

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

IN RE:	)	
	)	
PETITION OF CHATTANOOGA GAS	)	
FOR GENERAL RATE INCREASE,	)	DOCKET NO. 09-00183
IMPLEMENTATION OF THE	)	
ENERGYSMART CONSERVATION	)	
PROGRAMS, AND IMPLEMENTATION OF	)	
A REVENUE DECOUPLING MECHANISM	)	

CONSUMER ADVOCATE'S SECOND DISCOVERY REQUESTS

**To: Chattanooga Gas Company
c/o J. W. Luna, Esq.
Jennifer L. Brundige, Esq.
Luna Law Group, PLLC
333 Union Street, Suite 300
Nashville, TN 37201**

This Discovery Request is hereby served upon Chattanooga Gas Company ("CGC," or "Company"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11, and pursuant to the procedural schedule in Docket 09-00183, established by the Tennessee Regulatory Authority ("TRA" or the "Authority"). We request that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o C. Scott Jackson on or before April 5, 2010.

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information and material available to Company, as a party, whether it be the Company's, in particular, or knowledge, information or material possessed or available to Company's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by CGC which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Consumer Advocate and Protection Division of the Tennessee Attorney General ("Attorney General" or "Consumer Advocate") requests that CGC supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term “you” shall mean and include: CGC and all employees, agents and representatives thereof.

The term “person” or “persons” as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company’s response. Moreover, the company’s designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the Company.*

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, workpaper, spreadsheet, e-mail, note, photograph, tape recording, computer disk or record, or other data compilation in any form

without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the "original" document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and

- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

DISCOVERY REQUESTS

1. For purposes of this request please refer to Exhibit DJN-2. Please provide all source documents and analyses undertaken by the Company in developing the cost to the participant for each program. Provide the workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, all supporting documents, and explain all assumptions and calculations used. To the extent the data does not exist in the exact format requested, please provide it in the format in which it is available and explain why it is not available in the format requested.

RESPONSE:

2. For purposes of this request please refer to Exhibit DJN-2. Please provide all source documents and analyses undertaken by the Company in developing the therm savings to the participant for each program. Provide the workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, all supporting documents, and explain all assumptions and calculations used. To the extent the data does not exist in the exact format requested, please provide it in the format in which it is available and explain why it is not available in the format requested.

RESPONSE:

3. For purposes of this request please refer to Exhibit DJN-2. Please explain what type of food service equipment is assumed for the “food service equipment” program and explain how all assumptions were developed for this program. Provide the workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, all supporting documents, and explain all assumptions and calculations used. To the extent the data does not exist in the exact format requested, please provide it in the format in which it is available and explain why it is not available in the format requested.

RESPONSE:

4. Please explain the rationale for the “Primary Fuel Initial Marginal Demand Cost” used in Response to CAPD Data Request 151, explain what it is supposed to represent in terms of avoided costs, i.e. (is this avoided transport costs), explain why it was escalated, and provide all documents supporting the contention that transport demand charges have escalated over the last 10, 15, and 20 years.

RESPONSE:

5. Please explain the rationale for the development of the lost revenue amount developed and shown under the rate impact measure test provided in Response to CAPD Data Request 151.

RESPONSE:

6. Please provide a copy of the Baseline Consumption from RECS 2005.

RESPONSE:

7. Please provide a complete and detailed reconciliation between the prices included in the cost benefit analysis (DJN-2) and the attrition analysis presented in MHS-5. Provide an explanation of all differences between the data utilized in the two exhibits and provide the source for all underlying source data used in each exhibit.

RESPONSE:

8. Please explain the purpose and relevance of each variable shown on Exhibit MHS-5, including how the RPGA variable relates to the PGA variable.

RESPONSE:

9. Please explain the criteria were used to select the models presented in MHS-5 and the exact the exact specifications of the models estimated. Please explain which estimation techniques are used in the regressions and what estimation technique is used by Forecast pro to compute coefficients?

RESPONSE:

10. Define all variables used in Exhibit MHS-5, including but not limited to X_4 which is not explained for commercial customers, the prior billing adjustment dummy that is called FEBMAY07, but it is stated adjustment took place in February and April. Provide the data for TSDD and PSDD used in regressions models.

RESPONSE:

11. Is collinearity an issue for residential customers, given definitions of PSDD and TSDD and specification of model? If not, explain why it is not a problem.

RESPONSE:

12. For purposes of this request please refer to the response to data request 150-3 and the Minimum Filing Guideline 25. Explain the differences in usage reported in the excel file CGC TRA FGItem 25-Revenue Model (tab UPC) and attachment to DR 150-3. Specifically, usage for residential customers in file CGC TRA FGItem 25-Revenue Model reaches values as high as 13; however, in attachment to DR 150-3, residential usage reported is no higher than 6.

RESPONSE:

13. For purposes of this request please refer to the response to Minimum Filing Guideline 25. Why is the base RPGA in CGC TRA FGItem 25-Revenue Model (tab UPC, cell C65) 164.1?

RESPONSE:

14. In the Consumer Advocate's Motion to Compel filed January 20, 2010, the Consumer Advocate set forth the following hypothetical:

For example, assume that Sequent Energy Management ("Sequent"), the asset manager of CGC who has paid for the rights to CGC's natural gas assets, sells gas to SouthStar at a profit per unit of \$2; then, SouthStar sells it to someone else at an additional

\$2 profit per unit. Under the sharing arrangement between Sequent and CGC, ratepayers would get one-half of the \$2 profit from the sale to SouthStar, or \$1. However, ratepayers get no portion of the subsequent sale by SouthStar. In this hypothetical, it would be the contention of the Consumer Advocate that the gas assets were really worth the additional \$2 profit SouthStar received in the subsequent arm's-length transaction on the open-market, or a total of \$4 profit, rather than just the \$2 profit Sequent received in the affiliated transaction. Therefore, CGC's ratepayers should have gotten \$2, half of the total \$4 profit, rather than the \$1 they actually received.

Is it the position of CGC that any profits of SouthStar Energy Services, or any member of the AGL Resources, Inc. group of companies, arising from or associated with the sale, transfer, lease, release, relinquishment, assignment, allowing the use of, or trade by Sequent Energy Management ("Sequent") of capacity and any other gas supply assets managed by Sequent for CGC to SouthStar Energy Services or to a company affiliated with Sequent, should not be imputed to CGC? Set forth the reasons for your answer.

RESPONSE:

15. In its first discovery requests in this case, the Consumer Advocate asked the following question:

REQUEST NO. 201 Admit or Deny: Capacity Demand Costs of Chattanooga Gas Company are sold directly or indirectly through Sequent Energy Management to SouthStar Energy Services, an AGL Resources subsidiary. For purposes of this and the following interrogatory only, "Capacity Demand Costs" shall be defined as gas commodity costs, interstate pipeline capacity, or any other costs associated with the gas supply plan of Chattanooga Gas Company.

If Denied, please describe what specific portions of the preceding are denied and why they are inaccurate.

Please provide the names of the person or persons who answered, supplied information, or were consulted with by CGC in responding to this request No. 201, and state the nature of the answer, information, or consultation provided.

RESPONSE:

16. Were any of the capacity and any other gas supply assets managed by Sequent for CGC sold, transferred, leased, released, relinquished, assigned, allowed the use of, or traded by Sequent to SouthStar Energy Services or any member of the AGL Resources, Inc., group of companies? If so, provide the volumes involved and the profits earned by SouthStar Energy Services or any member of the AGL Resources, Inc., group of companies to which any of the capacity and any other gas supply assets managed by Sequent for CGC were sold, transferred, leased, released, relinquished, assigned, allowed the use of, or traded by Sequent from the period of 2003 until the present.

RESPONSE:

17. Provide the name and business address of the person or persons employed by or acting for SouthStar Energy Services with knowledge of whether any of the capacity and any other gas supply assets managed by Sequent for CGC were sold, transferred, leased, released, relinquished, assigned, allowed the use of, or traded by Sequent to SouthStar Energy Services.

RESPONSE:

18. In his Prepared Direct Testimony filed on behalf of CGC in this case on or about March 4, 2010, Archie R. Hickerson was asked and answered the following question on page 13, lines 12-16 of his testimony:

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

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

In light of Mr. Hickerson's use of the terms "profits from the sale, lease, or release of capacity and any other gas supply assets," state whether any of the capacity and any other gas supply assets managed by Sequent for CGC were sold, transferred, leased, released, relinquished, assigned, allowed the use of, or traded by Sequent to Southstar Energy Services or any member of the AGL Resources, Inc., group of companies. If so, provide the volumes involved and the profits earned by SouthStar Energy Services or the member of the AGL Resources, Inc., group of companies to which any of the capacity and any other gas supply assets managed by Sequent for CGC were sold, transferred, leased, released, relinquished, assigned, allowed the use of, or traded by Sequent from the period of 2003 until the present.

RESPONSE:

19. Provide the name and business address of the person or persons employed by or acting for Sequent Energy Management or any member of the AGL Resources, Inc., group of companies with knowledge of whether any of the capacity and any other gas supply assets managed by Sequent for CGC were sold, transferred, leased, released, relinquished, assigned,

allowed the use of, or traded by Sequent to SouthStar Energy Services or any member of the AGL Resources, Inc. group of companies.

RESPONSE:

20. Admit or Deny. A review by an outside consultant of Piedmont Natural Gas Company, Inc.'s, capacity and gas supply plan filed with the TRA in Docket No. 05-00165 on or about February 3, 2010, found and expressed concern that Sequent Energy Management Services, serving as the asset manager of Piedmont Natural Gas Company, had made transactions involving capacity and gas supply assets with SouthStar Energy Services at a time when SouthStar Energy Services was an affiliate of Piedmont Natural Gas Company (a redacted copy of the relevant portion of the review, filed March 8, 2010, is attached as Exhibit 1).

RESPONSE:

21. Admit or Deny. Chattanooga Gas Company, either directly or indirectly, through any subsidiary, affiliate, or parent corporation, organization or entity, engages in the sale, transfer, lease, release, relinquishment, assignment, allowing the use of, trade or in any other way the disposition of Natural Gas, in gaseous, liquid or in any other form, to SouthStar Energy Services directly, or indirectly through any other affiliated corporation, organization or entity.

RESPONSE:

22. Admit or Deny. Chattanooga Gas Company, either directly or indirectly, through any subsidiary, affiliate, or parent corporation, organization or entity, engages in the sale, transfer, lease, release, relinquishment, assignment, allowing the use of, trade or in any other way

the disposition of gas pipeline capacity or other gas transportation assets, within any pipeline or system of pipelines, wherever located, whether owned by Chattanooga Gas Company and its affiliates, in whole or in part, or owned by an unaffiliated corporation, organization, entity or group of corporations, organizations or entities, to SouthStar Energy Services directly, or indirectly through any other affiliated corporation, organization or entity.

RESPONSE:

23. Admit or Deny. Chattanooga Gas Company, either directly or indirectly, through any subsidiary, affiliate, or parent corporation, organization or entity, engages in the sale, transfer, lease, release, relinquishment, assignment, allowing the use of, trade or in any other way the disposition of gas storage assets within any storage or pipeline system, whether owned by Chattanooga Gas Company and its affiliates, in whole or in part, or owned by an unaffiliated corporation, organization, entity, or group of corporations, organizations, or entities, to SouthStar Energy Services directly, or indirectly through any other affiliated corporation, organization or entity.

RESPONSE:

24. Admit or Deny. Chattanooga Gas Company, either directly or indirectly, through any subsidiary, affiliate, or parent corporation, organization or entity, engages in the sale, transfer, lease, release, relinquishment, assignment, allowing the use of, trade or in any other way the disposition of any gas supply assets not specifically requested in the preceding three interrogatories to SouthStar Energy Services directly, or indirectly through any other affiliated corporation, organization or entity.

For purposes of these discovery requests, the term “gas supply assets” shall refer to transportation, capacity, storage, or any other assets that are routinely purchased by Chattanooga Gas Company or its affiliates, either for the purpose of resale to other corporations, organizations or entities, whether or not affiliated, or for use in the operations of Chattanooga Gas Company or its affiliates, subsidiaries, or parent corporations, organizations, or entities, in transporting, selling, or providing natural gas to or for any party, whether or not affiliated, for use of for any other purpose. Furthermore, the term “gas supply assets” shall also specifically include all items, assets, or services, the sale of which contributed to the “\$15.9 million [return] to Chattanooga Gas customers since 2003 in lower gas cost,” as referenced by Steve Lindsey, Vice President and General Manager of Chattanooga Gas in his response entitled Editorial on Gas Firm Inaccurate, *Chattanooga Times Free Press*, December 31, 2009.

RESPONSE:

25. If any of discovery requests 21 - 24 are admitted by Chattanooga Gas Company, please provide a detailed listing by affiliate, by item, and by month, from the period of 2003 through the present, of the amount paid for any natural gas, gas pipeline capacity, gas transportation assets, gas storage assets, or any other “gas supply assets,” as defined in the preceding interrogatories, including the actual sale, transfer, lease, release, relinquishment, assignment, allowing the use of, trade or disposition price of those items and including any additional monetary or non-monetary compensation which may be given as consideration for such items and which may not be captured by the term “sale price” alone, by SouthStar Energy Services directly, or indirectly through any other affiliated corporation, organization or entity.

RESPONSE:

26. If any of discovery requests 21 - 24 are admitted by Chattanooga Gas Company, please provide a detailed listing by affiliate, by item, and by month, from the period of 2003 through the present, of the amount for which any item of natural gas, gas pipeline capacity, gas transportation assets, gas storage assets, or any other "gas supply assets," as defined in the preceding interrogatories, were sold, transferred, leased, released, relinquished, assigned, allowed the use of, traded or in any other way the disposed of, including the actual sale, transfer, lease, release, relinquishment, assignment, allowing the use of, trade or disposition price of those items and including any additional monetary or non-monetary compensation which may be given as consideration for such items and which may not be captured by the term "sale, transfer, lease, release, relinquishment, assignment, allowing the use of, trade or disposition price" alone, by SouthStar Energy Services directly, or indirectly through any other affiliated corporation, organization or entity, and identify to whom those sales occurred, disclosing any affiliated relationships that may exist.

RESPONSE:

Respectfully submitted,



T. JAY WARNER, B.P.R. # 026649

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CERTIFICATE OF SERVICE

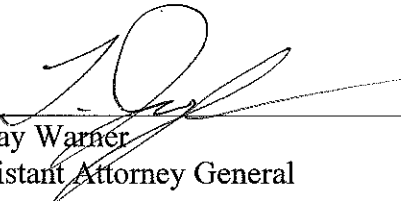
I hereby certify that a true and correct copy of the foregoing was served via first-class U.S. Mail, postage prepaid, or electronic mail upon:

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This the 16th day of March, 2010.



T. Jay Warner
Assistant Attorney General