 2011

| | <u>Schedule No.</u> |
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| Revenue Deficiency (Surplus) | 1 |
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| Taxes Other Than Income Taxes | 5 |
| Excise and Income Taxes | 6 |
| Revenue Conversion Factor | 7 |
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Chattanooga Gas Company
Revenue Deficiency (Surplus)
For the Twelve Months Ended April 30, 2011

| Line No. | | Consumer Advocate | | CGC | E/ | Difference |
|-------------|---|----------------------|----|---------------------|----|---------------------|
| 1 | Rate Base | \$ 93,931,707 | A/ | \$ 97,759,990 | | \$ 3,828,283 |
| 2 | Operating Income at Present Rates | 6,587,921 | B/ | 6,540,319 | | (47,602) |
| 3 | Earned Rate of Return (L 2 / L 1) | 7.01% | | 6.69% | | -0.32% |
| 4 | Fair Rate of Return | 7.297% | C/ | 8.2819% | | 0.99% |
| 5 | Required Operating Income (L 1 x L 4) | \$ 6,853,821 | | \$ 8,096,385 | | \$ 1,242,564 |
| 6 | Operating Income Deficiency (Surplus) (L 5 - L 2) | 265,900 | | 1,556,066 | | 1,290,166 |
| 7 | Gross Revenue Conversion Factor | 1.649441 | D/ | 1.653518 | | 0.004077 |
| 8 | Revenue Deficiency (Surplus) | \$ 438,587 | | \$ 2,572,993 | | \$ 2,134,406 |

A/ Schedule 2, Line 14.

B/ Schedule 3, Line 16.

C/ Schedule 8, Line 5.

D/ Schedule 7, Line 10.

E/ CGC Exhibits.

Chattanooga Gas Company
Rate Base
For the Twelve Months Ended April 30, 2011

| Line No. | | A/ Consumer Advocate | B/ CGC | Difference |
|-------------|--------------------------------------|----------------------------|-----------------------|-----------------------|
| 1 | Utility Plant in Service | \$ 202,717,046 | \$ 198,761,734 | \$ 3,955,312 |
| 2 | Construction Work in Progress | (189,090) | 4,655,182 | (4,844,272) |
| 3 | Other | - | - | - |
| 4 | Working Capital | 13,090,905 | 14,910,913 | (1,820,008) |
| 5 | OPEBs | 248,501 | 302,798 | (54,297) |
| 6 | | - | - | - |
| 7 | Total Additions | <u>\$ 215,867,362</u> | <u>\$ 218,630,627</u> | <u>\$ (2,763,265)</u> |
| | Deductions: | | | |
| 8 | Accumulated Depreciation | \$ 96,370,052 | \$ 96,171,548 | \$ 198,504 |
| 9 | Contributions in Aid of Construction | 1,508,644 | 1,561,644 | (53,000) |
| 10 | Advances in Aid of Construction | 286,394 | 286,394 | - |
| 11 | Accumulated Deferred Tax | 23,770,564 | 22,851,051 | 919,513 |
| 12 | Other | - | - | - |
| 13 | Total Deductions | <u>\$ 121,935,654</u> | <u>\$ 120,870,637</u> | <u>\$ 1,065,017</u> |
| 14 | Rate Base | <u>\$ 93,931,707</u> | <u>\$ 97,759,990</u> | <u>\$ (3,828,282)</u> |

A/ T. Buckner work paper, RB-SUM.

B/ CGC Direct Testimony, Exhibit RDH-3, Schedules 1-3.

Chattanooga Gas Company
Income Statement at Current Rates
For the Twelve Months Ended April 30, 2011

| Line No. | | Consumer Advocate | | CGC D/ | | Difference |
|----------|---|----------------------|----|----------------------|----|--------------------|
| 1 | Revenues - Sales, forfeited discounts & other | \$ 88,348,700 | B/ | \$ 88,253,290 | | \$ 95,410 |
| 2 | Cost of Gas | 58,634,548 | B/ | 58,634,548 | | - |
| 3 | Gross margin on sales and service | \$ 29,714,152 | A/ | \$ 29,618,742 | | \$ 95,410 |
| 4 | AFUDC | 210,826 | C/ | 352,221 | | (141,395) |
| 5 | Operating Margin | <u>\$ 29,924,978</u> | | <u>\$ 29,970,963</u> | | <u>\$ (45,985)</u> |
| 6 | Other Operation and Maintenance | \$ 11,911,691 | D/ | \$ 12,022,380 | | \$ (110,689) |
| 7 | Interest on Customer Deposits | 132,216 | E/ | 132,216 | | - |
| 8 | Depreciation and Amortization Exp. | 5,201,431 | F/ | 5,119,444 | | 81,987 |
| 9 | Taxes Other Than Income | 3,581,242 | G/ | 3,710,522 | | (129,280) |
| 10 | State Excise Tax | 424,906 | H/ | 414,235 | H/ | 10,671 |
| 11 | Federal Income Tax | <u>2,085,571</u> | H/ | <u>2,031,847</u> | H/ | <u>53,724</u> |
| 12 | Total Operating Expense | <u>\$ 23,337,057</u> | | <u>\$ 23,430,644</u> | | <u>\$ (93,587)</u> |
| 13 | Net Operating Income for Return | <u>\$ 6,587,921</u> | | <u>\$ 6,540,319</u> | | <u>\$ 47,602</u> |
| 14 | | - | | - | | - |
| 15 | | - | | - | | - |
| 16 | Adjusted Net Operating Income | <u>\$ 6,587,921</u> | | <u>\$ 6,540,319</u> | | <u>\$ 47,602</u> |

A/ D. Peters work paper, Revenue.

B/ Per CGC Exhibit RDH-1, Schedule 1., Line 2

C/ T. Buckner work paper R-AFUDC.

D/ Schedule 4, Line 13.

E/ Per CGC Exhibit RDH-1, Schedule 1, Line 9.

F/ T. Buckner work paper E-DEP.

G/ Schedule 5, Line 7.

H/ Schedule 6, Lines 12 and 20.

Chattanooga Gas Company
Operation & Maintenance Expenses
For the Twelve Months Ended April 30, 2011

| Line No. | | Consumer Advocate | A/ | CGC | B/ | Difference |
|-------------|--|----------------------|----|----------------------|----|---------------------|
| 1 | Payroll Expense | \$ 2,198,645 | | \$ 2,147,475 | | \$ 51,170 |
| 2 | Employee Benefits | 1,201,530 | | 1,270,641 | | (69,111) |
| 3 | Benefits Capitalized | (92,776) | | (101,369) | | 8,593 |
| 4 | Fleet Services and Facilities Expense | 833,649 | | 861,624 | | (27,975) |
| 5 | Outside Services | 1,442,709 | | 1,468,230 | | (25,521) |
| 6 | Bad Debt Expenses | 189,197 | | 297,462 | | (108,265) |
| 7 | Sales Promotion Expense | 13,818 | | 23,006 | | (9,188) |
| 8 | Customer Service and Account Expense | 5,930 | | 5,280 | | 650 |
| 9 | Administrative and General Expenses | 896,957 | | 993,498 | | (96,541) |
| 10 | Admin & Gen. Salaries & Exp. Capitalized | (38,668) | | (34,456) | | (4,212) |
| 11 | Other Distribution and Storage Expense | 625,098 | | 574,178 | | 50,920 |
| 12 | AGL Service Company Allocations | 4,635,602 | | 4,516,810 | | 118,792 |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| | | - | | - | | - |
| 13 | Total O&M Expense | <u>\$ 11,911,691</u> | | <u>\$ 12,022,380</u> | | <u>\$ (110,688)</u> |

A/ J. Hughes work paper, E-O&M SUM.

B/ CGC Direct Testimony, Exhibit RDH-2, Schedule 2.

Chattanooga Gas Company
Taxes Other Than Income Taxes
For the Twelve Months Ended April 30, 2011

| Line No. | | Consumer Advocate | CGC | B/ ^{B/} | Difference |
|-------------|-------------------------------------|------------------------|---------------------|------------------|---------------------|
| 1 | Property Taxes | \$ 1,603,581 | \$ 1,727,603 | | \$ (124,022) |
| 2 | State Gross Receipts Tax | 699,928 | 698,074 | | 1,854 |
| 3 | Net Payroll Taxes | 173,560 | 190,448 | | (16,888) |
| 4 | State Franchise Tax | 675,947 | 666,172 | | 9,775 |
| 5 | Allocated Taxes Other Than Income | 142,688 | 142,688 | | - |
| 6 | TRA Inspection Fee | <u>285,537</u> | <u>285,537</u> | | <u>-</u> |
| 7 | Total Taxes Other Than Income Taxes | <u>\$ 3,581,242</u> A/ | <u>\$ 3,710,522</u> | | <u>\$ (129,280)</u> |

A/ J. Hughes work paper, T-OTAX-1.

B/ CGC Direct Testimony, Exhibit RDH-2, Schedule 2.

Chattanooga Gas Company
Excise and Income Taxes
For the Twelve Months Ended April 30, 2011

| Line No. | | Consumer Advocate | CGC |
|----------|---------------------------------------|-------------------|---------------|
| 1 | Operating Margin | \$ 29,924,978 A/ | \$ 29,970,963 |
| 2 | Other Operation and Maintenance | 11,911,691 E/ | 12,022,380 |
| 3 | Depreciation and Amortization Expense | 5,201,431 A/ | 5,119,444 |
| 4 | Taxes Other Than Income | 3,581,242 A/ | 3,710,522 |
| 5 | NOI Before Excise and Income Taxes | \$ 9,230,614 | \$ 9,118,617 |
| 6 | less Interest on Customer Deposits | 132,216 A/ | 132,216 |
| 7 | less Interest Expense | 2,570,535 B/ | 2,622,705 |
| 8 | Pre-tax Book Income | \$ 6,527,863 | \$ 6,363,696 |
| 9 | Schedule M Adjustments | 9,148 C/ | 9,148 |
| 10 | Excise Taxable Income | \$ 6,537,011 | \$ 6,372,844 |
| 11 | Excise Tax Rate | 6.50% | 6.50% |
| 12 | Excise Tax | \$ 424,906 | \$ 414,235 |
| 13 | Pre-tax Book Income | \$ 6,527,863 | \$ 6,363,696 |
| 14 | Excise Tax | 424,906 | 414,235 |
| 15 | Schedule M Adjustments | 9,148 | 9,148 |
| 16 | FIT Taxable Income | \$ 6,112,105 | \$ 5,958,609 |
| 17 | FIT Rate | 35.00% | 35.00% |
| 18 | Subtotal FIT | \$ 2,139,237 | \$ 2,085,513 |
| 19 | Less: ITC Amortization | 53,666 C/ | 53,666 |
| 20 | Federal Income Tax Expense | \$ 2,085,571 | \$ 2,031,847 |

A/ Schedule 3, Lines 1, 2, and 4.

B/ Rate Base * Weighted Cost of Debt

(Schedule 2, Line 14 * [Schedule 8 Line 1 + Line 2 + Line 3]).

C/ CGC Response FG #25-1-4.

Chattanooga Gas Company
Revenue Conversion Factor
For the Twelve Months Ended April 30, 2011

| Line No. | | Amount | Balance |
|-------------|--|-------------|------------------------|
| 1 | Operating Revenues | | 1.000000 |
| 2 | Add: Forfeited Discounts | 0.003951 A/ | <u>0.003951</u> |
| 3 | Balance | | 1.003951 |
| 4 | Uncollectible Ratio | 0.006367 B/ | <u>0.006392</u> |
| 5 | Balance | | 0.997558 |
| 6 | State Excise Tax | 0.065000 C/ | <u>0.064841</u> |
| 7 | Balance | | 0.932717 |
| 8 | Federal Income Tax | 0.350000 C/ | <u>0.326451</u> |
| 9 | Balance | | <u>0.606266</u> |
| 10 | Revenue Conversion Factor (1 / Line 9) | | <u><u>1.649441</u></u> |

A/ Forfeited discounts on gross revenues = forfeited discounts / gross revenues (excluding forfeited discounts)

355,923 / 90,449,406 - 355,923 0.003951

B/ Uncollectible expenses on base revenues 189,197 / 29,714,152 (base revenues) = 0.006367

C/ Statutory rate

Chattanooga Gas Company
Cost of Capital
For the Twelve Months Ended April 30, 2011

| Line No. | | Ratio | Cost | Weighted Cost |
|-------------|----------------------|----------------|-------|------------------|
| 1 | Short Term Debt | 10.00% | 2.04% | 0.204% |
| 2 | Long Term Debt | 42.00% | 6.03% | 2.53% |
| 3 | Preferred Stock | 0.00% | 0.00% | 0.00% |
| 4 | Stockholder's Equity | <u>48.00%</u> | 9.50% | <u>4.56%</u> |
| 5 | Total | <u>100.00%</u> | | <u>7.297%</u> |

Source: Direct Testimony, Dr. Chris Klein

Chattanooga Gas Company
Index to Schedules
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

| | <u>Schedule No.</u> |
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| Excise and Income Taxes | 6 |
| Revenue Conversion Factor | 7 |
| Cost of Capital | 8 |

Chattanooga Gas Company
Revenue Deficiency (Surplus)
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

| Line No. | | <u>Consumer Advocate</u> | | <u>CGC</u> | <u>E/</u> | <u>Difference</u> |
|-------------|---|------------------------------|----|---------------------|-----------|---------------------|
| 1 | Rate Base | \$ 93,931,707 | A/ | \$ 97,759,990 | | \$ 3,828,283 |
| 2 | Operating Income at Present Rates | 6,587,921 | B/ | 6,540,319 | | (47,602) |
| 3 | Earned Rate of Return (L 2 / L 1) | 7.01% | | 6.69% | | -0.32% |
| 4 | Fair Rate of Return | 7.057% | C/ | 8.2819% | | 1.23% |
| 5 | Required Operating Income (L 1 x L 4) | \$ 6,628,385 | | \$ 8,096,385 | | \$ 1,468,000 |
| 6 | Operating Income Deficiency (Surplus) (L 5 - L 2) | 40,464 | | 1,556,066 | | 1,515,602 |
| 7 | Gross Revenue Conversion Factor | 1.649441 | D/ | 1.653518 | | 0.004077 |
| 8 | Revenue Deficiency (Surplus) | <u>\$ 66,743</u> | | <u>\$ 2,572,993</u> | | <u>\$ 2,506,249</u> |

A/ Schedule 2, Line 14.

B/ Schedule 3, Line 16.

C/ Schedule 8, Line 5.

D/ Schedule 7, Line 10.

E/ CGC Exhibits.

Chattanooga Gas Company
Rate Base
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

A/

| Line No. | Additions: | Consumer Advocate | B/ CGC | Difference |
|--------------------|--------------------------------------|-----------------------|-----------------------|-----------------------|
| 1 | Utility Plant in Service | \$ 202,717,046 | \$ 198,761,734 | \$ 3,955,312 |
| 2 | Construction Work in Progress | (189,090) | 4,655,182 | (4,844,272) |
| 3 | Other | - | - | - |
| 4 | Working Capital | 13,090,905 | 14,910,913 | (1,820,008) |
| 5 | OPEBs | 248,501 | 302,798 | (54,297) |
| 6 | | - | - | - |
| 7 | Total Additions | <u>\$ 215,867,362</u> | <u>\$ 218,630,627</u> | <u>\$ (2,763,265)</u> |
| Deductions: | | | | |
| 8 | Accumulated Depreciation | \$ 96,370,052 | \$ 96,171,548 | \$ 198,504 |
| 9 | Contributions in Aid of Construction | 1,508,644 | 1,561,644 | (53,000) |
| 10 | Advances in Aid of Construction | 286,394 | 286,394 | - |
| 11 | Accumulated Deferred Tax | 23,770,564 | 22,851,051 | 919,513 |
| 12 | Other | - | - | - |
| 13 | Total Deductions | <u>\$ 121,935,654</u> | <u>\$ 120,870,637</u> | <u>\$ 1,065,017</u> |
| 14 | Rate Base | <u>\$ 93,931,707</u> | <u>\$ 97,759,990</u> | <u>\$ (3,828,282)</u> |

A/ T. Buckner work paper, RB-SUM.

B/ CGC Direct Testimony, Exhibit RDH-3, Schedules 1-3.

Chattanooga Gas Company
Income Statement at Current Rates
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

| Line No. | | Consumer Advocate | CGC D/ | Difference |
|----------|---|----------------------|----------------------|--------------------|
| 1 | Revenues - Sales, forfeited discounts & other | \$ 88,348,700 B/ | \$ 88,253,290 | \$ 95,410 |
| 2 | Cost of Gas | 58,634,548 B/ | 58,634,548 | - |
| 3 | Gross margin on sales and service | \$ 29,714,152 A/ | \$ 29,618,742 | \$ 95,410 |
| 4 | AFUDC | 210,826 C/ | 352,221 | (141,395) |
| 5 | Operating Margin | <u>\$ 29,924,978</u> | <u>\$ 29,970,963</u> | <u>\$ (45,985)</u> |
| 6 | Other Operation and Maintenance | \$ 11,911,691 D/ | \$ 12,022,380 | \$ (110,689) |
| 7 | Interest on Customer Deposits | 132,216 E/ | 132,216 | - |
| 8 | Depreciation and Amortization Exp. | 5,201,431 F/ | 5,119,444 | 81,987 |
| 9 | Taxes Other Than Income | 3,581,242 G/ | 3,710,522 | (129,280) |
| 10 | State Excise Tax | 424,906 H/ | 414,235 H/ | 10,671 |
| 11 | Federal Income Tax | 2,085,571 H/ | 2,031,847 H/ | 53,724 |
| 12 | Total Operating Expense | <u>\$ 23,337,057</u> | <u>\$ 23,430,644</u> | <u>\$ (93,587)</u> |
| 13 | Net Operating Income for Return | <u>\$ 6,587,921</u> | <u>\$ 6,540,319</u> | <u>\$ 47,602</u> |
| 14 | | - | - | - |
| 15 | | - | - | - |
| 16 | Adjusted Net Operating Income | <u>\$ 6,587,921</u> | <u>\$ 6,540,319</u> | <u>\$ 47,602</u> |

A/ D. Peters work paper, Revenue.

B/ Per CGC Exhibit RDH-1, Schedule 1., Line 2

C/ T. Buckner work paper R-AFUDC.

D/ Schedule 4, Line 13.

E/ Per CGC Exhibit RDH-1, Schedule 1, Line 9.

F/ T. Buckner work paper E-DEP.

G/ Schedule 5, Line 7.

H/ Schedule 6, Lines 12 and 20.

A/ J. Hughes work paper, E-O&M SUM.
B/ CGC Direct Testimony, Exhibit RDH-2, Schedule 2.

B/ CGC Direct Testimony, Exhibits RDH-2, Schedule 2.

Chattanooga Gas Company
Taxes Other Than Income Taxes
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

| Line No. | | Consumer Advocate | CGC | B/ ^{B/} | Difference |
|-------------|-------------------------------------|------------------------|---------------------|------------------|---------------------|
| 1 | Property Taxes | \$ 1,603,581 | \$ 1,727,603 | | \$ (124,022) |
| 2 | State Gross Receipts Tax | 699,928 | 698,074 | | 1,854 |
| 3 | Net Payroll Taxes | 173,560 | 190,448 | | (16,888) |
| 4 | State Franchise Tax | 675,947 | 666,172 | | 9,775 |
| 5 | Allocated Taxes Other Than Income | 142,688 | 142,688 | | - |
| 6 | TRA Inspection Fee | <u>285,537</u> | <u>285,537</u> | | <u>-</u> |
| 7 | Total Taxes Other Than Income Taxes | <u>\$ 3,581,242</u> A/ | <u>\$ 3,710,522</u> | | <u>\$ (129,280)</u> |

A/ J. Hughes work paper, T-OTAX-1.

B/ CGC Direct Testimony, Exhibit RDH-2, Schedule 2.

Chattanooga Gas Company
Excise and Income Taxes
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

| Line No. | | Consumer Advocate | CGC |
|----------|---------------------------------------|-------------------|---------------|
| 1 | Operating Margin | \$ 29,924,978 A/ | \$ 29,970,963 |
| 2 | Other Operation and Maintenance | 11,911,691 E/ | 12,022,380 |
| 3 | Depreciation and Amortization Expense | 5,201,431 A/ | 5,119,444 |
| 4 | Taxes Other Than Income | 3,581,242 A/ | 3,710,522 |
| 5 | NOI Before Excise and Income Taxes | \$ 9,230,614 | \$ 9,118,617 |
| 6 | less Interest on Customer Deposits | 132,216 A/ | 132,216 |
| 7 | less Interest Expense | 2,570,535 B/ | 2,622,705 |
| 8 | Pre-tax Book Income | \$ 6,527,863 | \$ 6,363,696 |
| 9 | Schedule M Adjustments | 9,148 C/ | 9,148 |
| 10 | Excise Taxable Income | \$ 6,537,011 | \$ 6,372,844 |
| 11 | Excise Tax Rate | 6.50% | 6.50% |
| 12 | Excise Tax | \$ 424,906 | \$ 414,235 |
| 13 | Pre-tax Book Income | \$ 6,527,863 | \$ 6,363,696 |
| 14 | Excise Tax | 424,906 | 414,235 |
| 15 | Schedule M Adjustments | 9,148 | 9,148 |
| 16 | FIT Taxable Income | \$ 6,112,105 | \$ 5,958,609 |
| 17 | FIT Rate | 35.00% | 35.00% |
| 18 | Subtotal FIT | \$ 2,139,237 | \$ 2,085,513 |
| 19 | Less: ITC Amortization | 53,666 C/ | 53,666 |
| 20 | Federal Income Tax Expense | \$ 2,085,571 | \$ 2,031,847 |

A/ Schedule 3, Lines 1, 2, and 4.

B/ Rate Base * Weighted Cost of Debt

(Schedule 2, Line 14 * [Schedule 8 Line 1 + Line 2 + Line 3]).

C/ CGC Response FG #25-1-4.

Chattanooga Gas Company
Revenue Conversion Factor
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

| Line No. | | Amount | Balance |
|-------------|--|-------------|------------------------|
| 1 | Operating Revenues | | 1.000000 |
| 2 | Add: Forfeited Discounts | 0.003951 A/ | <u>0.003951</u> |
| 3 | Balance | | 1.003951 |
| 4 | Uncollectible Ratio | 0.006367 B/ | <u>0.006392</u> |
| 5 | Balance | | 0.997558 |
| 6 | State Excise Tax | 0.065000 C/ | <u>0.064841</u> |
| 7 | Balance | | 0.932717 |
| 8 | Federal Income Tax | 0.350000 C/ | <u>0.326451</u> |
| 9 | Balance | | <u>0.606266</u> |
| 10 | Revenue Conversion Factor (1 / Line 9) | | <u><u>1.649441</u></u> |

A/ Forfeited discounts on gross revenues = forfeited discounts / gross revenues (excluding forfeited discounts)

355,923 / 90,449,406 - 355,923 0.003951

B/ Uncollectible expenses on base revenues 189,197 / 29,714,152 (base revenues) = 0.006367

C/ Statutory rate

Chattanooga Gas Company
Cost of Capital
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

| Line No. | | Ratio | Cost | Weighted Cost |
|-------------|----------------------|----------------|-------|------------------|
| 1 | Short Term Debt | 10.00% | 2.04% | 0.204% |
| 2 | Long Term Debt | 42.00% | 6.03% | 2.53% |
| 3 | Preferred Stock | 0.00% | 0.00% | 0.00% |
| 4 | Stockholder's Equity | <u>48.00%</u> | 9.00% | <u>4.32%</u> |
| 5 | Total | <u>100.00%</u> | | <u>7.057%</u> |

Source: Direct Testimony, Dr. Chris Klein

March 10, 2010

CHATTANOOGA GAS COMPANY
TRA DOCKET #09-00183
INDEX OF WORK PAPERS

| LINE | WORK PAPER DESCRIPTION | WORK PAPER # | PAGES# |
|-------------|-------------------------------------|-----------------------------|---------------|
| 1 | Consumer Advocate Rate Design | Schedule Rate Design | P1 |
| 2 | AFUDC | R-AFUDC | P2 |
| 3 | Depreciation Expense Summary | E-DEP | P3 |
| 4 | Monthly Depreciation Expense | E-DEP1 | P4 |
| 5 | Monthly Depreciation Expense | E-DEP2 | P5 |
| 6 | Allocated Monthly Depreciation Exp | E-DEP3 | P6 |
| 7 | Allocated Monthly Depreciation Exp | E-DEP4 | P7 |
| 8 | Rate Base Summary | RB-SUM | P8 |
| 9 | Plant in Service Summary | RB-PLANT | P9 |
| 10 | Monthly Plant in Service | RB-PLANT1 | P10-P16 |
| 11 | Allocated Plant in Service Summary | RB-PLANT2 | P17 |
| 12 | CWIP Summary | RB-CWIP | P18 |
| 13 | OPEBs Summary | RB-OPEB | P19 |
| 14 | Working Capital Requirement | RB-WC REQ. | P20 |
| 15 | Lead/Lag Analysis | RB-CWC | P21 |
| 16 | Materials & Supplies Summary | RB-M&S | P22 |
| 17 | Stored Gas Inventory Summary | RB-GAS | P23 |
| 18 | Other Accounts Receivable Summary | RB-OAR | P24 |
| 19 | Deferred Rate Case Exp. Summary | RB-RATE CASE | P25 |
| 20 | Uncollectible Reserve Summary | RB-UNCOLL RES | P26 |
| 21 | Customer Deposit Summary | RB-CUSTDEP | P27 |
| 22 | Acc. Int. on Cust. Deposit Summary | RB-INT CUSTDEP | P28 |
| 23 | Accumulated Depreciation Summary | RB-ACC DEP | P29 |
| 24 | Allocated Acc. Depr. Summary | RB-ACC DEP1 | P30 |
| 25 | Contribution in Aid of Construction | RB-CIAC | P31 |
| 26 | Accumulated Deferred Tax Summary | RB-DEF TAX | P32 |
| 27 | Customer Advances Summary | RB-CUSTADV | P33 |

| Description | Present Rates | | Adjusted Base Count | Adjusted Volumes Ccf | Total Adjusted Margin Rev | Proposed Rates | | Total Margin Rev | Increase | % Change |
|-------------------------------------|-------------------------|-------------------------|---------------------------|----------------------------|---------------------------------|-------------------------|-------------------------|----------------------|-------------------|--------------|
| | Monthly Customer chg | Commodity Charge/Ccf | | | | Monthly Customer chg | Commodity Charge/Ccf | | | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
| RESIDENTIAL | | | | | | | | | | |
| R-1 Summer | \$10.000 | | 318,408 | | \$3,184,059 | \$ 10.00 | | \$3,184,059 | \$ - | 0% |
| 1st 25 Therms | | \$0.1843 | | 3,487,260 | 644,374 | | \$ 0.1887 | 660,097 | 15,723 | 2.44% |
| Next 25 Therms | | \$0.1316 | | 691,320 | 90,978 | | 0.1348 | 93,198 | 2,220 | 2.44% |
| >50 Therms | | \$0.0395 | | 508,710 | 20,084 | | 0.0404 | 20,574 | 490 | 2.44% |
| R-1 Winter | \$12.000 | | 327,077 | | \$3,924,924 | 12.00 | | 3,924,924 | - | 0% |
| 1st 25 Therms | | \$0.2544 | | 7,467,700 | 1,900,082 | | 0.2606 | 1,946,444 | 46,362 | 2.44% |
| Next 25 Therms | | \$0.1755 | | 6,164,870 | 1,081,750 | | 0.1798 | 1,108,144 | 26,395 | 2.44% |
| >50 Therms | | \$0.1535 | | 16,542,330 | 2,539,909 | | 0.1573 | 2,601,883 | 61,974 | 2.44% |
| R-4 Summer | \$8.000 | \$0.1935 | 1,110 | 19,448 | 10,423 | 6.00 | 0.1982 | 10,515 | 92 | 0.88% |
| R-4 Winter | \$6.000 | \$0.2177 | 1,110 | 62,758 | 20,321 | 6.00 | 0.2230 | 20,654 | 333 | 1.64% |
| Total Residential | | | 647,703 | 34,954,414 | \$ 13,418,903 | | | \$ 13,570,491 | \$ 153,588 | 1.14% |
| COMMERCIAL | | | | | | | | | | |
| C-1 Summer | \$25.000 | \$0.1459 | 38,077 | 1,532,171 | \$1,175,453 | \$ 25.00 | \$ 0.1494 | \$ 1,180,908 | \$ 5,454 | 0.46% |
| C-1 Winter | \$29.000 | \$0.1858 | 39,503 | 8,441,514 | 2,344,225 | 29.00 | 0.1903 | 2,373,429 | 29,204 | 1.25% |
| C-2 Summer | \$75.000 | | 9,444 | | 708,300 | 75.00 | | 708,300 | - | 0% |
| First 3,000 Therms Per Month | | \$0.1472 | | 4,227,952 | 622,228 | | 0.1508 | 637,410 | 15,182 | 2.44% |
| Next 2,000 Therms | | \$0.1168 | | 415,782 | 48,576 | | 0.1197 | 49,761 | 1,185 | 2.44% |
| Next 10,000 Therms | | \$0.1089 | | 602,545 | 65,629 | | 0.1116 | 67,231 | 1,601 | 2.44% |
| Over 15,000 Therms | | \$0.0862 | | 110,850 | 9,559 | | 0.0883 | 9,792 | 233 | 2.44% |
| C-2 Winter | \$75.000 | | 9,444 | | 708,300 | 75.00 | | 708,300 | - | 0% |
| First 3,000 Therms Per Month | | \$0.1874 | | 11,318,000 | 2,121,446 | | 0.1920 | 2,173,209 | 51,763 | 2.44% |
| Next 2,000 Therms | | \$0.1711 | | 1,643,868 | 281,250 | | 0.1753 | 288,112 | 6,862 | 2.44% |
| Next 10,000 Therms | | \$0.1667 | | 2,230,552 | 371,744 | | 0.1707 | 380,814 | 9,071 | 2.44% |
| Over 15,000 Therms | | \$0.0862 | | 961,264 | 84,614 | | 0.0883 | 86,679 | 2,065 | 2.44% |
| Demand Units (Dths) | | \$5.5000 | | 317,076 | 1,743,918 | | 5.6342 | 1,786,470 | 42,552 | 2.44% |
| T-3 Summer | \$75.000 | | 180 | | 13,500 | 75.00 | | 13,500 | - | 0% |
| First 3,000 Therms Per Month | | \$0.1472 | | 461,500 | 67,819 | | 0.1508 | 69,576 | 1,857 | 2.44% |
| Next 2,000 Therms | | \$0.1168 | | 220,200 | 25,725 | | 0.1197 | 26,354 | 628 | 2.44% |
| Next 10,000 Therms | | \$0.1089 | | 516,800 | 56,250 | | 0.1116 | 57,663 | 1,373 | 2.44% |
| Over 15,000 Therms | | \$0.0862 | | 160,500 | 13,640 | | 0.0883 | 14,178 | 338 | 2.44% |
| T-3 Winter | \$75.000 | | 180 | | 13,500 | 75.00 | | 13,500 | - | 0% |
| First 3,000 Therms Per Month | | \$0.1874 | | 519,600 | 97,394 | | 0.1920 | 99,770 | 2,376 | 2.44% |
| Next 2,000 Therms | | \$0.1711 | | 294,700 | 50,420 | | 0.1753 | 51,650 | 1,230 | 2.44% |
| Next 10,000 Therms | | \$0.1667 | | 872,400 | 145,394 | | 0.1707 | 148,942 | 3,548 | 2.44% |
| Over 15,000 Therms | | \$0.0862 | | 561,000 | 48,375 | | 0.0883 | 49,555 | 1,180 | 2.44% |
| Demand Units (Dths) | | \$5.5000 | | 32,248 | 177,364 | | 5.6342 | 181,692 | 4,328 | 2.44% |
| Total Commercial | | | 96,898 | \$3,480,523 | \$10,994,963 | | | \$11,176,796 | \$ 181,832 | 1.65% |
| INDUSTRIAL | | | | | | | | | | |
| F1/T2 Schedule | \$300.000 | | 324 | | \$97,200 | \$ 300 | | \$ 97,200 | \$ - | 0% |
| First 1,500 Dth | | \$0.0806 | | 4,352,800 | 361,010 | | 0.0826 | 359,574 | 8,585 | 2.44% |
| Next 2,500 Dth | | \$0.0689 | | 4,525,400 | 311,845 | | 0.0706 | 319,454 | 7,609 | 2.44% |
| Next 11,000 Dth | | \$0.0391 | | 4,161,200 | 162,620 | | 0.0400 | 166,588 | 3,968 | 2.44% |
| Over 15,000 Dth | | \$0.0240 | | 6,236,800 | 149,808 | | 0.0246 | 153,463 | 3,655 | 2.44% |
| Demand Units (Dths) | | \$5.5000 | | 114,496 | 629,728 | | 5.6342 | 645,093 | 15,365 | 2.44% |
| F1/T2 Plus T1 Schedule | \$300.000 | | 144 | | 43,200 | 300.00 | | 43,200 | - | 0% |
| First 1,500 Dth | | \$0.0806 | | 2,091,200 | 168,634 | | 0.0826 | 172,749 | 4,115 | 2.44% |
| Next 2,500 Dth | | \$0.0689 | | 3,135,100 | 215,040 | | 0.0706 | 221,311 | 5,271 | 2.44% |
| Next 11,000 Dth | | \$0.0391 | | 6,308,800 | 246,548 | | 0.0400 | 252,564 | 6,016 | 2.44% |
| Over 15,000 Dth | | \$0.0240 | | 1,881,500 | 45,194 | | 0.0246 | 46,296 | 1,103 | 2.44% |
| Demand Units (Dths) | | \$5.5000 | | 31,992 | 176,956 | | 5.6342 | 180,249 | 4,283 | 2.44% |
| Capacity Units (Dths) | | \$1.3500 | | 53,876 | 72,733 | | 1.3829 | 74,507 | 1,775 | 2.44% |
| T-1 Schedule | \$300.000 | | 12 | | 3,600 | 300.00 | | 3,600 | - | 0% |
| First 1,500 Dth | | \$0.0806 | | 180,000 | 14,515 | | 0.0826 | 14,869 | 354 | 2.44% |
| Next 2,500 Dth | | \$0.0689 | | 254,800 | 17,558 | | 0.0706 | 17,587 | 428 | 2.44% |
| Next 11,000 Dth | | \$0.0391 | | 59,300 | 2,317 | | 0.0400 | 2,374 | 57 | 2.44% |
| Over 15,000 Dth | | \$0.0240 | | | | | 0.0246 | - | - | 0% |
| T-1 Schedule | \$300.000 | | 312 | | 93,600 | 300.00 | | 93,600 | - | 0% |
| First 1,500 Dth | | \$0.0806 | | 4,261,300 | 342,825 | | 0.0826 | 361,190 | 8,365 | 2.44% |
| Next 2,500 Dth | | \$0.0689 | | 5,442,500 | 375,043 | | 0.0706 | 384,194 | 9,151 | 2.44% |
| Next 11,000 Dth | | \$0.0391 | | 10,620,900 | 411,157 | | 0.0400 | 421,189 | 10,032 | 2.44% |
| Over 15,000 Dth | | \$0.0240 | | 11,742,900 | 282,064 | | 0.0246 | 288,947 | 6,882 | 2.44% |
| Capacity Units (Dths) | | \$1.3500 | | 196,549 | 265,341 | | 1.3829 | 271,815 | 6,474 | 2.44% |
| Total Industrial | | | 792 | 65,541,413 | \$4,478,536 | | | \$4,582,015 | \$ 103,479 | 2.31% |
| SPECIAL CONTRACT 1 | \$0.000 | | 12 | | | \$ - | | | | 0% |
| SPECIAL CONTRACT 1 (COMMODITY) Dths | | \$0.2500 | | 300,000 | 75,000 | | 0.25 | 75,000 | - | 0% |
| SPECIAL CONTRACT 2 | \$3,500.000 | | 12 | | 42,000 | 3500.00 | | 42,000 | - | 0% |
| Demand Units (Dths) | | \$5.5000 | 120 | | 660 | 5.50 | | 660 | - | 0% |
| SPECIAL CONTRACT 2 (COMMODITY) Dths | | \$0.0392 | | 510,820 | 20,024 | | 0.0392 | 20,024 | - | 0% |
| Total Special Contracts | | | 144 | 810,820 | \$137,684 | | | \$137,684 | \$0 | 0% |
| TOTALS | | | 745,527 | 134,767,179 | \$29,028,086 | | | \$29,468,984 | \$438,899 | 1.51% |
| OTHER REVENUE | | | | | | | | | | |
| Reconnect Charges | | | | | \$95,851 | | | \$ 95,851 | | |
| Seasonal Reconnects | | | | | \$9,417 | | | 9,417 | | |
| Service Establishment | | | | | \$352 | | | 352 | | |
| Turn Ons | | | | | \$135,575 | | | 135,575 | | |
| Meter Sets | | | | | \$21,267 | | | 21,267 | | |
| Returned Check | | | | | \$14,064 | | | 14,064 | | |
| Late Payment | | | | | \$355,923 | | | 355,923 | | |
| Service Work | | | | | \$0 | | | | | |
| Damage Billing | | | | | \$52,702 | | | 52,702 | | |
| Miscellaneous | | | | | \$915 | | | 915 | | |
| Total Other Revenues | | | | | \$688,066 | | | \$688,066 | | |
| TOTAL MARGIN REVENUES | | | | | \$29,714,152 | | | \$30,153,050 | \$438,899 | 1.48% |

R-AFUDC

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CHATTANOOGA GAS COMPANY
 TRA DOCKET #09-00183
 ANALYSIS OF AFUDC
 FOR ATTRITION YEAR ENDING 4/30/11

| | A/ PLANT ADDITIONS | B/ ROR | C/ AFUDC |
|-----------|--------------------------|-----------|-------------|
| MAY | 2010 \$ 979,094 | 7.29% | \$ 35,688 |
| JUNE | 1,166,097 | 7.29% | 42,504 |
| JULY | 1,061,449 | 7.29% | 38,690 |
| AUGUST | 665,900 | 7.29% | 24,272 |
| SEPTEMBER | 429,094 | 7.29% | 15,640 |
| OCTOBER | 378,544 | 7.29% | 13,798 |
| NOVEMBER | 179,094 | 7.29% | 6,528 |
| DECEMBER | 179,094 | 7.29% | 6,528 |
| JANUARY | 34,563 | 7.29% | 1,260 |
| FEBRUARY | 125,156 | 7.29% | 4,562 |
| MARCH | 190,178 | 7.29% | 6,932 |
| APRIL | 395,723 | 7.29% | 14,424 |
| TOTAL | | | \$ 210,826 |

A/ Consumer Advocate work paper RB-PLANT.

B/ Consumer Advocate Rate of Return, Dr. Chris C. Klein.

C/ Average Monthly Plant Additions times Rate of Return.

E-DEP

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 DEPRECIATION EXPENSE SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 2011

| | A/ 2010 \$ | AGL Services \$ | B/ CGC \$ | Total \$ |
|-----------|---------------|--------------------|-----------------|--------------|
| MAY | | 32,174 | 392,815 | 424,989 |
| JUNE | | 32,642 | 394,426 | 427,068 |
| JULY | | 33,111 | 396,221 | 429,332 |
| AUGUST | | 33,579 | 398,051 | 431,629 |
| SEPTEMBER | | 34,047 | 399,150 | 433,197 |
| OCTOBER | | 34,515 | 399,863 | 434,378 |
| NOVEMBER | | 34,795 | 400,493 | 435,287 |
| DECEMBER | | 35,203 | 400,797 | 436,000 |
| JANUARY | 2011 | 35,671 | 401,101 | 436,772 |
| FEBRUARY | | 36,136 | 400,968 | 437,103 |
| MARCH | | 36,600 | 400,963 | 437,563 |
| APRIL | | 37,065 | 401,049 | 438,114 |
| TOTAL | | \$ 415,536 | \$ 4,785,896 | \$ 5,201,431 |

A/ Consumer Advocate work paper E-DEP4 @3.12%.

B/ Consumer Advocate work paper E-DEP2.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
DEPRECIATION EXPENSE SUMMARY
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
FOR THE ATTRITION YEAR ENDED APRIL 2011

E-DEP1

| | A/ Plant in Service Balance 12/31/2009 | A/ Accumulated Depreciation 12/31/2009 | A/ Net Plant Balance 12/31/2009 | A/ Current Depreciation Rates 12/31/2009 | B/ Proposed Depreciation Rates 5/31/2010 | Jan 2010 Expense | Feb 2010 Expense | Mar 2010 Expense | Apr 2010 Expense |
|---|---|---|---|--|--|------------------------|------------------------|------------------------|------------------------|
| 361.1 LNG Structures & Improvements | \$ 11,775,743 | \$ 1,742,432 | \$ 10,033,311 | 2.67% | 2.03% | \$ 26,201 | \$ 26,283 | \$ 26,365 | \$ 26,448 |
| 362 LNG Storage Tanks | 4,409,906 | 4,658,357 | (248,451) | 2.67% | 1.39% | - | - | - | - |
| 363 Purification Equipment | 507,632 | 381,392 | 126,240 | 2.67% | 0.33% | 1,129 | 1,129 | 1,129 | 1,129 |
| 363.1 Liquefaction Equipment | 1,835,403 | 889,404 | 945,999 | 2.67% | 2.23% | 4,084 | 4,084 | 4,084 | 4,084 |
| 363.2 Vaporizing Equipment | 2,047,983 | 942,489 | 1,105,494 | 2.67% | 1.87% | 4,557 | 4,557 | 4,557 | 4,557 |
| 363.3 Compressor Equipment | 250,779 | 17,274 | 233,505 | 2.67% | 3.81% | 558 | 558 | 558 | 558 |
| 363.4 Measuring & Regulating Equipment | 29,738 | 26,016 | 3,722 | 2.67% | 0.24% | 66 | 66 | 66 | 66 |
| 363.5 Other Equipment | 1,674,062 | 214,126 | 1,459,936 | 2.67% | 6.50% | 3,725 | 3,725 | 3,725 | 3,725 |
| 374.1 Land Rights | 521,305 | 138,074 | 383,231 | 3.37% | 1.47% | 1,464 | 1,464 | 1,464 | 1,464 |
| 375 Structures & Improvements | 26,861 | 13,575 | 13,286 | 3.37% | 2.73% | 75 | 75 | 75 | 75 |
| 376 Mains | 87,983,980 | 46,498,189 | 41,485,791 | 3.37% | 1.96% | 247,088 | 247,436 | 248,485 | 250,221 |
| 377 Compressor Station Equipment | 716,590 | 626,183 | 90,407 | 3.37% | 1.76% | 2,012 | 1,960 | 1,907 | 1,855 |
| 378 M&R Equipment - General | 462,335 | 92,454 | 369,881 | 3.37% | 2.36% | 1,298 | 1,298 | 1,298 | 1,298 |
| 379 M&R Equipment - City Gate | 1,397,412 | 611,356 | 786,056 | 3.37% | 1.97% | 3,924 | 3,924 | 3,924 | 3,924 |
| 380 Services | 53,688,834 | 25,312,429 | 28,376,405 | 3.37% | 2.79% | 150,776 | 150,847 | 150,918 | 150,988 |
| 381 Meters & ERTs | 12,035,263 | 4,070,718 | 7,964,545 | 3.37% | 2.19% | 33,799 | 33,886 | 33,973 | 34,061 |
| 381.3 Meters | 96,016 | 188 | 95,828 | 3.37% | 2.02% | 270 | 270 | 270 | 270 |
| 382 Meter Installations | 2,971,142 | 1,237,443 | 1,733,699 | 3.37% | 2.43% | 8,344 | 8,344 | 8,343 | 8,343 |
| 383 House Regulators | 3,227,955 | 1,598,228 | 1,629,727 | 3.37% | 1.98% | 9,065 | 9,065 | 9,065 | 9,065 |
| 384 House Regulator Installation | 185,629 | 83,913 | 101,716 | 3.37% | 2.34% | 521 | 521 | 521 | 521 |
| 385 Industrial M&R Equipment | 220,777 | 135,322 | 85,455 | 3.37% | 1.84% | 620 | 620 | 620 | 620 |
| 386 Installation of Customer Premise | 18,919 | 11,149 | 5,770 | 3.37% | 2.92% | 48 | 48 | 48 | 48 |
| 387 Other Equipment | 309,840 | 75,117 | 234,723 | 3.37% | 1.87% | 870 | 870 | 870 | 870 |
| 390 Structures & Improvements | 1,305 | (233,000) | 234,305 | 7.34% | 12.24% | 8 | 8 | 8 | 8 |
| 391 Office Furniture & Equipment | 9,741 | 2,119 | 7,622 | 7.34% | 6.16% | 59 | 59 | 58 | 58 |
| 391.1 Computer Equipment & Software | 1,041,809 | 650,144 | 391,665 | 7.34% | 23.28% | 6,372 | 6,363 | 6,354 | 6,344 |
| 391.2 Enterprise Systems | 2,257,592 | - | 2,257,592 | 7.34% | 10.38% | 13,809 | 13,578 | 13,346 | 13,115 |
| 392.1 Transportation - Service Trucks | 195,055 | - | 195,055 | 7.34% | 12.22% | 1,193 | 1,193 | 1,193 | 1,193 |
| 392.2 Transportation - Heavy Trucks | 496,255 | 585,886 | (89,431) | 10.00% | 9.45% | - | - | - | - |
| 393 Stores Equipment | 60,965 | 98,953 | (37,988) | 7.34% | 5.39% | - | - | - | - |
| 394 Tools, Shop & Garage Equipment | 249,199 | 129,408 | 119,791 | 7.34% | 7.91% | 1,524 | 1,530 | 1,536 | 1,543 |
| 395 Power Operated Equipment | 70,087 | 68,634 | 1,453 | 7.34% | 15.19% | 429 | 435 | 441 | 447 |
| 397 Communication Equipment | 941 | (9,666) | 10,607 | 7.34% | 12.35% | 6 | 184 | 363 | 541 |
| 398 Miscellaneous Equipment | 43,940 | 17,064 | 26,876 | 7.34% | 6.87% | 269 | 268 | 266 | 265 |
| Total Depreciable Plant | \$ 190,818,993 | \$ 90,680,171 | \$ 100,138,822 | | | \$ 524,165 | \$ 524,648 | \$ 525,833 | \$ 527,704 |
| Land | 588,936 | - | 588,936 | | | | | | |
| Intangible Plant | 48,229 | - | 48,229 | | | | | | |
| Adjustment 392 | - | - | - | | | | | | |
| Adjustment LNG Retirements | - | - | - | | | | | | |
| Adjustment 376 Retirement | - | - | - | | | | | | |
| Adjustment CIAC (No Reserve Adj) | - | - | - | | | | | | |
| Total Plant | 191,456,158 | 90,680,314 | 100,775,844 | | | | | | |
| Total Monthly Depreciation Expense | | | | | | \$ 524,165 | \$ 524,648 | \$ 525,833 | \$ 527,704 |
| Attrition Year to Date | | | | | | | | | |

A/ Consumer Advocate DR #69.

B/ CGC Depreciation Study, Appendix A.

C/ Monthly Additions and Retirements per Consumer Advocate DR #71.

[illegible]

A/ Consumer Advocate DR #59.
B/ CGC Depreciation Study, Appendix A.
C/ Monthly Additions and Retirement per Consumer Advocate DR #71.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 AGL SERVICES ALLOCATED DEPRECIATION EXPENSE SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 2011

E-DEP3

| | <u>A/</u> <u>Plant in Service</u> <u>Balance</u> <u>12/31/2009</u> | <u>A/</u> <u>Accumulated</u> <u>Depreciation</u> <u>12/31/2009</u> | <u>A/</u> <u>Net</u> <u>Plant</u> <u>Balance</u> <u>12/31/2009</u> | <u>A/</u> <u>Current</u> <u>Depreciation</u> <u>Rates</u> <u>12/31/2009</u> | <u>Jan</u> <u>2010</u> <u>Expense</u> | <u>Feb</u> <u>2010</u> <u>Expense</u> | <u>Mar</u> <u>2010</u> <u>Expense</u> | <u>Apr</u> <u>2010</u> <u>Expense</u> |
|--------------------------------------|---|---|--|---|---|---|---|---|
| 363.3 Compressor Equipment | - | 2,072 | (2,072) | 0.00% | - | - | - | - |
| 363.5 Other Equipment | 958,505 | 250,823 | 707,682 | 3.51% | 2,804 | 2,804 | 2,804 | 2,804 |
| 379 M&R Equipment - City Gate | 74,331 | 15,577 | 58,754 | 2.73% | 169 | 169 | 169 | 169 |
| 386 Installation of Customer Premise | - | 82 | (82) | 0.00% | - | - | - | - |
| 387 Other Equipment | 28,629 | 4,147 | 24,482 | 2.24% | 53 | 53 | 53 | 53 |
| 390 Structures & Improvements | 17,600,506 | 7,784,526 | 9,815,980 | 6.78% | 99,443 | 99,443 | 99,443 | 99,443 |
| 391 Office Furniture & Equipment | 7,207,377 | 3,768,891 | 3,438,486 | 8.59% | 51,593 | 51,590 | 51,587 | 51,584 |
| 391.1 Computer Equipment & Software | 75,244,254 | 52,729,529 | 22,514,725 | 12.52% | 785,048 | 800,045 | 815,041 | 830,037 |
| 392 Transportation - Service Trucks | 873,959 | 115,242 | 758,717 | 8.59% | 6,256 | 6,343 | 6,429 | 6,516 |
| 395 Laboratory Equipment | 35,892 | 31,678 | 4,214 | 1.17% | 35 | 35 | 35 | 35 |
| 393 Stores Equipment | 6,141 | 266 | 5,875 | 1.95% | - | - | - | - |
| 394 Tools, Shop & Garage Equipment | 684,010 | 601,694 | 82,316 | 14.16% | 8,071 | 8,064 | 8,056 | 8,049 |
| 396 Power Operated Equipment | - | 6,224 | (6,224) | 0.00% | - | - | - | - |
| 397 Communication Equipment | 1,941,153 | 959,382 | 981,771 | 6.13% | 9,916 | 9,867 | 9,818 | 9,768 |
| 398 Miscellaneous Equipment | 836,268 | 612,972 | 223,296 | 11.17% | 7,784 | 7,770 | 7,756 | 7,743 |
| Total Depreciable Plant | \$ 105,491,025 | \$ 66,883,105 | | | 971,173 | 986,182 | 1,001,191 | 1,016,200 |
| Land | (30,025) | - | | | | | | |
| Intangible Plant | - | - | | | | | | |
| Total Plant | 105,461,000 | 66,883,105 | | | | | | |
| Total Monthly Depreciation Expense | | | | | 971,173 | 986,182 | 1,001,191 | 1,016,200 |

| SUNBELT ADVOCATE AND PROTECTION DIVISION SERVICES ALLOCATED DEPRECIATION EXPENSE SUMMARY TITANOOGA GAS COMPANY TRA DOCKET #09-00183 THE ATTRITION YEAR ENDED APRIL 2011 | | | | | | | | | | | | | | | | | | E-DEP4 |
|--|---|---|---|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|--------------------------------------|--------------|
| | A/ Plant in Service Balance 12/31/2009 | A/ Accumulated Depreciation 12/31/2009 | A/ Net Plant Balance 12/31/2009 | A/ Current Depreciation Rates 12/31/2009 | Max 2010 Expense | Jun 2010 Expense | Jul 2010 Expense | Aug 2010 Expense | Sep 2010 Expense | Oct 2010 Expense | Nov 2010 Expense | Dec 2010 Expense | Jan 2011 Expense | Feb 2011 Expense | Mar 2011 Expense | Apr 2011 Expense | Net Plant Balance 4/30/2011 | |
| 383.3 Compressor Equipment | 958,505 | 2,072 | (2,072) | 0.00% | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | - | (2,072) |
| 383.5 Other Equipment | 250,823 | 707,682 | (707,682) | 3.51% | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | 2,804 | - | 682,824 |
| 379 M&R Equipment - City Gate | 71,331 | 15,577 | 58,754 | 2.73% | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | - | 56,048 |
| 385 Installation of Customer Premise | 4,147 | 82 | (82) | 0.00% | - | - | - | - | - | - | - | - | - | - | - | - | - | (82) |
| 387 Other Equipment | 28,629 | 24,462 | 24,462 | 2.24% | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | - | 23,827 |
| 390 Structures & Improvements | 17,600,506 | 7,784,526 | 9,815,980 | 6.76% | 89,443 | 89,443 | 89,443 | 89,443 | 89,443 | 89,443 | 89,443 | 89,443 | 89,443 | 89,443 | 89,443 | 89,443 | - | 8,224,864 |
| 391 Office Furniture & Equipment | 7,207,377 | 3,768,891 | 3,438,486 | 8.99% | 51,581 | 51,578 | 51,578 | 51,578 | 51,570 | 51,587 | 51,584 | 51,581 | 51,588 | 51,585 | 51,582 | 51,549 | - | 2,613,350 |
| 391.1 Computer Equipment & Software | 75,244,254 | 52,729,529 | 22,514,725 | 12.52% | 845,033 | 860,023 | 875,028 | 890,022 | 905,018 | 920,014 | 935,010 | 950,007 | 965,003 | 979,985 | 994,995 | 1,009,991 | - | 8,154,438 |
| 392 Transportation - Service Trucks | 873,959 | 115,242 | 758,717 | 8.99% | 6,802 | 6,689 | 6,776 | 6,863 | 6,949 | 7,036 | 7,123 | 7,209 | 7,296 | 7,384 | 7,472 | 7,559 | - | 648,864 |
| 395 Laboratory Equipment | 35,892 | 31,678 | 4,214 | 1.17% | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 33 | 33 | 33 | - | 3,659 |
| 395 Stores Equipment | 6,141 | 266 | 5,875 | 1.95% | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,875 |
| 394 Tools, Shop & Garage Equipment | 684,010 | 601,694 | 82,316 | 14.16% | 8,041 | 8,034 | 8,026 | 8,019 | 8,011 | 8,004 | 1,940 | - | - | - | - | - | - | (6,224) |
| 396 Power Operated Equipment | 6,224 | (6,224) | - | 0.00% | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 397 Communication Equipment | 836,153 | 953,382 | 981,771 | 6.13% | 9,719 | 9,670 | 9,621 | 9,572 | 9,523 | 9,474 | 9,424 | 9,375 | 9,326 | 9,277 | 9,228 | 9,179 | - | 829,014 |
| 398 Miscellaneous Equipment | 136,268 | 612,972 | 223,296 | 11.17% | 7,729 | 7,715 | 7,715 | 7,697 | 7,673 | 7,659 | 7,645 | 7,631 | 7,617 | 7,603 | 7,590 | 7,576 | - | 100,403 |
| Total Depreciable Plant | \$ 105,491,025 | \$ 65,883,105 | \$ 39,607,920 | | 1,031,209 | 1,046,219 | 1,061,242 | 1,076,238 | 1,091,247 | 1,106,256 | 1,115,208 | 1,126,288 | 1,143,303 | 1,168,191 | 1,173,079 | 1,187,967 | Total | \$20,381,991 |
| Land | - | - | - | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intangible Plant | - | - | - | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Plant | 105,491,025 | 65,883,105 | 39,607,920 | | 1,031,209 | 1,046,219 | 1,061,242 | 1,076,238 | 1,091,247 | 1,106,256 | 1,115,208 | 1,126,288 | 1,143,303 | 1,168,191 | 1,173,079 | 1,187,967 | | 13,318,446 |
| Total Monthly Depreciation Expense | | | | | | | | | | | | | | | | | | |
| Attrition Year to Date | | | | | | | | | | | | | | | | | | |

A/ Consumer Advocate DR #69.
B/ Monthly Additions and Retirement per Consumer Advocate DR #72.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 RATE BASE SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

| <u>LINE NO.</u> | | <u>AVERAGE FOR 12 MONTHS TO DATE</u> | |
|-----------------|---|--|---|
| | ADDITIONS: | | |
| 1 | GAS PLANT IN SERVICE | \$ 202,717,046 | A/ |
| 2 | CONSTRUCTION WORK IN PROGRESS | (189,090) | B/ |
| 3 | POST RETIREMENT BENEFITS OTHER THAN PENSIONS | 248,501 | C/ |
| 4 | WORKING CAPITAL | 13,090,905 | D/ |
| 5 | TOTAL (L1 THRU L4) | <u>\$ 215,867,362</u> | |
| | DEDUCTIONS: | | |
| 6 | ACCUMULATED DEPRECIATION | \$ 96,370,052 | E/ |
| 7 | ACCUMULATED DEFERRED TAX-ACCELERATED DEPRECIATION | 23,770,564 | F/ |
| 8 | CONTRIBUTIONS IN AID OF CONSTRUCTION | 1,508,644 | G/ |
| 9 | CUSTOMER ADVANCE FOR CONSTRUCTION | 286,394 | H/ |
| 10 | TOTAL (L6-THRU L9) | <u>\$ 121,935,654</u> | |
| 11 | RATE BASE | <u>\$ 93,931,707</u> | |
| | A/ Consumer Advocate work paper RB-PLANT. | | E/ Consumer Advocate work paper RB-ACC DEP. |
| | B/ Consumer Advocate work paper RB-CWIP. | | F/ Consumer Advocate work paper RB-DEF TAX. |
| | C/ Consumer Advocate work paper RB-OPEB. | | G/ Consumer Advocate work paper RB-CIAC. |
| | D/ Consumer Advocate work paper RB-WORKING CAPITAL REQUIREMENT. | | H/ Consumer Advocate work paper RB-CUSTADV. |

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION

PLANT IN SERVICE SUMMARY

CHATTANOOGA GAS COMPANY TRA DOCKET #09-00193
FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

RB-PLANT

| | B/ BEGINNING BALANCE | A/ ENDING BALANCE |
|----------------------|----------------------------|-------------------------|
| DECEMBER 2009 | | 191,456,158 |
| JANUARY 2010 | 184,542 | 191,640,700 |
| FEBRUARY | 434,542 | 192,075,242 |
| MARCH | 679,094 | 192,754,336 |
| APRIL | 829,093 | 193,583,429 |
| MAY | 979,094 | 194,562,523 |
| JUNE | 1,166,097 | 195,728,620 |
| JULY | 1,061,449 | 196,790,069 |
| AUGUST | 665,900 | 197,455,969 |
| SEPTEMBER | 429,094 | 197,885,063 |
| OCTOBER | 378,544 | 198,263,608 |
| NOVEMBER | 179,094 | 198,442,702 |
| DECEMBER | 179,094 | 198,621,796 |
| JANUARY 2011 | 34,563 | 198,656,359 |
| FEBRUARY | 125,156 | 198,781,516 |
| MARCH | 190,178 | 198,971,694 |
| APRIL | 395,723 | 199,367,418 |
| 13 MONTH AVG | | \$ 197,470,059 |
| AGSC ALLOCATED PLANT | | 3,738,343 C/ |
| CIAC | | 1,508,644 D/ |
| TOTAL | | \$ 202,717,046 |

A/ CGC Discovery Response to Consumer Advocate DR #69.
B/ CGC Discovery Response to Consumer Advocate DR #71 and TRA FG #25-13.
C/ Consumer Advocate work paper RB-PLANT2.
D/ Consumer Advocate work paper RB-CIAC.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVISORY AND PROTECTION DIVISION
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
MONTHLY PLANT IN SERVICE
FOR THE ATTRITION YEAR ENDING APRIL 30, 2011

RB-PLANT1

| Account # | Description | Balance 12/31/2009 | Additions | Retirements | Balance 1/31/2010 | Additions | Retirements | Balance 2/28/2010 | Additions |
|-----------|----------------------------------|-----------------------|------------|--------------|----------------------|------------|--------------|----------------------|------------|
| A/ | | | | | | | | | |
| 361.1 | LNG Structures & Improvements | \$ 11,775,743 | 36,937 | | \$ 11,812,680 | 36,937 | | \$ 11,849,617 | 36,937 |
| 362 | LNG Storage Tanks | 4,409,906 | | | 4,409,906 | | | 4,409,906 | |
| 363 | Purification Equipment | 507,632 | | | 507,632 | | | 507,632 | |
| 363.1 | Liquefaction Equipment | 1,835,403 | | | 1,835,403 | | | 1,835,403 | |
| 363.2 | Vaporizing Equipment | 2,047,983 | | | 2,047,983 | | | 2,047,983 | |
| 363.3 | Compressor Equipment | 250,779 | | | 250,779 | | | 250,779 | |
| 363.4 | Measuring & Regulating Equipment | 29,738 | | | 29,738 | | | 29,738 | |
| 363.5 | Other Equipment | 1,674,062 | | | 1,674,062 | | | 1,674,062 | |
| 374.1 | Land Rights | 521,305 | | | 521,305 | | | 521,305 | |
| 375 | Structures & Improvements | 26,861 | | | 26,861 | | | 26,861 | |
| 376 | Mains | 87,983,980 | 143,024 | (19,353) | 88,107,651 | 393,024 | (19,353) | 88,481,322 | 637,576 |
| 377 | Compressor Station Equipment | 716,590 | | (18,690) | 697,900 | | (18,690) | 679,210 | |
| 378 | M&R Equipment - General | 462,335 | | | 462,335 | | | 462,335 | |
| 379 | M&R Equipment - City Gate | 1,397,412 | | | 1,397,412 | | | 1,397,412 | |
| 380 | Services | 53,688,834 | 37,022 | (11,832) | 53,714,024 | 37,022 | (11,832) | 53,739,214 | 37,022 |
| 381 | Meters & ERTs | 12,035,263 | 37,552 | (6,513) | 12,066,302 | 37,552 | (6,513) | 12,097,341 | 37,552 |
| 381.3 | Meterteks | 96,016 | | | 96,016 | | | 96,016 | |
| 382 | Meter Installations | 2,971,142 | | (97) | 2,971,045 | | (97) | 2,970,948 | |
| 383 | House Regulators | 3,227,955 | | (74) | 3,227,881 | | (74) | 3,227,807 | |
| 384 | House Regulator Installation | 185,629 | | | 185,629 | | | 185,629 | |
| 385 | Industrial M&R Equipment | 220,777 | | | 220,777 | | | 220,777 | |
| 386 | Installation of Customer Premise | 16,919 | | | 16,919 | | | 16,919 | |
| 387 | Other Equipment | 309,840 | | | 309,840 | | | 309,840 | |
| 390 | Structures & Improvements | 1,305 | | | 1,305 | | | 1,305 | |
| 391 | Office Furniture & Equipment | 9,741 | | (98) | 9,643 | | (98) | 9,545 | |
| 391.1 | Computer Equipment & Software | 1,041,809 | | (1,525) | 1,040,284 | | (1,525) | 1,038,759 | |
| 391.2 | Enterprise Systems | 2,257,592 | | (37,820) | 2,219,772 | | (37,820) | 2,181,952 | |
| 392.1 | Transportation - Service Trucks | 195,055 | | | 195,055 | | | 195,055 | |
| 392.2 | Transportation - Heavy Trucks | 496,255 | | | 496,255 | | | 496,255 | |
| 393 | Stores Equipment | 60,965 | | (212) | 60,753 | | (212) | 60,541 | |
| 394 | Tools, Shop & Garage Equipment | 249,199 | 912 | (4,680) | 245,431 | 912 | (4,680) | 241,663 | 912 |
| 396 | Power Operated Equipment | 70,087 | 4,712 | (3,715) | 71,084 | 4,712 | (3,715) | 72,081 | 4,712 |
| 397 | Communication Equipment | 941 | 29,186 | (194) | 30,127 | 29,186 | (194) | 59,313 | 29,186 |
| 398 | Miscellaneous Equipment | 43,940 | | | 43,746 | | | 43,552 | |
| | Land | 588,936 | | | 588,936 | | | 588,936 | |
| | Intangible Plant | 48,229 | | | 48,229 | | | 48,229 | |
| | Total Utility Plant in Service | \$191,456,158 | \$ 289,345 | \$ (104,803) | \$191,640,700 | \$ 539,345 | \$ (104,803) | \$192,075,242 | \$ 783,897 |
| | | | \$ 184,542 | | | \$ 434,542 | | | \$ 679,094 |

Actual/Forecast Net Additions B/
A/ CGC response to Consumer Advocate DR #69.
B/ CGC response to TRA MFG #25-13 and Consumer Advocate DR #71.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 MONTHLY PLANT IN SERVICE
 FOR THE ATTRITION YEAR ENDING APRIL 30, 2011

| Account # | Description | Retirements | Balance 3/31/2010 | Additions | Retirements | Balance 4/30/2010 | Additions | Retirements |
|-----------|----------------------------------|--------------|-------------------|------------|--------------|-------------------|--------------|--------------|
| 361.1 | LNG Structures & Improvements | | \$ 11,886,554 | 36,937 | | \$ 11,923,491 | 36,937 | |
| 362 | LNG Storage Tanks | | 4,409,906 | | | 4,409,906 | | |
| 363 | Purification Equipment | | 507,632 | | | 507,632 | | |
| 363.1 | Liquefaction Equipment | | 1,835,403 | | | 1,835,403 | | |
| 363.2 | Vaporizing Equipment | | 2,047,983 | | | 2,047,983 | | |
| 363.3 | Compressor Equipment | | 250,779 | | | 250,779 | | |
| 363.4 | Measuring & Regulating Equipment | | 29,738 | | | 29,738 | | |
| 363.5 | Other Equipment | | 1,674,062 | | | 1,674,062 | | |
| 374.1 | Land Rights | | 521,305 | | | 521,305 | | |
| 375 | Structures & Improvements | | 26,861 | | | 26,861 | | |
| 376 | Mains | (19,353) | 89,099,545 | 787,575 | (19,353) | 89,867,767 | 937,576 | (19,353) |
| 377 | Compressor Station Equipment | (18,690) | 660,520 | | (18,690) | 641,830 | | (18,690) |
| 378 | M&R Equipment - General | | 462,335 | | | 462,335 | | |
| 379 | M&R Equipment - City Gate | | 1,397,412 | | | 1,397,412 | | |
| 380 | Services | (11,832) | 53,764,404 | 37,022 | (11,832) | 53,789,594 | 37,022 | (11,832) |
| 381 | Meters & ERTs | (6,513) | 12,128,380 | 37,552 | (6,513) | 12,159,419 | 37,552 | (6,513) |
| 381.3 | Meterteks | | 96,016 | | | 96,016 | | |
| 382 | Meter Installations | (97) | 2,970,851 | | (97) | 2,970,754 | | (97) |
| 383 | House Regulators | (74) | 3,227,733 | | (74) | 3,227,659 | | (74) |
| 384 | House Regulator Installation | | 185,629 | | | 185,629 | | |
| 385 | Industrial M&R Equipment | | 220,777 | | | 220,777 | | |
| 386 | Installation of Customer Premise | | 16,919 | | | 16,919 | | |
| 387 | Other Equipment | | 309,840 | | | 309,840 | | |
| 390 | Structures & Improvements | | 1,305 | | | 1,305 | | |
| 391 | Office Furniture & Equipment | (98) | 9,447 | | (98) | 9,349 | | (98) |
| 391.1 | Computer Equipment & Software | (1,525) | 1,037,234 | | (1,525) | 1,035,709 | | (1,525) |
| 391.2 | Enterprise Systems | (37,820) | 2,144,132 | | (37,820) | 2,106,312 | | (37,820) |
| 392.1 | Transportation - Service Trucks | | 195,055 | | | 195,055 | | |
| 392.2 | Transportation - Heavy Trucks | | 496,255 | | | 496,255 | | |
| 393 | Stores Equipment | (212) | 60,329 | | (212) | 60,117 | | (212) |
| 394 | Tools, Shop & Garage Equipment | (4,680) | 237,895 | 912 | (4,680) | 234,127 | 912 | (4,680) |
| 396 | Power Operated Equipment | (3,715) | 73,078 | 4,712 | (3,715) | 74,075 | 4,712 | (3,715) |
| 397 | Communication Equipment | | 88,499 | 29,186 | | 117,685 | 29,186 | |
| 398 | Miscellaneous Equipment | (194) | 43,358 | | (194) | 43,164 | | (194) |
| | Land | | 588,936 | | | 588,936 | | |
| | Intangible Plant | | 48,229 | | | 48,229 | | |
| | Total Utility Plant in Service | \$ (104,803) | \$192,754,336 | \$ 933,896 | \$ (104,803) | \$ 193,583,429 | \$ 1,083,898 | \$ (104,804) |
| | | | | \$ 829,093 | | | \$ 979,094 | |

Actual/Forecast Net Additions B/

A/ CGC response to Consumer Advocate DR #69.

B/ CGC response to TRA MFG #25-13 and Consumer Advocate DR #71.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
MONTHLY PLANT IN SERVICE
FOR THE ATTRITION YEAR ENDING APRIL 30, 2011

RB-PLANT1

| Account # | Description | Balance 5/31/2010 | Additions | Retirements | Balance 6/30/2010 | Additions | Retirements | Balance 7/31/2010 |
|--------------------------------|----------------------------------|----------------------|--------------|--------------|----------------------|--------------|--------------|----------------------|
| 361.1 | LNG Structures & Improvements | \$ 11,960,428 | 36,937 | \$ - | \$ 11,997,365 | 36,937 | \$ - | \$ 12,034,302 |
| 362 | LNG Storage Tanks | 4,409,906 | | | 4,409,906 | | | 4,409,906 |
| 363 | Purification Equipment | 507,632 | | | 507,632 | | | 507,632 |
| 363.1 | Liquefaction Equipment | 1,835,403 | | | 1,835,403 | | | 1,835,403 |
| 363.2 | Vaporizing Equipment | 2,047,983 | | | 2,047,983 | | | 2,047,983 |
| 363.3 | Compressor Equipment | 250,779 | | | 250,779 | | | 250,779 |
| 363.4 | Measuring & Regulating Equipment | 29,738 | | | 29,738 | | | 29,738 |
| 363.5 | Other Equipment | 1,674,062 | | | 1,674,062 | | | 1,674,062 |
| 374.1 | Land Rights | 521,305 | | | 521,305 | | | 521,305 |
| 375 | Structures & Improvements | 26,861 | | | 26,861 | | | 26,861 |
| 376 | Mains | 90,785,990 | 1,071,524 | (19,353) | 91,838,161 | 1,019,931 | (19,353) | 92,838,739 |
| 377 | Compressor Station Equipment | 623,140 | | (18,690) | 604,451 | | (18,690) | 585,761 |
| 378 | M&R Equipment - General | 462,335 | | | 462,335 | | | 462,335 |
| 379 | M&R Equipment - City Gate | 1,397,412 | | | 1,397,412 | | | 1,397,412 |
| 380 | Services | 53,814,784 | 37,022 | (11,832) | 53,839,974 | 37,022 | (11,832) | 53,865,164 |
| 381 | Meters & ERTs | 12,190,458 | 37,552 | (6,513) | 12,221,497 | 37,552 | (6,513) | 12,252,536 |
| 381.3 | Meteretks | 96,016 | | | 96,016 | | | 96,016 |
| 382 | Meter Installations | 2,970,657 | | (97) | 2,970,559 | | (97) | 2,970,462 |
| 383 | House Regulators | 3,227,585 | | (74) | 3,227,511 | | (74) | 3,227,437 |
| 384 | House Regulator Installation | 185,629 | | | 185,629 | | | 185,629 |
| 385 | Industrial M&R Equipment | 220,777 | | | 220,777 | | | 220,777 |
| 386 | Installation of Customer Premise | 16,919 | | | 16,919 | | | 16,919 |
| 387 | Other Equipment | 309,840 | | | 309,840 | | | 309,840 |
| 390 | Structures & Improvements | 1,305 | | | 1,305 | | | 1,305 |
| 391 | Office Furniture & Equipment | 9,251 | | (98) | 9,153 | | (98) | 9,056 |
| 391.1 | Computer Equipment & Software | 1,034,184 | | (1,525) | 1,032,659 | | (1,525) | 1,031,133 |
| 391.2 | Enterprise Systems | 2,068,492 | | (37,820) | 2,030,672 | | (37,820) | 1,992,852 |
| 392.1 | Transportation - Service Trucks | 195,055 | 25,409 | (28,818) | 191,646 | | | 191,646 |
| 392.2 | Transportation - Heavy Trucks | 496,255 | 56,464 | | 552,719 | | | 552,719 |
| 393 | Stores Equipment | 59,905 | | (212) | 59,693 | | (212) | 59,482 |
| 394 | Tools, Shop & Garage Equipment | 230,359 | 912 | (4,680) | 226,592 | 912 | (4,680) | 222,824 |
| 396 | Power Operated Equipment | 75,072 | 4,712 | (3,715) | 76,068 | 4,712 | (3,715) | 77,065 |
| 397 | Communication Equipment | 146,871 | 29,186 | | 176,058 | 29,186 | | 205,244 |
| 398 | Miscellaneous Equipment | 42,970 | | (194) | 42,775 | | (194) | 42,581 |
| | Land | 588,936 | | | 588,936 | | | 588,936 |
| | Intangible Plant | 48,229 | | | 48,229 | | | 48,229 |
| Total Utility Plant in Service | | \$ 194,562,523 | \$ 1,299,719 | \$ (133,622) | \$ 195,728,620 | \$ 1,166,253 | \$ (104,804) | \$ 196,790,069 |

\$ 1,166,097

\$ 1,061,449

Actual/Forecast Net Additions B/

A/ CGC response to Consumer Advocate DR #69.

B/ CGC response to TRA MFG #25-13 and Consumer Advocate DR #71.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
MONTHLY PLANT IN SERVICE
FOR THE ATTRITION YEAR ENDING APRIL 30, 2011

RB-PLANT1

| Account # | Description | Additions | Retirements | Balance 8/31/2010 | Additions | Retirements | Balance 9/30/2010 | Additions | Retirements |
|----------------------------------|----------------------------------|------------|--------------|-------------------|------------|--------------|-------------------|------------|--------------|
| 361.1 | LNG Structures & Improvements | 36,937 | - | 12,071,239 | 36,937 | - | 12,108,176 | 36,937 | - |
| 362 | LNG Storage Tanks | | | 4,409,906 | | | 4,409,906 | | |
| 363 | Purification Equipment | | | 507,632 | | | 507,632 | | |
| 363.1 | Liquefaction Equipment | | | 1,835,403 | | | 1,835,403 | | |
| 363.2 | Vaporizing Equipment | | | 2,047,983 | | | 2,047,983 | | |
| 363.3 | Compressor Equipment | | | 250,779 | | | 250,779 | | |
| 363.4 | Measuring & Regulating Equipment | | | 29,738 | | | 29,738 | | |
| 363.5 | Other Equipment | | | 1,674,062 | | | 1,674,062 | | |
| 374.1 | Land Rights | | | 521,305 | | | 521,305 | | |
| 375 | Structures & Improvements | | | 26,861 | | | 26,861 | | |
| 376 | Mains | | | 93,443,768 | | | 93,811,991 | | |
| 377 | Compressor Station Equipment | 624,382 | (19,353) | 567,071 | 387,576 | (19,353) | 548,382 | 337,026 | (19,353) |
| 378 | M&R Equipment - General | | (18,690) | 462,335 | | (18,690) | 462,335 | | (18,690) |
| 379 | M&R Equipment - City Gate | | | 1,397,412 | | | 1,397,412 | | |
| 380 | Services | 37,022 | (11,832) | 53,890,354 | 37,022 | (11,832) | 53,915,544 | 37,022 | (11,832) |
| 381 | Meters & ERTs | 37,552 | (6,513) | 12,283,575 | 37,552 | (6,513) | 12,314,614 | 37,552 | (6,513) |
| 381.3 | Meterteks | | | 96,016 | | | 96,016 | | |
| 382 | Meter Installations | | (97) | 2,970,365 | | (97) | 2,970,267 | | (97) |
| 383 | House Regulators | | (74) | 3,227,363 | | (74) | 3,227,289 | | (74) |
| 384 | House Regulator Installation | | | 185,629 | | | 185,629 | | |
| 385 | Industrial M&R Equipment | | | 220,777 | | | 220,777 | | |
| 386 | Installation of Customer Premise | | | 16,919 | | | 16,919 | | |
| 387 | Other Equipment | | | 309,840 | | | 309,840 | | |
| 390 | Structures & Improvements | | | 1,305 | | | 1,305 | | |
| 391 | Office Furniture & Equipment | | (98) | 8,958 | | (98) | 8,860 | | (98) |
| 391.1 | Computer Equipment & Software | | (1,525) | 1,029,608 | | (1,525) | 1,028,083 | | (1,525) |
| 391.2 | Enterprise Systems | | (37,820) | 1,955,032 | | (37,820) | 1,917,212 | | (37,820) |
| 392.1 | Transportation - Service Trucks | | | 191,646 | | | 191,646 | | |
| 392.2 | Transportation - Heavy Trucks | | | 552,719 | | | 552,719 | | |
| 393 | Stores Equipment | | (212) | 59,270 | | (212) | 59,058 | | (212) |
| 394 | Tools, Shop & Garage Equipment | 912 | (4,680) | 219,057 | 912 | (4,680) | 215,289 | 912 | (4,680) |
| 396 | Power Operated Equipment | 4,712 | (3,715) | 78,061 | 4,712 | (3,715) | 79,058 | 4,712 | (3,715) |
| 397 | Communication Equipment | 29,186 | | 234,431 | 29,186 | | 263,617 | 29,186 | |
| 398 | Miscellaneous Equipment | | (194) | 42,387 | | (194) | 42,192 | | (194) |
| | Land | | | 588,936 | | | 588,936 | | |
| | Intangible Plant | | | 48,229 | | | 48,229 | | |
| Total Utility Plant in Service | | \$ 770,704 | \$ (104,804) | \$ 197,455,969 | \$ 533,898 | \$ (104,804) | \$ 197,885,063 | \$ 483,348 | \$ (104,804) |
| Actual/Forecast Net Additions B/ | | \$ 665,900 | | | \$ 429,094 | | | \$ 378,544 | |

A/ CGC response to Consumer Advocate DR #69.

B/ CGC response to TRA MFG #25-13 and Consumer Advocate DR #71.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
MONTHLY PLANT IN SERVICE
FOR THE ATTRITION YEAR ENDING APRIL 30, 2011

RB-PLANT1

| Account # | Description | Balance 10/31/2010 \$ | Additions | Retirements | Balance 11/30/2010 \$ | Additions | Retirements | Balance 12/31/2010 \$ |
|--------------------------------|----------------------------------|-----------------------------|------------|--------------|-----------------------------|------------|--------------|-----------------------------|
| 361.1 | LNG Structures & Improvements | 12,145,113 | 36,937 | - | 12,182,050 | 36,937 | - | 12,218,987 |
| 362 | LNG Storage Tanks | 4,409,906 | | | 4,409,906 | | | 4,409,906 |
| 363 | Purification Equipment | 507,632 | | | 507,632 | | | 507,632 |
| 363.1 | Liquefaction Equipment | 1,835,403 | | | 1,835,403 | | | 1,835,403 |
| 363.2 | Vaporizing Equipment | 2,047,983 | | | 2,047,983 | | | 2,047,983 |
| 363.3 | Compressor Equipment | 250,779 | | | 250,779 | | | 250,779 |
| 363.4 | Measuring & Regulating Equipment | 29,738 | | | 29,738 | | | 29,738 |
| 363.5 | Other Equipment | 1,674,062 | | | 1,674,062 | | | 1,674,062 |
| 374.1 | Land Rights | 521,305 | | | 521,305 | | | 521,305 |
| 375 | Structures & Improvements | 26,861 | | | 26,861 | | | 26,861 |
| 376 | Mains | 94,129,664 | 137,576 | (19,353) | 94,247,887 | 137,576 | (19,353) | 94,366,110 |
| 377 | Compressor Station Equipment | 529,692 | | (18,690) | 511,002 | | (18,690) | 492,312 |
| 378 | M&R Equipment - General | 462,335 | | | 462,335 | | | 462,335 |
| 379 | M&R Equipment - City Gate | 1,397,412 | | | 1,397,412 | | | 1,397,412 |
| 380 | Services | 53,940,734 | 37,022 | (11,832) | 53,965,924 | 37,022 | (11,832) | 53,991,114 |
| 381 | Meters & ERTs | 12,345,654 | 37,552 | (6,513) | 12,376,693 | 37,552 | (6,513) | 12,407,732 |
| 381.3 | Meterteks | 96,016 | | | 96,016 | | | 96,016 |
| 382 | Meter Installations | 2,970,170 | | (97) | 2,970,073 | | (97) | 2,969,975 |
| 383 | House Regulators | 3,227,215 | | (74) | 3,227,141 | | (74) | 3,227,067 |
| 384 | House Regulator Installation | 185,629 | | | 185,629 | | | 185,629 |
| 385 | Industrial M&R Equipment | 220,777 | | | 220,777 | | | 220,777 |
| 386 | Installation of Customer Premise | 16,919 | | | 16,919 | | | 16,919 |
| 387 | Other Equipment | 309,840 | | | 309,840 | | | 309,840 |
| 390 | Structures & Improvements | 1,305 | | | 1,305 | | | 1,305 |
| 391 | Office Furniture & Equipment | 8,762 | | (98) | 8,665 | | (98) | 8,567 |
| 391.1 | Computer Equipment & Software | 1,026,558 | | (1,525) | 1,025,032 | | (1,525) | 1,023,507 |
| 391.2 | Enterprise Systems | 1,879,392 | | (37,820) | 1,841,572 | | (37,820) | 1,803,752 |
| 392.1 | Transportation - Service Trucks | 191,646 | | | 191,646 | | | 191,646 |
| 392.2 | Transportation - Heavy Trucks | 552,719 | | | 552,719 | | | 552,719 |
| 393 | Stores Equipment | 58,846 | | (212) | 58,635 | | (212) | 58,423 |
| 394 | Tools, Shop & Garage Equipment | 211,521 | 912 | (4,680) | 207,754 | 912 | (4,680) | 203,986 |
| 396 | Power Operated Equipment | 80,054 | 4,712 | (3,715) | 81,051 | 4,712 | (3,715) | 82,047 |
| 397 | Communication Equipment | 292,803 | 29,186 | | 321,990 | 29,186 | | 351,176 |
| 398 | Miscellaneous Equipment | 41,998 | | (194) | 41,803 | | (194) | 41,609 |
| | Land | 588,936 | | | 588,936 | | | 588,936 |
| | Intangible Plant | 48,229 | | | 48,229 | | | 48,229 |
| Total Utility Plant in Service | | \$ 198,263,608 | \$ 283,898 | \$ (104,804) | \$ 198,442,702 | \$ 283,898 | \$ (104,804) | \$ 198,621,796 |
| | | | \$ 179,094 | | | \$ 179,094 | | |

Actual/Forecast Net Additions B/

A/ CGC response to Consumer Advocate DR #69.

B/ CGC response to TRA MFG #25-13 and Consumer Advocate DR #71.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 MONTHLY PLANT IN SERVICE
 FOR THE ATTRITION YEAR ENDING APRIL 30, 2011

RB-PLANT1

| Account # | Description | Balance 1/31/2011 | Additions | Retirements | Balance 2/28/2011 | Additions | Retirements |
|--------------------------------|----------------------------------|----------------------|------------|--------------|----------------------|------------|--------------|
| 361.1 | LNG Structures & Improvements | \$ 12,218,987 | 0 | \$ - | \$ 12,218,987 | 0 | \$ - |
| 362 | LNG Storage Tanks | 4,409,906 | | | 4,409,906 | | |
| 363 | Purification Equipment | 507,632 | | | 507,632 | | |
| 363.1 | Liquefaction Equipment | 1,835,403 | | | 1,835,403 | | |
| 363.2 | Vaporizing Equipment | 2,047,983 | | | 2,047,983 | | |
| 363.3 | Compressor Equipment | 250,779 | | | 250,779 | | |
| 363.4 | Measuring & Regulating Equipment | 29,738 | | | 29,738 | | |
| 363.5 | Other Equipment | 1,674,062 | | | 1,674,062 | | |
| 374.1 | Land Rights | 521,317 | 12 | | 521,329 | 12 | |
| 375 | Structures & Improvements | 26,861 | | | 26,861 | | |
| 376 | Mains | 94,383,954 | 37,197 | (19,353) | 94,495,754 | 195,179 | (19,353) |
| 377 | Compressor Station Equipment | 473,623 | | (18,690) | 454,933 | | (18,690) |
| 378 | M&R Equipment - General | 462,335 | | | 462,335 | | |
| 379 | M&R Equipment - City Gate | 1,398,290 | 878 | | 1,401,951 | 3,425 | |
| 380 | Services | 54,031,636 | 52,354 | (11,832) | 54,078,401 | 45,339 | (11,832) |
| 381 | Meters & ERTs | 12,439,514 | 38,295 | (6,513) | 12,462,427 | 30,579 | (6,513) |
| 381.3 | Meterteks | 96,016 | | | 96,016 | | |
| 382 | Meter Installations | 2,969,878 | | (97) | 2,969,781 | | (97) |
| 383 | House Regulators | 3,228,547 | 1,554 | (74) | 3,228,763 | 12,130 | (74) |
| 384 | House Regulator Installation | 185,629 | | | 185,629 | | |
| 385 | Industrial M&R Equipment | 220,777 | | | 220,777 | | |
| 386 | Installation of Customer Premise | 16,919 | | | 16,919 | | |
| 387 | Other Equipment | 309,840 | | | 309,840 | | |
| 390 | Structures & Improvements | 1,305 | | | 1,305 | | |
| 391 | Office Furniture & Equipment | 8,469 | | (98) | 8,371 | | (98) |
| 391.1 | Computer Equipment & Software | 1,021,982 | | (1,525) | 1,020,457 | | (1,525) |
| 391.2 | Enterprise Systems | 1,765,932 | | (37,820) | 1,728,112 | | (37,820) |
| 392.1 | Transportation - Service Trucks | 191,646 | | | 191,646 | | |
| 392.2 | Transportation - Heavy Trucks | 553,401 | 8,333 | (7,651) | 554,083 | 8,333 | (7,651) |
| 393 | Stores Equipment | 58,211 | | (212) | 57,999 | | (212) |
| 394 | Tools, Shop & Garage Equipment | 199,077 | (229) | (4,680) | 194,397 | 1,823 | (4,680) |
| 396 | Power Operated Equipment | 83,884 | 6,403 | (4,567) | 85,720 | 6,403 | (4,567) |
| 397 | Communication Equipment | 354,248 | 3,072 | | 354,835 | 261 | |
| 398 | Miscellaneous Equipment | 41,415 | | (194) | 41,220 | | (194) |
| | Land | 588,936 | | | 588,936 | | |
| | Intangible Plant | 48,229 | | | 48,229 | | |
| Total Utility Plant in Service | | \$ 198,656,359 | \$ 238,462 | \$ (113,306) | \$ 198,781,516 | \$ 303,484 | \$ (113,306) |
| | | \$ 147,869 | \$ 34,563 | \$ 125,156 | | \$ 190,178 | |

Actual/Forecast Net Additions B/

A/ CGC response to Consumer Advocate DR #69.

B/ CGC response to TRA MFG #25-13 and Consumer Advocate DR #71.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVISORY AND PROTECTION DIVISION
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 MONTHLY PLANT IN SERVICE
 FOR THE ATTRITION YEAR ENDING APRIL 30, 2011

| Account # | Description | Balance 3/31/2011 \$ | Additions \$ | Retirements \$ | Balance 4/30/2011 \$ | CGC | Actual over forecast |
|--------------------------------|----------------------------------|----------------------------|-----------------|-------------------|----------------------------|----------------|----------------------|
| 361.1 | LNG Structures & Improvements | 12,218,987 | - | - | 12,218,987 | 12,219,034 | (47) |
| 362 | LNG Storage Tanks | 4,409,906 | | | 4,409,906 | 4,409,858 | 48 |
| 363 | Purification Equipment | 507,632 | | | 507,632 | 507,632 | 0 |
| 363.1 | Liquefaction Equipment | 1,835,403 | 188,125 | | 2,023,528 | 2,178,025 | (154,497) |
| 363.2 | Vaporizing Equipment | 2,047,983 | | | 2,047,983 | 2,047,983 | 0 |
| 363.3 | Compressor Equipment | 250,779 | | | 250,779 | 250,779 | 0 |
| 363.4 | Measuring & Regulating Equipment | 29,738 | | | 29,738 | 29,738 | 0 |
| 363.5 | Other Equipment | 1,674,062 | | | 1,674,062 | 1,388,360 | 285,702 |
| 374.1 | Land Rights | 521,341 | 513 | | 521,854 | 519,868 | 1,986 |
| 375 | Structures & Improvements | 26,861 | | | 26,861 | 26,861 | 0 |
| 376 | Mains | 94,671,580 | 185,666 | (19,353) | 94,837,893 | 95,155,771 | (317,878) |
| 377 | Compressor Station Equipment | 436,243 | | (18,690) | 417,554 | 305,417 | 112,137 |
| 378 | M&R Equipment - General | 462,335 | | | 462,335 | 450,230 | 12,105 |
| 379 | M&R Equipment - City Gate | 1,405,376 | 7,580 | | 1,412,956 | 1,512,956 | (100,000) |
| 380 | Services | 54,111,908 | 75,197 | (11,832) | 54,175,274 | 54,137,108 | 38,166 |
| 381 | Meters & ERTs | 12,486,493 | 30,247 | (6,513) | 12,510,227 | 8,614,010 | 3,896,217 |
| 381.3 | Meterteks | 96,016 | | | 96,016 | 156,016 | (60,000) |
| 382 | Meter Installations | 2,969,683 | | (97) | 2,969,586 | 2,965,966 | 3,620 |
| 383 | House Regulators | 3,240,819 | 972 | (74) | 3,241,717 | 3,220,617 | 21,100 |
| 384 | House Regulator Installation | 185,629 | | | 185,629 | 185,626 | 3 |
| 385 | Industrial M&R Equipment | 220,777 | | | 220,777 | 220,777 | 0 |
| 386 | Installation of Customer Premise | 16,919 | | | 16,919 | 16,919 | 0 |
| 387 | Other Equipment | 309,840 | | | 309,840 | 309,570 | 270 |
| 390 | Structures & Improvements | 1,305 | | | 1,305 | 1,305 | 0 |
| 391 | Office Furniture & Equipment | 8,273 | | (98) | 8,176 | 7,590 | 586 |
| 391.1 | Computer Equipment & Software | 1,018,931 | | (1,525) | 1,017,406 | 985,588 | 31,818 |
| 391.2 | Enterprise Systems | 1,690,292 | | (37,820) | 1,652,472 | 1,331,251 | 321,220 |
| 392.1 | Transportation - Service Trucks | 191,646 | | | 191,646 | 191,350 | 296 |
| 392.2 | Transportation - Heavy Trucks | 554,765 | 8,333 | (7,651) | 555,447 | 622,744 | (67,297) |
| 393 | Stores Equipment | 57,788 | | (212) | 57,576 | 56,306 | 1,270 |
| 394 | Tools, Shop & Garage Equipment | 191,540 | 5,735 | (4,680) | 192,595 | 176,462 | 16,133 |
| 396 | Power Operated Equipment | 87,557 | 6,403 | (4,567) | 89,393 | 113,377 | (23,984) |
| 397 | Communication Equipment | 355,096 | 258 | (194) | 355,354 | 355,356 | (2) |
| 398 | Miscellaneous Equipment | 41,026 | | | 40,832 | 37,684 | 3,148 |
| | Land | 588,936 | | | 588,936 | 588,936 | 0 |
| | Intangible Plant | 48,229 | | | 48,229 | 48,229 | 0 |
| Total Utility Plant in Service | | \$198,971,694 | \$ 509,029 | \$ (113,306) | \$199,367,418 | \$ 195,345,297 | \$ 4,022,121 |

Actual/Forecast Net Additions B/

A/ CGC response to Consumer Advocate DR #69.

B/ CGC response to TRA MFG #25-13 and Consumer Advocate DR #71.

\$ 395,723

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 ALLOCATED PLANT IN SERVICE SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00193
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

RB-PLANT2

| | | B/ BEGINNING <u>BALANCE</u> | NET ADDITIONS | A/ ENDING <u>BALANCE</u> |
|-----------------------------|------|-----------------------------------|---------------|--------------------------------|
| DECEMBER | 2009 | | | 105,461,000 |
| JANUARY | 2010 | | 1,437,152 | 106,898,152 |
| FEBRUARY | | | 1,437,152 | 108,335,304 |
| MARCH | | | 1,437,152 | 109,772,456 |
| APRIL | | | 1,437,152 | 111,209,608 |
| MAY | | | 1,437,152 | 112,646,760 |
| JUNE | | | 1,437,152 | 114,083,912 |
| JULY | | | 1,437,152 | 115,521,064 |
| AUGUST | | | 1,437,152 | 116,958,216 |
| SEPTEMBER | | | 1,437,152 | 118,395,368 |
| OCTOBER | | | 1,437,152 | 119,832,520 |
| NOVEMBER | | | 1,437,152 | 121,269,672 |
| DECEMBER | | | 1,437,152 | 122,706,824 |
| JANUARY | 2011 | | 1,419,169 | 124,125,993 |
| FEBRUARY | | | 1,419,169 | 125,545,162 |
| MARCH | | | 1,419,169 | 126,964,331 |
| APRIL | | | 1,419,169 | 128,383,500 |
| 13 MONTH AVG | | | | \$119,818,687 |
| TN AGL SC ALLOCATION FACTOR | | | | 3.12% |
| TOTAL | | | | \$ 3,738,343 |

A/ CGC Discovery Response to Consumer Advocate DR #70.

B/ CGC Discovery Response to Consumer Advocate DR #72 and TRA FG #71-1.

RB-CWIP

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CONSTRUCTION WORK IN PROGRESS ("CWIP") SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

| | | |
|-----------------------|----|--------------|
| CGC CWIP | \$ | (615,013) A/ |
| AGL SC ALLOCATED CWIP | | 425,923 B/ |

| | | |
|----------------------|----|------------------|
| TOTAL TENNESSEE CWIP | \$ | <u>(189,090)</u> |
|----------------------|----|------------------|

A/ CGC DECEMBER 2009 Balance per response to Consumer Advocate DR #73.

B/ CGC DECEMBER 2009 Balance per response to Consumer Advocate DR #74 allocated @ 3.12%.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS SUMMARY
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

TENNESSEE \$ 248,501 A/

| | |
|------------|------------|
| TOTAL OPEB | \$ 248,501 |
|------------|------------|

A/ CGC response to Consumer Advocate DR #88.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 WORKING CAPITAL REQUIREMENT COMPARATIVE
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

RB-WORKING CAPITAL REQUIREMENT

| Line No. | Description | Amount | |
|----------|---|----------------------|----|
| 1 | Requirement For Lead Lag | \$ 1,164,573 | A/ |
| 2 | Materials and Supplies | 20,788 | B/ |
| 3 | Stored Gas Inventory | 14,881,232 | C/ |
| 4 | Other Accounts Receivable | 8,299 | D/ |
| 5 | Deferred Rate Case | 263,334 | E/ |
| 6 | Total Additions | \$ 16,338,226 | |
| 7 | Reserve for Uncollectibles Accounts | 252,837 | F/ |
| 8 | Customer Deposits | 2,339,923 | G/ |
| 9 | Accrued Interest on Customer Deposits | 654,561 | H/ |
| 10 | Total Deductions | \$ 3,247,321 | |
| 11 | Working Capital Requirement | \$ 13,090,905 | |
| | A/ Consumer Advocate work paper, RB-CWC | | |
| | B/ Consumer Advocate work paper, RB-M&S | | |
| | C/ Consumer Advocate work paper, RB-GAS | | |
| | C/ Consumer Advocate work paper, RB-OAR | | |
| | E/ Consumer Advocate work paper, RB-RATE CASE | | |
| | F/ Consumer Advocate work paper, RB-UNCOLL RES | | |
| | G/ Consumer Advocate work paper, RB-CUSTDEP | | |
| | H/ Consumer Advocate work paper, RB-INT CUSTDEP | | |

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CASH WORKING CAPITAL LEAD/LAG ANALYSIS
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011(Present Rates)

| LINE NO. | DESCRIPTION | ATTRITION YEAR | LEAD/ LAG DAYS | DOLLAR DAYS |
|----------|---|-------------------|-------------------|-----------------|
| 1 | Revenues | \$ 88,559,526 | 46.05 | \$4,078,166,172 |
| 2 | Gas Purchased | 58,634,548 | 39.66 | 2,325,446,174 |
| 3 | Salary and Wages | 2,198,646 | 12.00 | 26,383,740 |
| 4 | Pension | 638,744 | 166.56 | 106,389,201 |
| 5 | Postretirement Benefits Other than Pensions | 103,277 | - | - |
| 6 | Insurance Expense | 313,281 | - | - |
| 7 | Allocated Cost | 4,635,602 | 38.71 | 179,444,153 |
| 8 | Uncollectibles | 189,197 | - | - |
| 9 | Other Operating | 3,832,945 | 34.64 | 132,773,215 |
| 10 | Depreciation and Amortization | 5,201,431 | - | - |
| 11 | Taxes - Other Than Income Tax | 3,581,242 | 177.78 | 636,673,209 |
| 12 | SIT Current | 150,094 | 37.00 | 5,553,478 |
| 13 | SIT Deferred | 274,812 | - | - |
| 14 | FIT Current | 997,731 | 37.00 | 36,916,047 |
| 15 | FIT Deferred | 1,087,840 | - | - |
| 16 | Interest on Customer Deposits | 132,216 | (23.34) | (4,472,434) |
| 17 | Interest ST Debt | 191,621 | 93.38 | 222,142,989 |
| 18 | Interest LT Debt | 2,378,914 | - | - |
| 19 | Equity Return | 4,017,386 | - | - |
| 20 | Total Operating Funds | \$ 88,559,526 | 41.41 | \$3,667,249,772 |
| 21 | Net Lead (Lag) Days | | 4.640 | |
| 22 | Average Daily Operating Expenses | | | \$ 242,629 |
| 23 | CWC Required for Operating Expenses | | | \$ 1,125,798 |
| 24 | Tax Collections Withheld | | | \$ 38,953 |
| 25 | Net Cash Working Capital Provided | | | \$ 1,164,573 |

RB-GAS

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 STORED GAS INVENTORY SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

| <u>Month</u> | <u>Ending Inventory</u> | | <u>A/ Cost</u> |
|-----------------------------------|-------------------------|--------------|--------------------|
| | <u>Volume</u> | <u>Price</u> | |
| Dec-09 | 3,057,824 | \$ 5.9048619 | \$ 18,056,028 |
| Jan-10 | 2,115,054 | 6.0476350 | 12,791,075 |
| Feb-10 | 1,293,070 | 6.3032535 | 8,150,548 |
| Mar-10 | 838,920 | 6.8274280 | 5,727,666 |
| Apr-10 | 1,207,237 | 6.5117470 | 7,861,222 |
| May-10 | 1,684,602 | 6.3094200 | 10,628,862 |
| Jun-10 | 2,162,566 | 6.2157255 | 13,441,917 |
| Jul-10 | 2,639,930 | 6.1730785 | 16,296,495 |
| Aug-10 | 3,117,294 | 6.1552660 | 19,187,774 |
| Sep-10 | 3,595,259 | 6.1472600 | 22,100,992 |
| Oct-10 | 3,962,976 | 6.1589829 | 24,407,901 |
| Nov-10 | 3,764,718 | 6.1715925 | 23,234,305 |
| Dec-10 | 3,103,225 | 6.2483510 | 19,390,039 |
| Jan-11 | 2,160,454 | 6.3454120 | 13,708,971 |
| Feb-11 | 1,338,470 | 6.5197378 | 8,726,473 |
| Mar-11 | 884,320 | 6.8738450 | 6,078,679 |
| Apr-11 | 1,243,440 | 6.7493260 | 8,392,382 |
| 13 Month Average as of April 2011 | | | 14,881,232 |

A/ CGC response to Consumer Advocate DR #77-5.

RB-OAR

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
OTHER ACCOUNTS RECEIVABLE SUMMARY
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

Account #134610 \$ 8,299 A/

TOTAL CGC \$ 8,299

A/ CGC Response to Consumer Advocate DR #78.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CHATTANOOGA GAS COMPANY

RB-RATE CASE

TRA DOCKET #09-00183
RATE CASE EXPENSE RECONCILIATION
FOR ATTRITION YEAR ENDING 4/30/11

| | TRA DOCKET #06-00175 | UNAMORTIZED | TRA DOCKET #09-00183 | A/ UNAMORTIZED | TOTAL |
|------------------------------------|----------------------|-------------|----------------------|-------------------|------------|
| | TOTAL | BALANCE | TOTAL | BALANCE | AVERAGE |
| BEGINNING BALANCE | \$ 300,000 | - | | \$ 316,001 | |
| AMORTIZATION THROUGH DECEMBER 2009 | 300,000 | - | | 307,223 | |
| JANUARY 2010 | - | - | | 298,445 | |
| FEBRUARY 2010 | - | - | | 289,668 | |
| MARCH 2010 | - | - | | 280,890 | |
| APRIL 2010 | - | - | | 272,112 | |
| MAY 2010 | - | - | \$ | 263,334 | |
| JUNE 2010 | - | - | | 254,556 | |
| JULY 2010 | - | - | | 245,779 | |
| AUGUST 2010 | - | - | | 237,001 | |
| SEPTEMBER 2010 | - | - | | 228,223 | |
| OCTOBER 2010 | - | - | | 219,445 | |
| NOVEMBER 2010 | - | - | | 210,667 | |
| DECEMBER 2010 | - | - | | 201,890 | |
| JANUARY 2011 | - | - | | | |
| FEBRUARY 2011 | - | - | | | |
| MARCH 2011 | - | - | | | |
| APRIL 2011 | - | - | | | |
| THIRTEEN MONTH AVERAGE | \$ - | - | | \$ 263,334 | \$ 263,334 |

A/ CGC response to Consumer Advocate DR #79.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CUSTOMER DEPOSIT SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

RB-CUSTDEP

| DATE | | CUSTOMER DEPOSITS | 12 MTD GROWTH RATE | A/ NET ADDITIONS | 13 MONTH AVERAGE |
|------------|----|----------------------|--------------------------|------------------------|---------------------|
| 12/31/2005 | A/ | (1,951,879) | | -- | |
| 12/31/2006 | A/ | (1,971,756) | 1.02% | (19,877) | (1,795,051) |
| 12/31/2007 | A/ | (1,972,748) | 0.05% | (992) | (1,940,434) |
| 12/31/2008 | A/ | (2,244,906) | 13.80% | (272,158) | (1,972,996) |
| 12/31/2009 | A/ | (2,447,667) | 9.03% | (202,761) | (2,167,398) |
| 4/30/2011 | B/ | (2,642,501) | 5.97% | (194,834) | (2,339,923) |

A/ CGC response to Consumer Advocate DR #81.

B/ April 2011 amount grown at an annual rate of 5.97%.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 ACCRUED INTEREST ON CUSTOMER DEPOSIT SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

| | | INT ON | | |
|------------|----|-----------|---------|-----------|
| | | CUSTOMER | PERCENT | 13 MONTH |
| DATE | | DEPOSITS | GROWTH | AVERAGE |
| 12/31/2005 | A/ | (848,333) | | |
| 12/31/2006 | A/ | (553,961) | -34.70% | (724,463) |
| 12/31/2007 | A/ | (567,072) | 2.37% | (566,235) |
| 12/31/2008 | A/ | (591,288) | 4.27% | (581,038) |
| 12/31/2009 | A/ | (621,677) | 5.14% | (606,300) |
| 4/30/2011 | B/ | (671,162) | | (654,561) |

A/ CGC response to Consumer Advocate DR #82.

B/ April 2011 amount grown at an annual rate of 5.97%.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 ACCUMULATED DEPRECIATION SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

RB-ACC DEP

| | C/ BEGINNING BALANCE | DEPRECIATION EXPENSE | B/ NET COST OF REMOVAL | D/ RETIREMENTS | A/ ENDING BALANCE |
|------------------------|----------------------------|-------------------------|------------------------------|-------------------|-------------------------|
| | 2009 \$ 90,680,314 | | | | \$ 90,680,314 |
| DECEMBER | 2010 | 524,165 | (2,438) | (104,804) | 91,097,237 |
| JANUARY | | 524,648 | (10,725) | (104,804) | 91,506,356 |
| FEBRUARY | | 525,833 | (6,747) | (104,804) | 91,920,638 |
| MARCH | | 527,704 | (10,993) | (104,804) | 92,332,546 |
| APRIL | | 392,815 | (7,716) | (104,804) | 92,612,841 |
| MAY | | 394,426 | (6,456) | (133,622) | 92,867,188 |
| JUNE | | 396,221 | (1,523) | (104,804) | 93,157,082 |
| JULY | | 398,051 | (5,669) | (104,804) | 93,444,660 |
| AUGUST | | 399,150 | (6,113) | (104,804) | 93,732,893 |
| SEPTEMBER | | 399,863 | (9,632) | (104,804) | 94,018,320 |
| OCTOBER | | 400,493 | (9,442) | (104,804) | 94,304,567 |
| NOVEMBER | | 400,797 | (8,290) | (104,804) | 94,592,270 |
| DECEMBER | | 401,101 | (1,588) | (113,306) | 94,878,477 |
| JANUARY | 2011 | 400,968 | (9,875) | (113,306) | 95,156,264 |
| FEBRUARY | | 400,963 | (5,897) | (113,306) | 95,438,023 |
| MARCH | | 401,049 | (10,143) | (113,306) | 95,715,623 |
| APRIL | | | | | |
| THIRTEEN MONTH AVERAGE | | | | | \$ 94,019,289 |
| AGL SC ALLOCATED PLANT | | | | | 2,350,764 E/ |
| TOTAL | | | | | \$ 96,370,052 |

A/ CGC Discovery Response to Consumer Advocate DR #69.

B/ CGC Discovery Response, FG DR #69-10.

C/ Consumer Advocate work papers E-DEP1 and EDEP2.

D/ CGC Discovery Response to Consumer Advocate DR #71 and CGC Discovery Response, FG DR #25-13.

E/ Consumer Advocate work paper RB-ACC-DEP1.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
ALLOCATED ACCUMULATED DEPRECIATION SUMMARY
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

RB-ACC DEP1

| | B/ BEGINNING BALANCE | DEPRECIATION EXPENSE | C/ RETIREMENTS | A/ ENDING BALANCE |
|-----------------------------|----------------------------|-------------------------|-------------------|-------------------------|
| DECEMBER | 2009 \$ 66,883,105 | | | \$ 66,883,105 |
| JANUARY | 2010 | 971,173 | (209,200) | 67,645,078 |
| FEBRUARY | | 986,182 | (209,200) | 68,422,060 |
| MARCH | | 1,001,191 | (209,200) | 69,214,051 |
| APRIL | | 1,016,200 | (209,200) | 70,021,051 |
| MAY | | 1,031,209 | (209,200) | 70,843,061 |
| JUNE | | 1,046,219 | (209,200) | 71,680,080 |
| JULY | | 1,061,242 | (209,200) | 72,532,122 |
| AUGUST | | 1,076,238 | (209,200) | 73,399,159 |
| SEPTEMBER | | 1,091,247 | (209,200) | 74,281,206 |
| OCTOBER | | 1,106,256 | (209,200) | 75,178,263 |
| NOVEMBER | | 1,115,209 | (209,200) | 76,084,272 |
| DECEMBER | | 1,128,286 | (209,200) | 77,003,358 |
| JANUARY | 2011 | 1,143,303 | (113,306) | 78,033,355 |
| FEBRUARY | | 1,158,191 | (113,306) | 79,078,240 |
| MARCH | | 1,173,079 | (113,306) | 80,138,013 |
| APRIL | | 1,187,967 | (113,306) | 81,212,674 |
| TOTAL | | | | |
| TN ALLOCATION FACTOR @3.12% | | | | \$ 75,344,989 3.12% |
| ALLOCATED ACC DEP | | | | \$ 2,350,764 |

A/ CGC Discovery Response to Consumer Advocate DR #70.
B/ Consumer Advocate work papers E-DEP3 and EDEP4.
C/ CGC Discovery Response to Consumer Advocate DR #72 and CGC Discovery Response, FG DR #71-1.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
CONSUMER ADVOCATE AND PROTECTION DIVISION
ACCUMULATED DEFERRED TAX SUMMARY
CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
FOR THE ATTRITION YEAR ENDED APRIL 30, 2011

RB-DEF TAX

| | <u>BALANCE</u> | |
|---------------|----------------|----|
| DECEMBER 2009 | 22,613,306 | A/ |
| JANUARY 2010 | 22,732,289 | A/ |
| FEBRUARY | 22,851,272 | A/ |
| MARCH | 22,970,254 | A/ |
| APRIL | 23,089,237 | A/ |
| MAY | 23,202,792 | A/ |
| JUNE | 23,316,346 | A/ |
| JULY | 23,429,900 | A/ |
| AUGUST | 23,543,455 | A/ |
| SEPTEMBER | 23,657,009 | A/ |
| OCTOBER | 23,770,564 | A/ |
| NOVEMBER | 23,884,118 | A/ |
| DECEMBER | 23,997,672 | A/ |
| JANUARY 2011 | 24,111,227 | A/ |
| FEBRUARY | 24,224,781 | A/ |
| MARCH | 24,338,336 | A/ |
| APRIL | 24,451,890 | A/ |

TENNESSEE AVG DEF. TAX \$23,770,564

A/ CGC response to Consumer Advocate DR #84.

Appendix A

- a. Budget Re-Payment Plans. The Company shall establish and implement a process to offer a budget re-payment plan to its customers to pay for any past due amounts and any associated charges. Specifically, the Company shall provide their customers with the opportunity (and promote the budget re-payment plan program) to pay the past due bill, including returned check fees and other charges, disconnection and reconnection charges in a payment plan, with no interest, over no less than a three (3) month billing cycle. The Company shall be ordered to only require that the customer pay the first installment payment in order to have service restored. The Company would not be required to provide customers utilizing a payment plan a second payment plan for a full calendar year from the date the first initial payment plan is implemented. Provided however, if a customer or household member of the customer is able to demonstrate a unique financial distress situation or the customer is disabled or a member of the customer's household is disabled, the Company shall be required to again consider permitting the customer to have additional installment plan(s) during the same calendar year. If a customer on a payment plan fails to pay a monthly installment as per the terms of the plan and is more than fifteen (15) business days late on any payment, then the customer's service is subject to disconnection and all past due charges in addition to disconnect/reconnect fees would be due and payable prior to having service restored. The Company shall be required to provide all the same disconnection notices required for any disconnection prior to disconnecting the customer.
- b. Clear Notice of Returned Check Fees. The Company shall provide a clear and conspicuous notice of any returned check fee charge and other charges and fees, including the amount of the charge, on its monthly billings to customers.
- c. Ability to Waive Fees. The Company shall implement and establish a process to permit waiving all fees associated with late payment including, but not limited to, disconnection, reconnection, and late fees, in special circumstances such as financial distress or for disabled customers, family members of customers or customers with a unique situation.
- d. Alternate Address Notification. The Company shall establish and implement a process to permit and notify customers of the opportunity to provide an alternate address for notification of a potential disconnection. If a customer has provided such an alternate address, the Company shall be required to provide the required notice of disconnection to that address in addition to the customer's primary billing address.