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Before the

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TENNESSEE REGULATORY AUTHORITY

T.R.A. DOCKET ROOM

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

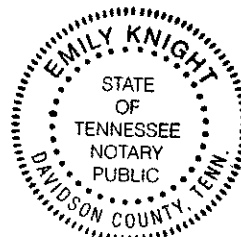
AFFIDAVIT

I, John Hughes, Regulatory Analyst, for the Consumer Advocate and Protection 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.


JOHN HUGHES

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

Before the
TENNESSEE REGULATORY AUTHORITY

IN RE:)	
)	
PETITION OF CHATTANOOGA GAS)	
COMPANY FOR APPROVAL OF ITS)	
RATES AND CHARGES, MODIFICATION)	DOCKET NO. 09-00183
OF ITS RATE DESIGN, AND REVISED)	
TARIFF)	

DIRECT TESTIMONY
OF
JOHN HUGHES

March 10, 2010

INTRODUCTION

Q. Please state your name for the record.

A. My name is John Hughes.

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 financial accounting industry?

A. Before my current employment with the Office, I was employed in all phases of Public Accounting. I have practiced in Tennessee and Florida for seventeen years. I have performed duties as a Staff Accountant, Auditor, Audit Manager, Accounting Manager, Financial Planner and Analyst, Corporate Controller and Tax Consultant. My most in depth area of concentration over my career is corporate audits and taxation.

Q. What is your educational background and what degrees do you hold?

A. I have a Bachelors Degree in Business Administration from the University of Pittsburgh, Pennsylvania, with a major in Accounting. I also have a Master of Business Administration Degree in Finance from Dowling College, Oakdale, New York. I am also a Tennessee Certified Public Accountant, and a Florida Certified Public Accountant. Further, I hold a license as a Certified Financial Planner, valid in all 50 states.

1 **Q. Would you briefly describe your responsibilities as a Regulatory**
2 **Analyst with the Consumer Advocate?**

3 A. I review tariffs and prepare testimony and financial exhibits in rate
4 proceedings as an employee with the Consumer Advocate.
5

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

7 A. The purpose of my testimony is to address five issues with the
8 forecasted financial exhibits prepared by Chattanooga Gas Company
9 ("CGC") for the attrition year ended April 30, 2011. The five issues I wish
10 to discuss are: (1) Incentive Plans, which are the Annual Incentive Plan
11 ("AIP"), the Long-Term Incentive Plan ("LTIP"), and the Officer Incentive
12 plan ("OIP"); (2) Payroll Expenses (3) Bad Debt Expenses; (4)
13 Administrative and General Expenses; and (5) Taxes, Other Than Income.

14 For the sake of brevity, I will only address those areas where
15 significant, material differences exist between the Consumer Advocate and
16 CGC. The remaining differences are small, non-material differences
17 resulting mostly from the use of differing test years and the use of differing
18 growth and inflation factors.
19

20 **OPERATION AND MAINTENANCE EXPENSES:**

21

22 **Q. Explain the issue of Incentive Plans**

23 A. CGC has included \$556,071¹ of incentive plan compensation in its
24 results of Operations for the year ended April, 30. 2011. Simply put,
25 Incentive Plans are financial awards to certain officers and employees of

¹ CGC response FG #51

1 CGC and its parent company, AGL Resources, Inc. In large part, the
2 financial awards are based on the earnings of the company. CGC has
3 disclosed three separate Incentive Plans: (1) AIP; (2) LTIP; and (3) OIP.
4

5 **The AIP Plan**

6 The AIP plan resulted in the company compensating employees by
7 \$488,007² during the year ended December 31, 2009. The AIP plan is based
8 on three (3) performance components: Corporate Performance, Business
9 Unit Performance, and Individual Performance. Corporate Performance is
10 based solely on earnings per share goals. Business Unit Performance is
11 based on specific goals with respect to the financial performance of their
12 individual business unit. Individual Performance has two measures, 'what
13 you achieve' and 'how you achieve'.³ CGC will include approximately
14 \$421,071⁴ in compensation for employees for the AIP plan during the
15 attrition year, based on payroll growth.

16 In Tennessee Regulatory Authority ("TRA" or "Authority") Docket
17 No. 96-00977⁵, the TRA allowed 50% of certain incentive plan costs to be
18 charged to ratepayers and 50% to be charged to stockholders. In reaching
19 their decision, the TRA held that both the Nashville Gas stockholders and
20 the ratepayers benefited from increased performance and efficiencies from
21 individual employees and the cost should be borne by both parties
22 accordingly.⁶ Based on this precedent, the cost of any Incentive Plan that
23 does not benefit the ratepayers should be borne entirely by the shareholders.

² Consumer Advocate DR 54-1

³ TRA Docket 06-00175, 11/20/2006

⁴ CGC response FG # 51

⁵ *In Re Nashville Gas Company*, 175 P.U.R. 4th 347 (February 19, 1997).

⁶ *Id.*

1 The current AIP plan serves the interests of both ratepayers and
2 stockholders. Therefore, relying on the past precedent set in Docket No.
3 96-00977, the Consumer Advocate urges the TRA to allow only 50% of AIP
4 compensation to be charged to ratepayers. This amount would calculate to
5 be \$210,536 for the attrition period year ending April 30, 2011.
6

7 **The LTIP and OIP Plans**

8 The LTIP plan, for which the company compensated employees
9 \$135,000⁷ during the year ended April 30, 2011, is based on up to
10 twenty-three different financial performance measures, all of which are
11 “based solely on earnings per share goals”.⁸

12 Based on the above cited amount for the year ended December 31,
13 2009, the attrition year amount would grow to be approximately \$138,000,
14 based on payroll growth from customer growth increases and inflation.

15 Because there is no mechanism under the LTIP for CGC’s ratepayers
16 to share in these increased earnings, CGC’s employees and stockholders will
17 reap *all* of the financial rewards of these higher earnings.

18 As cited above in TRA Docket No. 96-00977, because the current
19 LTIP rewards only employees and stockholders, all LTIP costs should be
20 disallowed. Therefore, the Consumer Advocate, based on past precedent,
21 urges the disallowance of all of the proposed LTIP compensation.

22 The OIP is “the granting of stock options and the awarding of
23 restricted stock.”⁹ The granting of the ‘award’ is determined by the
24 Compensation Committee of the Board of Directors of the Company:

⁷ Consumer Advocate DR 54-1

⁸ TRA Docket 06-00175, 11/20/2006

⁹ TRA Docket 06-00175, 11/20/2006

1
2 In making Officer Incentive Plan award decisions, the
3 Compensation Committee may take into account the
4 nature of services to be rendered by the Eligible
5 Employee, the Eligible Employee's potential contribution
6 to the Company's success and such other factors as the
7 Committee, in its sole discretion, may deem relevant.¹⁰

8
9 Since ratepayers are the sole source of CGC's regulated earnings, both
10 the LTIP and OIP plans are circular ones whose success is built into this
11 docket. Basically, CGC has proposed rewarding their employees and
12 stockholders for merely increasing natural gas rates charged to ratepayers.
13 Of note, utility incentive plans have been recently limited or disallowed in
14 Louisiana, Kentucky, Idaho, Connecticut, Illinois and Oklahoma.¹¹

15 Specifically, In *Entergy Louisiana, Inc., Ex Parte*, 2005 WL 372935
16 (May 25, 2005), the Commission disallowed the recovery of Entergy's Long
17 Term Incentive Compensation Plan, stating that the bonuses were unrelated
18 to any benefits to the ratepayer. The Commission reasoned that
19 shareholders, and not customers, should bear the cost of the incentive
20 payments because such bonuses were not directly linked to matters such as
21 rate stability, service quality, outage reductions, and minimizing length of
22 outages, reductions in numbers of complaints and other such rate and
23 service-related matters.¹²

¹⁰TRA Docket 06-00175, 11/20/2006

¹¹*Entergy Louisiana, Inc., Ex Parte*, 2005 WL 372935 (Ma7 25, 2005); *Commonwealth Edison Co. v. Illinois Commerce Commission*, 2009 WL 3048420 (September 17, 2009); *In re Public Service Co. of Oklahoma*, 270 P.U.R. 4th 205 (January 14, 2009); *In re United Water Idaho Inc.*, 2005 WL 3091674 (September 20, 2005); and *In re Kentucky-American Water Co.*, 2005 WL 1080806 (March 30, 2005).

¹²*Entergy Louisiana, Inc., Ex Parte*, 2005 WL 372935 (Ma7 25, 2005).

1 The Illinois Court of Appeals also recently disallowed the portion of
2 the incentive program that attributes benefits solely to shareholders,
3 specifically the portion tied to “Earnings Per Share”, stating, “the very term
4 earnings per share provided a connotation of benefits for shareholders, rather
5 than for ratepayers.”¹³

6 Similarly, the Oklahoma Commission also disallowed the costs of
7 long-term incentive compensation programs that result in payments based on
8 financial goals that benefit shareholders alone.¹⁴

9 Following this trend in precedent, there is no reasonable basis to
10 charge the cost of the LTIP and the OIP plans to ratepayers, because the
11 benefits of the programs will accrue entirely to CGC’s employees and
12 shareholders and all of the proposed program’s burden will be charged
13 directly to ratepayers. As a result, these amounts have been excluded from
14 the Consumer Advocate’s calculations and should be borne solely by the
15 beneficiaries of the plan, CGC’s shareholders.

16 If CGC’s employees are successful in increasing the Company’s
17 earnings, even to the point of earning above the authorized rate of return set
18 by the TRA, CGC will reward its employees for this effort through the LTIP
19 and the OIP. In such a case, ratepayers would not only be unreasonably
20 burdened by the over-earnings, but under CGC’s proposal, they also would
21 have to pay an “over earnings surcharge” in the form of the LTIP and OIP.
22 The Consumer Advocate does not object if CGC wants to reward it’s
23 employees for increasing its earnings from regulated operations; however,
24 the cost of these rewards should be charged to those that benefit from the
25 LTIP & the OIP — the Company’s shareholders — not the ratepayers. In

¹³*Commonwealth Edison Co. v. Illinois Commerce Commission*, 2009 WL 3048420 (September 17, 2009).

1 essence, CGC's plan requires ratepayers to pay bonuses to the Company's
2 employees for collecting windfall profits for the shareholders. It is not
3 reasonable to ask ratepayers to pay the costs of such a plan. The major
4 amount of bonuses paid in this case turns solely on the Company's profits
5 (as opposed to service quality benchmarks, etc.).

6 Therefore, in accordance with the TRA's established precedent,
7 CGC's ratepayers should not have to pay for the \$135,000 LTIP and the OIP
8 incentive plans designed to benefit only the shareholders. The Consumer
9 Advocate urges the TRA to disallow the entire costs of both the LTIP
10 incentive plan and the OIP incentive plan, and allow only 50% of the AIP
11 incentive plan costs to be charged to ratepayers in this case.

12 However, should the TRA move toward a revenue decoupling
13 mechanism in this docket (09-00183), the AIP plan would be even more
14 burdensome to ratepayers from the AIP costs. The decoupling concept
15 essentially *guarantees* a return to the company and its stockholders, thereby
16 removing any financial benefit to ratepayers. In that case, the Consumer
17 Advocate urges the denial of the entire AIP cost. Thereby, making the
18 stockholders pay for the entire cost of all incentive plans.

19
20 **PAYROLL EXPENSES:**

21
22 **Q. Please explain the difference in calculation of Payroll Expenses.**

23 A. CGC states that the base salary and hourly payroll in the test year
24 ended June 30, 2009 are \$1,996,287.¹⁵ The premium payroll (overtime and

¹⁴ *In re Public Service Co. of Oklahoma*, 270 P.U.R. 4th 205 (January 14, 2009).

¹⁵ TRA FG - 44

1 beeper pay) for the same period is \$346,996.¹⁶ During the attrition year,
2 CGC states that base salary and hourly payroll is \$2,054,175¹⁷ and CGC's
3 worksheets indicate that premium payroll will be only \$279,746. Using the
4 test period ending December 31, 2009, the Consumer Advocate calculates
5 that the attrition year premium pay will be \$364,910,¹⁸ and the Consumer
6 Advocate's attrition year payroll expense is \$2,198,645.¹⁹ As a result of
7 using a differing test year, the Consumer Advocate's payroll expense is
8 \$51,169 higher than CGCs.

9
10 **BAD DEBT EXPENSES:**

11
12 **Q. Please explain the difference in the calculation of Bad Debt Expenses.**

13 **A.** CGC states that accruals for Bad Debts during the test year are
14 \$370,936²⁰, but the actual net write-off of Bad Debt Expense is \$235,930²¹,
15 which is a 36.4% reduction from the allowance. Identifying overdue
16 accounts in the collections process is quite different from including the bad
17 debt allowance to be charged to the ratepayers. During the attrition year,
18 CGC has forecasted \$297,462 for the bad debt allowance.²² However, the
19 actual write-off amount will be closer to \$189,197, based on the use of the
20 test year percentage. This is a reduction of 36.4%, which is consistent with
21 CGC's actual write-off during the test year.

22 The entire concept of using a 'test year' is to eliminate, as much as

¹⁶ TRA FG - 44

¹⁷ TRA FG - 44

¹⁸ Consumer Advocate work paper E-PAY 2

¹⁹ Consumer Advocate work paper E-PAY 2

²⁰ Consumer Advocate DR 64-1

²¹ Consumer Advocate DR 64-1

²² Consumer Advocate DR 64-1

1 possible, the use of estimates. An allowance is an estimate of future
2 expense. In this case, we have very recent December 31, 2009 test year
3 data, making an attrition year bad debt expense calculation much more
4 predictable.

5 Therefore, the Consumer Advocate urges the TRA to reduce the
6 amount allowed for Bad Debt Expense by 36.4%, or \$108,265, to the level
7 of CGC's actual bad debts for the test year. This amounts to a decrease in
8 bad debt expense from \$235,930 to \$189,197, a \$46,733 reduction from the
9 test year to the attrition year.

10 11 **ADMINISTRATIVE & GENERAL EXPENSES**

12
13 **Q. Please discuss your calculation of Administrative and General**
14 **Expenses:**

15 A. CGC has calculated an attrition year total for Administrative and
16 General Expenses of \$993,498²³. The Consumer Advocate has calculated an
17 attrition year total of \$896,951²⁴. This is a reduction of \$96,541 from the
18 CGC Administrative and General budget. The amount of this reduction is
19 material even after allowing greater increases in nearly half of CGC's
20 attrition year budgets (for Workers' Compensation Insurance, Postage,
21 Jobbing Charges, Stores-Other, Development and Training Accounting,
22 Association & Club Dues Comp, Meals & Entertainment, Taxes & Licenses,
23 Uniforms, Bank Service Charges, and General Business Insurance) than
24 CGC's attrition year budget shows.²⁵ This reduction is due to the use of

²³ Consumer Advocate DR 64-1

²⁴ Consumer Advocate work paper E-A&G

²⁵ Consumer Advocate work paper E-A&G

1 more recent, less stale, test year data ending December 31, 2009, versus the
2 older test year data ending June 30, 2009, used by CGC.

3 CGC has budgeted \$212,781 for Regulatory Commission Expense²⁶
4 during the attrition year, which is a **143% increase** over the amount
5 budgeted in the test year. In all other expenses in the Administrative &
6 General Budget, the test year data is expanded based on inflation and
7 growth. The Consumer Advocate proposes using one-half of the rate case
8 expense proposed by CGC, which amounts to \$106,536.

9 In TRA Docket No. 08-00039²⁷, the Consumer Advocate argued that
10 “much of the Company’s costs associated with these (rate making) dockets
11 are incurred for the protection of the shareholders’ interests, while being
12 assessed to the ratepayer.”²⁸ The TRA panel voted to allow 50% of the rate
13 case expense to be paid by the ratepayers, and 50% to be paid by
14 shareholders in that docket.

15 The Consumer Advocate urges the TRA to follow the ruling precedent
16 established in Docket No. 08-00039 by disallowing 50% of the Regulatory
17 Commission Expense proposed by CGC, which represents the benefit
18 received by CGC’s shareholders. Further, the Consumer Advocate urges
19 the TRA to base the total Regulatory Commission Expense on the Consumer
20 Advocate’s proposed \$106,536 attrition year amount.

21
22 **Q. Please discuss you calculation of Taxes, other than income taxes.**

23 **A.** The primary difference between the Consumer Advocate and CGC is
24 the forecast of Property Taxes. In calculating Property Taxes, the

²⁶ Consumer Advocate DR 64-1

²⁷ Petition of Tennessee American Water Company, TRA Docket # 08-00039, R. Buckner Direct, 7/18/2008

²⁸ TRA Docket 06-00175, 11/20/2006

1 Consumer Advocate used the more recent, less stale, test period data for the
2 test year ended December 31, 2009. As a result of this more recent data,
3 full year 2009 tax bills were available. Rather than using 2008 calendar
4 year taxes, this newer tax data allowed the Consumer Advocate to calculate
5 that 2009 property taxes were 0.6776% of the Gross Plant Balance on
6 December 31, 2009.²⁹ Using this lower, more accurate, and more recent
7 percentage, the Consumer Advocate was able to calculate the estimated
8 property taxes for calendar year 2010 to be \$1,296,949, based on a known
9 2009 year end Gross Plant Balance of \$191,407,929, and estimated property
10 taxes for calendar year 2011 to be \$1,345,502, based on an estimated 2010
11 calendar year end Gross Plant Balance of \$198,573,567.³⁰ By taking eight
12 months of the 2010 tax calculation and four months of the 2011 tax
13 calculation, the estimated attrition year property taxes are \$1,313,133.
14 Adding the leased property and stored gas inventory property taxes, the total
15 property tax for the attrition year is \$1,603,581.³¹ This amount is \$124,022
16 less than CGC's attrition year amount.³²

17 As a result, the Consumer Advocate urges the Property Tax portion of
18 Taxes, Other than Income Taxes, be lowered by \$129,280 to reflect the use
19 of more recent and more accurate test year data.
20

21 **Q Please summarize your recommendations.**

22 A. First, the Consumer Advocate recommends the inclusion of only 50%
23 of the AIP costs and the rejection of all LTIP and OIP incentive plan costs,
24 because the plans are designated for the benefit of shareholders, not

²⁹ Consumer Advocate work paper T-OTAX-1

³⁰ Consumer Advocate work paper T-OTAX-1

³¹ Consumer Advocate work paper T-OTAX-1

1 ratepayers. If the Authority moves toward decoupling, then the Consumer
2 Advocate recommends the exclusion of the entire AIP, LTIP and OIP costs.

3 Second, the Consumer Advocate calculates that CGC's provision for
4 premium payroll during the attrition year needs to be increased \$51,169
5 based on test year data.

6 Third, the Consumer Advocate recommends the inclusion of only the
7 actual bad debt expenses experienced by the company and not the
8 allowance. The entire concept of using a 'test year' is to eliminate, as much
9 as possible, the use of estimates. An allowance is an estimate of future
10 expense. In this case, we have very recent December 31, 2009 test year
11 data, making an attrition year bad debt expense much more predictable.

12 Fourth, the Consumer Advocate recommends the Regulatory
13 Commission Expense in the Administrative & General Budget amount be
14 one-half of CGC's forecasted rate case costs amortized over a three year
15 period based on TRA precedent in Docket No. 08-00039.

16 Fifth, the Consumer Advocate recommends the use of more recent
17 and accurate property tax estimates and a resulting reduction in property tax
18 estimates in the attrition year .
19

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

21 **A.** Yes, it does.
22
23
24

³² Consumer Advocate DR 64-1

Before the
TENNESSEE REGULATORY AUTHORITY

IN RE:)	
)	
PETITION OF CHATTANOOGA GAS)	
COMPANY FOR APPROVAL OF ITS)	
RATES AND CHARGES, MODIFICATION)	DOCKET NO. 09-00183
OF ITS RATE DESIGN, AND REVISED)	
TARIFF)	

**WORK PAPERS
OF
JOHN HUGHES**

March 10, 2010

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

LINE	WORK PAPER DESCRIPTION	WORK PAPER #	PAGES#
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4	Salary & Wage Priceout Summary- Wage	E-PAY 2	P5-6-7
5	Employee Benefits Expense Summary	E-BENEFITS	P8
6	Employee Benefits Expense Capitalization Summary	E-BEFEIFTS-CAP	P9
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8	Outside Services Expense Summary	E-OUTSIDE	P11
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12	Administrative & General Expense Summary	E-A&G	P15
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14	Other Distribution & Storage Allocation Summary	E-DIST	P17
17	AGL Services Company Expense Summary	E-AGL-SER	P18
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OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 OPERATING EXPENSE RECONCILIATION SUMMARY
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 2011

E-O&M SUM

Line #	Description	A/ (1) CGC TEST YR 12 MONTHS 06/30/09	B/ (2) 12 MONTHS 12/31/09	C/ (3) CGC ATTRITION YEAR 12 MONTHS 04/30/11	D/ (4) CAPD ATTRITION YR	(5) CGC -CAPD ATTR YR \$ DIFFERENCE	(6) CGC -CAPD ATTR YR % DIFFERENCE
1	Payroll Expenses	\$ 2,048,739	\$ 2,120,539	\$ 2,147,476	\$ 2,199,963	(52,487)	-2.39%
2	Employee Benefits	788,190	738,290	1,270,641	1,201,530 ok	69,111	5.75%
3	Benefits Capitalized	(46,367)	(40,168)	(101,369)	(92,776) ok	(8,593)	9.26%
4	Fleet Services and Facilities Expense	844,524	816,236	861,624	833,649 ok	27,975	3.36%
5	Outside Services	1,706,740	1,412,574	1,468,230	1,442,709 ok	25,521	1.77%
6	Bad Debt Expenses	335,913	370,936	297,642	189,197 ok	108,445	57.32%
7	Sales Promotion Expense	22,549	45,703	23,006	13,918 ok	9,088	65.30%
8	Customer Service and Account Expense	5,176	5,806	5,280	5,930 ok	(650)	-10.96%
9	Administrative and General Expenses	852,708	876,397	993,498	880,005 ok	113,493	12.90%
10	Admin. & Gen. Salaries & Exp. Capitalized	(33,772)	(37,860)	(34,456)	(38,668) ok	4,212	-10.89%
11	Other Distribution and Storage Expense	495,824	545,154	574,178	625,098 ok	(50,920)	-8.15%
	AGL Services Company Allocations	4,184,368	4,908,973	4,516,810	4,743,331 ok	(226,521)	-4.78%
13	TOTAL OPERATIONS & MAINT. EXPENSE	\$ 11,204,592	\$ 11,762,580	\$ 12,022,560	\$ 12,003,886	\$ 18,674	0.16%
14	Taxes Other Than Income Taxes						
15	Property Taxes	2,857,314		1,727,603	1,603,581 ok	124,022	7.73%
16	Gross Receipts Tax	922,124		698,074	699,928 ok	(1,854)	-0.26%
17	Franchise Tax Fees	589,980		666,172	310,947 ok	355,225	114.24%
18	TRA Inspections Fees	120,732		285,537	285,537 ok	0	0.00%
19	Payroll Taxes	177,065		206,959	173,560 ok	33,399	19.24%
20	Payroll Taxes Capitalized	(15,755)		(16,511)	\$ (14,215) ok	(2,296)	16.15%
21	Allocated Taxes Other Than Income	132,186		142,688	142,688	0	0.00%
22	Total Taxes Other Than Income Taxes	\$ 4,783,646		\$ 3,710,522	\$ 3,202,026	\$ 508,496	15.88%
14	Annual Percent Change		4.98%				
15	Cumulative Percent Change		4.98%	7.30%	7.13%		

A/ Exhibit RDH-2

B/ CGC response to Consumer Advocate DR #64-1.

C/ CGC response to Consumer Advocate DR #64-2.

D/ Consumer Advocate work papers.

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

E-PAY SUMMARY

	<u>PAYROLL (CAPD)</u>	<u>D/ CGC</u>	<u>DIFFERENCE</u>
SALARIED EMPLOYEES	\$ 295,238 A/		
HOURLY EMPLOYEES	2,083,473 B/		
TOTAL	<u>\$ 2,378,711</u>	<u>\$ 2,333,650</u>	<u>\$ 45,060</u>
CAPITALIZATION %	7.57% C/	7.9779%	-0.4080%
CAPITALIZED PORTION	<u>180,066</u>	<u>186,174</u>	<u>(6,109)</u>
EXPENSED PORTION	<u>\$ 2,198,645</u>	<u>\$ 2,147,476</u>	<u>\$ 51,169</u>

A/ Consumer Advocate work paper E PAY1.

B/ Consumer Advocate work paper E PAY2, Page 2 of 2.

C/ CGC response to Consumer Advocate DR#37 and DR #42.

D/ CGC MFR #25-11.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 SALARY AND WAGE PRICEOUT - SALARY EMPLOYEES
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 2011

E-PAY -1

A/ YEARLY SALARY										
A/ EMP #	AT 12/31/09	JAN 10	FEB 10	MAR 10	APR 10	MAY 10	JUN 10	JUL 10	AUG 10	SEP 10

CONFIDENTIAL

\$285,213

A/ CGC response to Consumer Advocate DR #38-1.

E-PAY1

	ATTRITION PERIOD				BASE YR	DIFF
					PAY	DOLLARS
OCT 10	NOV 10	DEC 10	JAN 11	FEB 11	MAR 11	APR 11

CONFIDENTIAL

TOTAL SALARY ATTRITION PERIOD PAY

\$ 295,237

0.0000%

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 SALARY AND WAGE PRICEOUT - HOURLY WAGE EMPLOYEES
 CHATTANOOGA GAS COMPANY TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 2011

CALC BASE WAGES JAN 10	CALC BASE WAGES FEB 10	CALC BASE WAGES MAR 10	CALC BASE WAGES APR 10	CALC BASE WAGES MAY 10	CALC BASE WAGES JUN 10	CALC BASE WAGES JUL 10	CALC BASE WAGES AUG 10	CALC BASE WAGES SEP 10	CALC BASE WAGES OCT 10	CALC BASE WAGES NOV 10	CALC BASE WAGES DEC 10	CALC BASE WAGES JAN 11	CALC BASE WAGES FEB 11	CALC BASE WAGES MAR 11	CALC BASE WAGES APR 11
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CONFIDENTIAL

A/ CGC response to Consumer Advocate DR #35-1.
 B/ CGC response to Consumer Advocate DR #36-1.

E-PAY2

[illegible]

CONFIDENTIAL

[illegible]

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

E-BENEFITS

ACCOUNT #	ACCOUNT DESCRIPTION	A/ DIRECT 12/31/09 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
670530	Retirement Savings Plus Plan	84,312	1,349	450	86,111
670500	Group Insurance Medical	410,834	6,573	2,191	419,598
670515	HSA Employer Contributions	2,000	32	11	2,043
670501	Health Benefits Offset	13,590	217	72	13,880
670502	Flex Benefits Deductions	(119,687)	(1,915)	(638)	(122,240)
670503	Other Post Retirement Benefits	167,771	(253)	(84)	103,277 E/
670505	Flex Vacation Deductions	(15,795)	(253)	(84)	(16,132)
670590	AIP Bonus	198,454	3,175	1,058	67,679 D/
670594	Other/Sales Bonuses	(7,746)	(124)	(41)	(7,911)
670520	Physicals	877	14	5	896
670525	Miscellaneous Benefits	1,443	23	8	1,474
670540	Short-Term Disability	13,817	221	74	14,112
670450	Pensions	(11,581)	-	-	638,744 E/
Total		738,290	9,314	3,105	1,201,530

A/ CGC response to Consumer Advocate DR #64.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

D/ CGC response to FG 25-7 times 50%.

E/ CGC response to FG 25-6.

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

E-BENEFITS-CAP

ACCOUNT DESCRIPTION	A/		B/	
	ATTR YR	CAP	ATTR YR	CAPITALIZATION
AMOUNTS	RATE			
670530 Retirement Savings Plus Plan	86,111	7.57%	(6,519)	
Insurance Benefits	313,281	7.57%	(23,715)	
670503 Other Post Retirement Benefits	103,277	7.57%	(7,818)	
670590 AIP Bonus	67,679	7.57%	(5,123)	
Other Benefits	16,482	7.57%	(1,248)	
670450 Pensions	638,744	7.57%	(48,353)	
Total	1,225,574		(92,776)	

A/ CGC response to Consumer Advocate DR #64

B/ Consumer Advocate Workpaper E-PAY SUMMARY

C/ A * B

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

E-FLEET

<u>ACCOUNT #</u>	<u>ACCOUNT DESCRIPTION</u>	<u>A/ DIRECT 12/31/09 AMOUNTS</u>	<u>B/ INFLATION FACTOR</u>	<u>C/ GROWTH FACTOR</u>	<u>ATTR YR AMOUNTS</u>
670140	Fleet Fuel Expense	94,624	1,514	505	96,643
670147	Lease Fleet Equipment	86,352	1,382	461	88,195
670148	Operate and Maintain Fleet Eq	66,338	1,061	354	67,753
670050	Utilities	359,223	5,748	1,916	366,886
670170	Security	7,611	122	41	7,773
670551	Operate Cell Phone	24,483	392	131	25,005
670900	Facilities Rent/Lease Expenses	193,765	3,100	1,033	197,899
671021	Fleet Capitalization	(16,161)	(259)	(86)	(16,505)
	Total	816,236	13,060	4,353	833,649

A/ CGC response to Consumer Advocate DR #64.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

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

E-OUTSIDE

ACCOUNT#/ DESCRIPTION	A/ DIRECT 12/31/09 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
620040 Outside Services - LNG Storage	2,950	47	16	3,013
640204 Perform 3Year Survey-Contracto	5,366	86	29	5,480
640206 Perform 5-Year Survey-Contract	88,606	1,418	473	90,496
640211 Perform Survey-Bus Dist Cont	31,990	512	171	32,673
640213 Perform Survey Trans.Pipe Cont	1,102	18	6	1,126
640215 Perform Leak Sur. Other Cont	7,902	126	42	8,071
640219 Right of Way Upkeep Contractor	47,750	764	255	48,769
640233 Locate Mains and Svcs- Cont.	399,258	6,388	2,129	407,775
640608 Activate Meter- Contractor	-	0	0	0
640704 PT Meter Change Contractor	-	0	0	0
640706 No Gas AGLC Work-Contractor	7,400	118	39	7,558
645210 Repair and Maintain Mains Cont	11,462	183	61	11,707
645211 Maintenance of Main Paving	52,842	845	282	53,969
645215 Repair Damage Mains-Contractor	422	7	2	431
645401 Maintain Reg. Stations- Cont	2,212	35	12	2,259
645502 Maint. Meter SetsandReg. ProCont	11,695	187	62	11,945
645710 Maintenance of Services-Contra	701	11	4	716
645711 Maintenance of Service Paving	13,559	217	72	13,849
650103 Meter Reading- Itron-Contracto	(0) D/	(0)	(0)	(0)
670200 Outside Svcs Employed	22,340	357	119	22,817
670201 Outside Svc. -Printing	434	7	2	444
670202 Outside Services Info Tech	71,971	1,152	384	73,506
670402 Outside Legal Services	559,518	8,952	2,984	571,455
670403 Miscellaneous Legal Services	18,961	303	101	19,366
670850 Outside Services -Facilities	54,132	866	289	55,286
Total	1,412,574	22,601	7,534	1,442,709

A/ CGC response to Consumer Advocate DR #64.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

D/ CGC response to Consumer Advocate DR #46-1.

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

E-BAD DEBT

ACCOUNT DESCRIPTION	(1)	(2)	(3)	(4)		(5)		(4) - (5) CAPD - CGC ATTR Y 04/30/11 DIFFERENCE
	A/ DIRECT 12/31/09 AMOUNTS	B/ DIRECT WRITE-OFF 12/31/09 AMOUNTS	PERCENT DIFFERENCE DIRECT VS. WRITEOFF	/C CGC ATTR YEAR 04/30/11 WRITEOFF	ATTR YR 04/30/11 WRITEOFF			
650700 Uncollectible Acct	352,522	235,711		266,659	169,605		97,054	
650701 Uncollectible Accts - Damages	18,414	218		30,803	19,592		11,211	
Total	370,936	235,929	63.60%	297,462	189,197		108,265	

A/ CGC response to Consumer Advocate DR #64.

B/ CGC response to Consumer Advocate DR #61-1, Accruals less net Write-Offs.

C/ CGC response to Consumer Advocate DR#64-1

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

E=SALES

ACCOUNT#/ DESCRIPTION	A/ DIRECT 12/31/09 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
660001 Residential Sales Promotion	30,553	489	163	31,205
660006 Marketing- Direct Mail and Email	694 D/	11	4	709
660012 Sponsorships Events/Tradeshows	650	10	3	664
660300 Marketing Expenses - General	8,259	132	44	8,435
660400 Vendor/Agency Support	(26,529)	(424)	(141)	(27,095)
Total	13,627	218	73	13,918

A/ CGC response to Consumer Advocate DR #64.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

D/ CGC response to Consumer Advocate DR#46-1,DR #46-3.

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

E=CUST

ACCOUNT #/DESCRIPTION	A/ DIRECT 12/31/09 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
650100 Meter Reading Enscan	2,285	37	12	2,333
650101 Meter Reading- Itron	3,098	50	17	3,164
650900 Misc Customer Acct Exj	424	7	2	433
Total	5,806	93	31	5,930

A/ CGC response to Consumer Advocate DR #64.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

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

E-A&G

ACCOUNT#/ DESCRIPTION	A/ DIRECT 12/31/09 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
670400 Injuries and Damages	31,267	500	167	31,934
670401 Workers Compensation Expense	34,329	549	183	35,061
670411 Legal Costs	60	1	0	61
670100 Office and Administrative	11,579	185	62	11,826
670104 Postage	262,873	4,206	1,402	268,481
670108 Jobbing Charges In/Out	0	0	0	0
670159 Scrap Materials	(1,053)	(17)	(6)	(1,076)
670165 Stores -Other	3,605	58	19	3,682
670102 Development and Training-Acctg.	2,352	38	13	2,403
670105 Operational Training	97	2	1	99
670106 Safety Training and Reg. Complia	4,629	74	25	4,728
670800 Association and Club Dues-Comp	45,699	731	244	46,673
670805 AssociationandClub Dues-Employee	5,880	94	31	6,006
670806 General Dues and Subscriptions	78	1	0	80
670855 Travel Expense	13,134	210	70	13,414
670856 Meals and Entertainment	4,115	66	22	4,203
670857 Meals and Entertainment 100 Percent	1,009	16	5	1,030
670911 Equipment Lease	31,409	503	168	32,079
670080 Tax and License	8,947	143	48	9,138
670122 Civic Participation-Commun Dev	15,000	0	0	0 D/
670127 Uniforms	13,904	222	74	14,200
670130 Bank Service Charges	86,498	1,384	461	88,344
670300 General Business Insurance	210,006	3,360	1,120	214,487
670700 Regulatory Commission Exp	87,486	1,400	467	106,536 E/F/
670840 Miscellaneous Expense	3,494	56	19	3,568
670841 Fines & Penalties	0	0	0	0
Total	<u>876,397</u>	13,782	4,594	<u>\$896,957</u>

A/ CGC response to Consumer Advocate DR #64.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

D/ CGC response to Consumer Advocate DR # 46

E/ CGC response to Consumer Advocate DR #79-1, one half of rate case costs.

F/ TRA Order in Docket 08-00039, Regulatory Expense, P. 24,25

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

E-A&G-CAP

ACCOUNT#/ DESCRIPTION	A/ DIRECT 12/31/09 AMOUNTS	B/ INFLATION FACTOR	C/ CUST GR FACTOR	ATTR YEAR 4/30/2011 AMOUNTS
670150 Admin & General Salaries - Capitalized	(35,957)	(575)	(192)	(36,724)
670160 Admin & General Expenses - Capitalized	(1,903)	(30)	(10)	(1,944)
Total	<u>(37,860)</u>	<u>(606)</u>	<u>(202)</u>	<u>(38,668)</u>

A/ CGC response to Consumer Advocate DR #64.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

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

E-DIST

<u>ACCOUNT#/ DESCRIPTION</u>	<u>A/ DIRECT 12/31/09 AMOUNTS</u>	<u>B/ INFLATION FACTOR</u>	<u>C/ GROWTH FACTOR</u>	<u>ATTR YR AMOUNTS</u>
625100 LNG Mnt-Struct/Improvements	0	0	0	68,314 D/
625300 LNG Mnt Purification Equip	4,147	66	22	4,236
625400 LNG Maint Liquefaction Equip	117,109	1,874	625	119,608
625500 LNG Mnt- of Vaporizing Equip	9,159	147	49	9,355
625600 LNG Mnt- of Compressor Equip	16,464	263	88	16,815
625900 LNG Mnt-Other Equip	72,701	1,163	388	74,252
645200 Repair and Maintain Mains	53,096	850	283	54,229
645214 Repair damage mains	4,904	78	26	5,008
645400 Maintenance Regulator Stations	11,593	185	62	11,840
645501 Maint. Meter Sets and Reg. Pro	4,969	80	27	5,075
645503 Repair Damage Service	726	12	4	741
645506 Repair Meter Sets and Reg. Re	16,978	272	91	17,340
645700 Maintenance of Services	24,655	394	131	25,181
675100 Maintenance of Facilities	9,921	159	53	10,132
675105 Software Maintenance	1,274	20	7	1,301
675106 Large Computer Equip Maint	1,369	22	7	1,398
675110 Maintenance Power Equipment	293	5	2	299
675120 Maintenance Hand Tools	9,870	158	53	10,081
675140 Maintenance of Office Equip	1,252	20	7	1,279
620050 LNG Operation	121,011	1,936	645	123,593
640300 Regulator Stations-Inspections	2,953	47	16	3,016
640605 Turn-off Service	621	10	3	634
640607 Activate Meter	1,815	29	10	1,854
640609 Relocate Service (Re-Route)	19,083	305	102	19,490
640611 RelocateService(Re-Route)-Cred	(28,464)	(455)	(152)	(29,071)
640701 Investigate Leaks	403	6	2	412
640703 PT Meter Change	3,277	52	17	3,347
640749 Distribution-Mat Mgt	63,973	1,024	341	65,338
Total	545,154	8,722	2,907	625,098

A/ CGC response to Consumer Advocate DR #64.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

D/ CGC Response FG 25-10

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

E=AGL SER

ACCOUNT#/ DESCRIPTION	A/ DIRECT 12/31/09 AMOUNTS	B/ INFLATION FACTOR	C/ GROWTH FACTOR	ATTR YR AMOUNTS
671008 Allocated Corp Compliance	113,761	1,820	607	116,188
671412 Allocated Bus Supt Facilities	321,470	5,144	1,715	328,328
671415 Allocated Supply Chain Mgmt	24,980	400	133	25,513
671417 Allocated Employee Services	220,049	3,521	1,174	224,743
671419 Allocated Executive - Corp	109,968	1,759	586	112,314
671421 Allocated External Relations - Corp	11,402	182	61	11,645
671422 Allocated Financial Services	286,424	4,583	1,528	292,535
671424 Allocated IS&T Base Serv - Corp	288,372	4,614	1,538	294,524
671425 Allocated Internal Auditing	36,803	589	196	37,588
671426 Allocated Investor Relations	6,312	101	34	6,447
671427 Allocated Legal	210,424	3,367	1,122	214,913
671429 Allocated Other Corporate	(39,937)	(639)	(213)	(40,789)
671434 Allocated Corporate Communications	65,894	1,054	351	67,300
671003 AGLR Alloc Executive - Dist	56,258	900	300	57,458
671004 Allocated Ext Relations-Dis Op	32,155	514	171	32,841
671416 Allocated Call Center	324,720	5,196	1,732	331,647
671005 Allocated Call Center Mgt	208,103	3,330	1,110	212,543
671103 Allocated Credit Collections	18,212	291	97	18,601
671018 Allocated Cust Serv Logistics	48,855	782	261	49,897
671104 Allocated Cust Serv Ovhd	52,447	839	280	53,566
671105 Allocated Emergency Response	59,864	958	319	61,141
671418 Allocated Engineering	172,455	2,759	920	176,134
671423 Allocated Gas Supply	174,838	2,797	932	178,568
671428 Allocated Marketing	65,907	1,055	352	67,313
671430 Allocated Rates & Regulatory	82,860	1,326	442	84,628
671446 Allocated Engineering - SOPS	17,750	284	95	18,128
671448 Allocated Executive - SOPS	110,787	1,773	591	113,151
671450 Allocated Ext Relations - SOPS	21,919	351	117	22,386
671451 Allocated Gas Supply - SOPS	50,273	804	268	51,346
671452 Allocated Marketing - SOPS	6,330	101	34	6,465
671403 Direct Assigned Chargeback	960,394	15,366	5,122	980,882
671400 IS&T Base Services - Corp	218,756	3,500	1,167	223,422
671401 IS&T Projects - Corp	6,886	110	37	7,033
671007 IS&T Projects AGLC CGC VNG	24,516	392	131	25,039
672520 IS&T Base Services - Dis Ops	460,946	7,375	2,458	470,780
672521 IS&T Projects Dis Ops	47,960	767	256	48,983
671024 Other Benefits Stock Awards	3,938	63	21	4,022
671013 AGSC DC Fleet Services	21,961	351	117	22,430
671032 AGSC DC Fleet Services SOPS	3,961	63	21	4,046
Total	<u>\$4,908,973</u>	<u>\$78,544</u>	<u>\$26,181</u>	<u>\$5,013,698</u>

A/ CGC response to Consumer Advocate DR #64-2.

B/ Consumer Advocate work paper E-GDP, 1.6% for 16 months growth.

C/ Consumer Advocate work paper R-CUST TREND, one half of .80% annual billing growth.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 CGC - AGL SERVICES COMPANY ALLOCATIONS, NET OF CAPITALIZED AMOUNTS
 CHATTANOOGA GAS CO. TRA DOCKET #09-00183
 FOR THE ATTRITION YEAR ENDED APRIL 2011

E - ALLOC-2

1 TEST PERIOD AGL ALLOCATIONS	\$4,908,973 A/
2 CIVIC PARTICIPATION ALLOCATIONS	(16,746) B/
3 PROMOTIONAL ADVERTISING ALLOCATIONS	(3,880) C/
4 CALL CENTER ALLOCATIONS	274,975 D/
5 GOODWILL ALLOCATIONS	(493) E/
6 PROPERTY TAX ALLOCATIONS	(165,163) F/
7 PUCHA TAX COLLECTION ALLOCATIONS	<u>73,531</u> G/
8 ADJUSTED TEST PERIOD AGL ALLOCATIONS	\$ 5,071,197
9 AMOUNT CHARGED TO CGC FOR AIP EXPENSES	(488,007) H/
10 AMOUNT CHARGED TO CGC FOR LTIP EXPENSES	<u>(189,359)</u> I/
11 ADJ TEST PERIOD AGL ALLOCATIONS FOR AIP & LTIP	\$ 4,393,831
12 PLUS: INFLATION FACTOR	70,301 J/
13 PLUS: CUSTOMER GROWTH FACTOR	<u>23,434</u> K/
14 ATTRITION PERIOD AGL ALLOCATIONS LESS AIP & LTIP	\$ 4,487,566
15 50% OF AIP EXPENSES RESTORED	<u>148,036</u> L/
16 ATTRITION PERIOD WITH 50% AIP RESTORED	<u>\$4,635,602</u>

A/ CGC response to Consumer Advocate DR 64-1
 B/ CGC response to Consumer Advocate DR 46-1,46-2
 C/ CGC response to Consumer Advocate DR 46-1,46-3
 D/ CGC response to Consumer Advocate DR 46-1,46-4
 E/ CGC response to Consumer Advocate DR 46-1,46-5
 F/ CGC response to Consumer Advocate DR 46-1,46-7
 G/ CGC response to Consumer Advocate DR 46-1,46-8
 H/ CGC response to Consumer Advocate DR 54-1
 I/ CGC response to Consumer Advocate DR 54-1
 J/ Consumer Advocate Workpaper E-GDP
 K/ Consumer Advocate Workpaper R-Customer Trend
 L/ CGC Response to FG 51-1

CHATTANOOGA GAS COMPANY
 TRA DOCKET #09-00183
 CGC - AGL COST ALLOCATION SUMMARY
 FOR THE FISCAL YEARS ENDING DECEMBER 31, 2007, 2008, 2009

E-ALLOC-3

NAME OF ASSOCIATE COMPANY	A/ 2007 Total Amt Billed	A/ 2007 Total Amt Percentage	A/ 2008 Total Amt Billed	A/ 2008 Total Amt Percentage	A/ 2009 Total Amt Billed	A/ 2009 Total Amt Percentage	2007,08,09 3 Yr Avg Percentage	B/ CAPD Attrition Period Percentage	B/ Amounts
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A/ CGC response to Consumer Advocate DR #49-1
 B/ CGC response to Consumer Advocate DR# 47-1

INFLATION CUST GRWTH ATTR AMT
 0 . 100.00% 0

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

T-OTAX0

<u>Tax</u>	<u>Consumer Advocate</u>	
Property Tax	\$ 1,603,581	A/
TRA Inspection Fee	285,537	B/
FUTA Taxes	2,184	C/
FICA Taxes	182,080	C/
SUTA Taxes	3,510	C/
Payroll Taxes Capitalized	(14,214)	C/
Franchise Tax	675,947	D/
Gross Receipts Tax	699,928	E/
Allocated and Other Taxes	142,688	F/
Total	<u>\$ 3,581,242</u>	

A/ Consumer Advocate work paper T-OTAX1.

B/ CGC FG-25-14.

C/ Consumer Advocate work paper T-OTAX4 and T-OTAX5.

D/ Consumer Advocate work paper T-OTAX6.

E/ Consumer Advocate work paper T-OTAX7.

F/ CGC FG-25-12.

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

T-OTAX1

Line	Estimated Property Taxes		
1	December 31, 2008 Gross Plant Balance	\$ 182,206,706	A/
2	Property Tax Assessment on owned property - Payments made for 2009	1,234,603	B/
3	Tax as Percent of Gross Plant (Line 2/Line 1)	0.6776%	
4	Gross Plant at December 31, 2009	\$ 191,407,929	C/
5	Estimated Property Tax Expense on owned property - For CY 2010 (Line 3 times Line 4)	1,296,949	
6	Estimated Gross Plant at December 31, 2010	198,573,567	C/
7	Estimated Property Tax Expense on owned property - For CY 2011 (Line 3 times Line 6)	1,345,502	
8	Total Utility Plant Property Taxes (Line 5 multiplied by 8/12 and Line 7 multiplied by 4/12 to arrive at attrition period estimate)	1,313,133	
9	Leased Property	32,648	D/
10	Stored Gas Inventory	257,800	D/
11	Total	<u>\$ 1,603,581</u>	

A/ CGC Depreciation Study, Appendix A.

B/ CGC response to Consumer Advocate DR #57-1.

C/ Consumer Advocate work paper RB-PLANT1.

D/ CGC response to Consumer Advocate DR #57-2.

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

T-0TAX3

	Consumer Advocate PAYROLL TAXES		CGC PAYROLL TAXES
<u>FICA & MEDICARE TAXES</u>			
HOURLY EMPLOYEE	\$ 159,495	A/	
SALARIED EMPLOYEES	22,586	B/	
TOTAL	\$ 182,081		
CAPITALIZATION %	7.57%	C/	
CAPITALIZED PORTION	\$ 13,784		
EXPENSED PORTION	\$ 168,297		
<u>FUTA TAXES</u>			
HOURLY EMPLOYEES	1,960	A/	
SALARIED EMPLOYEES	224	B/	
TOTAL	2,184		
CAPITALIZATION %	7.57%	C/	
CAPITALIZED PORTION	\$ 165		
EXPENSED PORTION	\$ 2,019		
<u>SUTA TAXES</u>			
HOURLY EMPLOYEES	\$ 3,150	A/	
SALARIED EMPLOYEES	360	B/	
TOTAL	\$ 3,510		
CAPITALIZATION %	7.57%	C/	
CAPITALIZED PORTION	\$ 266		
EXPENSED PORTION	\$ 3,244		
TOTAL PAYROLL TAXES CAPITALIZED	14,215		16,511 D/
TOTAL PAYROLL TAXES EXPENSED	\$ 173,560		\$ 190,448 D/

A/ CAPD WORK PAPER T-0TAX4

B/ CAPD WORK PAPER T-0TAX5

C/ CAPD WORK PAPER E-PAY DIST

D/ EXHIBIT RDH-2, SCH 2

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

T-OTAX4

EMP #	ATTRITION PERIOD PAY	*** \$106,000 WAGE BASE		** NO WAGE BASE		TOTAL PAYROLL TAXES
		FICA *	MEDICARE **	A/ \$7,000 WAGE BASE FUTA ***	B/ \$9000 WAGE BASE SUTA ***	
		6.20%	1.45%	0.80%	0.4% + 0.6%	

CONFIDENTIAL

Total	<u>\$ 2,084,898.95</u>	<u>\$ 129,263.73</u>	<u>\$ 30,231.03</u>	<u>\$ 1,960.00</u>	<u>\$ 3,150.00</u>	\$ 164,604.77
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A/ Employers Federal Annual Unemployment (FUTA) Tax Return - Wage Base = \$7000, rate of .008

B/ Tennessee State Unemployment Tax (SUTA) Return - Wage Base = \$9000, Rate = .004 + .006 surcharge (Effective July 1, 2009)

Capitalized Labor Rate

7.57%

Total Payroll Tax Expense (Net of Capitalized Payroll Taxes)

152,144.38

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

T-OTAX5

* \$106,000 WAGE BASE ***\$9000 WAGE BASE
 ** NO WAGE BASE

EMP #	A/ ATTRITION PERIOD PAY	FICA *	MEDICARE **	FUTA ***	SUTA ***	TOTAL PAYROLL TAXES
		6.20%	1.45%	0.80%	1.00%	
02971	\$ 78,236.64	4,850.67	1,134.43	56.00	90.00	6,131.10
11819	70,382.95	4,363.74	1,020.55	56.00	90.00	5,530.30
15795	71,168.63	4,412.46	1,031.95	56.00	90.00	5,590.40
21683	75,450.01	4,677.90	1,094.03	56.00	90.00	5,917.93
	\$ 295,238.24	\$ 18,304.77	\$ 4,280.95	\$ 224.00	\$ 360.00	\$ 23,169.73

Capitalized Labor Rate

7.57%

Total Payroll Tax Expense

21,415.80

A/ CAPD WORKPAPER E-PAY-2.

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

T-OTAX5

~~\$106,000~~ WAGE BASE ***\$9000 WAGE BASE
 ** NO WAGE BASE

EMP #	A/ ATTRITION PERIOD PAY	FICA *	MEDICARE **	FUTA ***	SUTA ***	TOTAL PAYROLL TAXES
		6.20%	1.45%	0.80%	1.00%	

CONFIDENTIAL

\$295,238	\$18,305	\$4,281	\$224	\$360	\$23,170
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Capitalized Labor Rate

7.57%

Total Payroll Tax Expense

\$21,416

A/ CAPD WORKPAPER E-PAY-2.

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

T-OTAX6

	AMOUNT
UTILITY PLANT IN SERVICE AT DECEMBER 31, 2009	\$ 191,456,158 A/
ACCUMULATED DEPRECIATION AT DECEMBER 31, 2009	(90,680,314) B/
NET PLANT AT DECEMBER 31, 2009	\$ 100,775,844
MATERIALS AND SUPPLIES AT DECEMBER 31, 2009	18,056,028 C/
CONSTRUCTION WORK IN PROGRESS AT DECEMBER 31, 2009	(615,013) D/
RENT VALUE AT DECEMBER 31, 2009	1,643,267 E/
TAX RATE OF \$.25 PER \$100 OF NET PLANT AND M&S	\$ 0.25
FRANCHISE TAX AMOUNT FOR 2009	\$ 299,650
UTILITY PLANT IN SERVICE AT DECEMBER 31, 2010	\$ 198,621,796 A/
ACCUMULATED DEPRECIATION AT DECEMBER 31, 2010	(94,592,270) B/
NET PLANT AT DECEMBER 31, 2010	\$ 104,029,526
MATERIALS AND SUPPLIES AT DECEMBER 31, 2010	19,410,827 C/
CONSTRUCTION WORK IN PROGRESS AT DECEMBER 31, 2010	(615,013) D/
RENT VALUE AT DECEMBER 31, 2010	1,679,428 E/
TAX RATE OF \$.25 PER \$100 OF NET PLANT AND M&S	\$ 0.25
FRANCHISE TAX AMOUNT FOR 2010	\$ 311,262
UTILITY PLANT IN SERVICE AT APRIL 30, 2011	\$ 199,367,418 F/
ACCUMULATED DEPRECIATION AT APRIL 30, 2011	(95,715,623) G/
NET PLANT AT DECEMBER 31, 2011	\$ 103,651,795
MATERIALS AND SUPPLIES AT APRIL 30, 2011	19,410,827 H/
CONSTRUCTION WORK IN PROGRESS AT APRIL 30, 2011	(615,013) I/
RENT VALUE AT APRIL 30, 2011	1,679,428 J/
TAX RATE OF \$.25 PER \$100 OF NET PLANT AND M&S	\$ 0.25
FRANCHISE TAX AMOUNT FOR 2011	\$ 310,318
ATTRITION PERIOD FRANCHISE TAX	\$ 310,947

A/ Consumer Advocate work paper RB-PLANT1.

B/ Consumer Advocate work paper RB-ACC DEP.

C/ Consumer Advocate work paper RB-M&S, RB-GAS.

D/ Consumer Advocate work paper RB-CWIP.

E/ Consumer Advocate work paper E-FLEET, ACCT #670900 times 8 plus ACCT #670911 times 3.

F/ Consumer Advocate work paper RB-PLANT1 at April 30, 2011 as proxy.

G/ Consumer Advocate work paper RB-ACC DEP at April 30, 2011 as proxy.

H/ Consumer Advocate work paper RB-M&S, RB-GAS at December 31, 2010 as proxy.

I/ Consumer Advocate work paper RB-CWIP at December 31, 2009 as proxy.

J/ Consumer Advocate work paper E-FLEET, ACCT #670900 times 8 plus ACCT #670911 times 3 attrition year as proxy.

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

T-OTAX7

	<u>Actual Return</u>	<u>B/ Forecast</u>
Gross Receipts	\$ 96,179,296 A/	\$ 83,342,978
Taxable Receipts	96,179,296	83,342,978
Tax Rate	1.50%	1.50%
Taxes	1,442,689	1,250,145
Less: Franchise Tax	(296,007) A/	(299,650) C/
Excise Tax	(207,849) A/	(298,347) B/
Net Tax	<u>\$ 938,833</u>	<u>\$ 652,147</u>
Tax 5/1/10-6/30/10	\$ 156,472	
Tax 7/1/10-4/30/11		\$ 543,456
Total Tax	<u>\$ 699,928</u>	

A/ CGC response to Consumer Advocate DR #55.

B/ CGC response FG #25-15a.

C/ Consumer Advocate work paper T-OTAX6.

OFFICE OF THE ATTORNEY GENERAL - STATE OF TENNESSEE
 CONSUMER ADVOCATE AND PROTECTION DIVISION
 ANALYSIS OF THE GROSS DOMESTIC PRODUCT ("GDP") CHAINED PRICE DEFLATOR
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009
 CHATTANOOGA GAS TRA DOCKET #09-00183

E-GDP

<u>YEAR</u>	<u>QUARTER</u>				<u>GDP IDP</u>
	<u>1/1 - 3/31</u>	<u>4/1 - 6/30</u>	<u>7/1 - 9/30</u>	<u>10/1 - 12/31</u>	
2007	105.310	106.008	106.447	107.069	106.209
2008	107.534	108.069	109.172	109.172	108.487
2009	109.691	109.686	109.783	109.946	109.777
2010					
AVERAGE GDP DEFLATOR GROWTH FOR YEAR 2008					2.15%
AVERAGE GDP DEFLATOR GROWTH FOR YEAR 2009					1.19%

Source: U.S. Department of Commerce, Table 1.1.9 - Price Deflator Indexes for GDP, 2005=100

Before the
TENNESSEE REGULATORY AUTHORITY

IN RE:)	
)	
PETITION OF CHATTANOOGA GAS)	
COMPANY FOR APPROVAL OF ITS)	
RATES AND CHARGES, MODIFICATION)	DOCKET NO. 09-00183
OF ITS RATE DESIGN, AND REVISED)	
TARIFF)	

EXHIBITS
OF
JOHN HUGHES

March 10, 2010

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.9. Implicit Price Deflators for Gross Domestic Product

[Index numbers, 2005=100] Seasonally adjusted

Today is: 2/4/2010 Last Revised on January 29, 2010 Next Release Date February 26, 2010

Line		2007 I	2007 II	2007 III	2007 IV
1	Gross domestic product	105.310	106.008	106.447	107.069
2	Personal consumption expenditures	104.245	105.069	105.677	107.002
3	Goods	101.611	102.543	102.620	104.360
4	Durable goods	97.405	97.061	96.381	96.033
5	Nondurable goods	104.008	105.673	106.180	109.118
6	Services	105.663	106.429	107.325	108.426
7	Gross private domestic investment	106.309	106.467	106.710	107.037
8	Fixed investment	106.383	106.590	106.802	107.098
9	Nonresidential	105.670	106.090	106.346	106.695
10	Structures	119.626	120.725	121.735	122.770
11	Equipment and software	100.606	100.762	100.712	100.777
12	Residential	107.641	107.323	107.447	107.652
13	Change in private inventories	—	—	—	—
14	Net exports of goods and services	—	—	—	—
15	Exports	105.318	106.470	107.344	109.089
16	Goods	105.334	106.421	107.197	108.949
17	Services	105.289	106.587	107.676	109.401
18	Imports	104.722	106.342	107.938	113.072
19	Goods	104.662	106.237	107.810	113.498
20	Services	105.022	106.874	108.597	110.887
21	Government consumption expenditures and gross investment	107.880	109.118	109.841	111.325
22	Federal	106.800	107.726	107.884	108.564
23	National defense	107.078	108.157	108.478	109.374
24	Nondefense	106.244	106.854	106.672	106.902
25	State and local	108.520	109.942	111.002	112.969
	Addendum:				
26	Gross national product	105.311	106.007	106.444	107.070

**Bureau of Economic Analysis
National Income and Product Accounts Table**

Table 1.1.9. Implicit Price Deflators for Gross Domestic Product

[Index numbers, 2005=100] Seasonally adjusted

Today is: 2/4/2010 Last Revised on January 29, 2010 Next Release Date February 26, 2010

Line		2008 I	2008 II	2008 III	2008 IV
1	Gross domestic product	107.534	108.069	109.172	109.172
2	Personal consumption expenditures	107.974	109.023	110.276	108.858
3	Goods	105.675	106.662	108.434	103.767
4	Durable goods	96.026	95.814	95.514	94.718
5	Nondurable goods	111.175	112.828	115.748	108.961
6	Services	109.213	110.297	111.276	111.543
7	Gross private domestic investment	106.333	106.815	107.637	108.850
8	Fixed investment	106.918	107.225	107.885	108.238
9	Nonresidential	106.633	107.187	108.348	109.536
10	Structures	122.957	123.793	125.815	128.243
11	Equipment and software	100.609	101.046	101.830	102.450
12	Residential	107.209	106.755	105.710	103.097
13	Change in private inventories	—	—	—	—
14	Net exports of goods and services	—	—	—	—
15	Exports	111.100	113.833	115.580	108.816
16	Goods	111.126	114.337	115.907	107.720
17	Services	111.032	112.678	114.820	111.235
18	Imports	117.190	122.999	125.116	112.647
19	Goods	118.052	124.124	126.238	112.473
20	Services	112.794	117.284	119.426	113.252
21	Government consumption expenditures and gross investment	113.029	114.765	115.957	114.229
22	Federal	110.067	111.258	111.778	110.623
23	National defense	110.844	112.392	113.050	111.327
24	Nondefense	108.464	108.917	109.145	109.193
25	State and local	114.799	116.875	118.492	116.395
	Addendum:				
26	Gross national product	107.538	108.076	109.181	109.167

		2009	2009	2009	2009
Line		I	II	III	IV
1	Gross domestic product	109.691	109.686	109.783	109.946
2	Personal consumption expenditures	108.453	108.818	109.514	110.238
3	Goods	102.169	102.847	104.199	105.247
4	Durable goods	94.301	94.382	93.635	93.668
5	Nondurable goods	106.729	107.726	110.217	111.824
6	Services	111.750	111.955	112.314	112.871
7	Gross private domestic investment	108.430	107.198	105.542	105.134
8	Fixed investment	107.689	106.484	105.285	105.082
9	Nonresidential	109.191	108.030	106.692	106.275
10	Structures	127.097	123.711	120.456	119.791
11	Equipment and software	102.485	102.339	101.837	101.519
12	Residential	101.815	100.455	99.765	100.319
13	Change in private inventories	—	—	—	—
14	Net exports of goods and services	—	—	—	—
15	Exports	105.213	105.231	106.420	107.898
16	Goods	103.492	103.980	105.163	106.637
17	Services	108.925	108.011	109.214	110.704
18	Imports	103.669	104.744	107.609	111.747
19	Goods	102.293	103.667	106.860	111.348
20	Services	109.668	109.485	110.967	113.570
21	Government consumption expenditures and gross investment	113.919	114.046	114.307	114.900
22	Federal	111.079	111.209	111.596	112.159
23	National defense	111.576	111.657	112.188	112.907
24	Nondefense	110.080	110.315	110.397	110.631
25	State and local	115.586	115.712	115.888	116.500
	Addendum:				
26	Gross national product	109.678	109.679	109.780	—