

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

March 16, 2010

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)	

**CHATTANOOGA GAS COMPANY'S MOTION AND MEMORANDUM FOR
LEAVE TO SERVE MORE THAN FORTY (40) DISCOVERY REQUESTS**

Chattanooga Gas Company ("CGC" or "Company") moves the Tennessee Regulatory Authority ("TRA" or "Authority") for leave to serve more than forty (40) discovery requests on the Consumer Advocate and Protection Division ("CAPD") of the Attorney General and Reporter of the State of Tennessee.

TRA Rule 1220-1-2-.11(5)(a) provides that:

No party shall serve on any other party more than forty (40) discovery requests including subparts without first having obtained leave of the Authority or a Hearing Officer. Any motion seeking permission to serve more than forty (40) discovery requests shall set forth the additional requests. The motion shall be accompanied by a memorandum establishing good cause for the service of additional interrogatories or requests for production. If a party is served with more than forty (40) discovery requests without an order authorizing same, such party need only respond to the first forty (40) requests.

The Company believes that there is good cause for the service of additional discovery requests. As cause, the Company would show the following:

1. During the first round of discovery, the CAPD was granted permission to serve approximately 205 discovery requests (excluding subparts) or approximately 165 additional requests (excluding subparts) beyond the standard 40 limit.

2. The CAPD has filed its pre-filed testimony in this docket, and it is important that CGC be allowed to discover factual information from the CAPD regarding its positions and to clarify some of the statements made by the CAPD in its testimony.

3. CGC is only requesting permission to exceed the standard 40 discovery limit by 58 discovery requests excluding subparts and 74 including subparts. This is not unduly burdensome for the CAPD and does not come close to the 165 additional requests (excluding subparts) that the CAPD was allowed to propound on CGC.

Therefore, CGC respectfully submits that it should be allowed to serve the additional 58 discovery requests on the CAPD. CGC has attached hereto as Exhibit 1 the additional 74 discovery requests (including subparts) that CGC is seeking permission from the TRA to issue to the CAPD.

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CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of March 2010, a true and correct copy of the foregoing was served on the persons below by electronic mail:

Gary Hotvedt
Hearing Officer
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-00505

Cynthia Kinser, Deputy
C. Scott Jackson
Ryan McGehee
T. Jay Warner
Consumer Advocate and Protection Division
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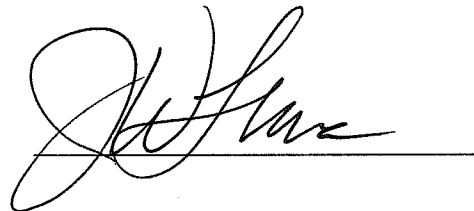
A handwritten signature in black ink, appearing to read "H. Walker", is written over a horizontal line.

Exhibit 1

DISCOVERY REQUEST NO. 36:

Please provide all supporting workpapers and source documents to Exhibit DED-20 from the direct testimony of CAPD witness Dismukes.

DISCOVERY REQUEST NO. 37:

Please provide all supporting workpapers and source documents to Exhibit DED-22 from the direct testimony of CAPD witness Dismukes.

DISCOVERY REQUEST NO. 38:

Please provide copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, and other materials relied upon by Dr. Dismukes in formulating his direct testimony or that Dr. Dismukes plans to utilize at hearing in this proceeding.

DISCOVERY REQUEST NO. 39:

Please provide copies of all independent articles and publications cited by Dr. Dismukes in his testimony.

DISCOVERY REQUEST NO. 40:

Please provide copies (or a link to publicly available electronic copies) of all prior testimony of Dr. Dismukes on matters pertaining to natural gas rate design or revenue decoupling.

DISCOVERY REQUEST NO. 41:

Please provide copies of excerpts of source documents related to revenue decoupling mechanisms implemented in other jurisdictions that were relied upon to develop Dr. Dismukes' testimony including relevant utility tariffs, stipulations and Commission Orders.

DISCOVERY REQUEST NO. 42:

Please state Dr. Dismukes' opinion regarding the potential role that CGC has or may have in promoting energy efficiency and conservation by customers. Please explain the basis for Dr. Dismukes' opinion including any relevant research, publications or other documents.

DISCOVERY REQUEST NO. 43:

Please describe Dr. Dismukes' relationship with NASUCA. Indicate whether Dr. Dismukes has collected any fees from NASUCA.

DISCOVERY REQUEST NO. 44:

Please provide copies of all presentations or other documents and materials prepared by Dr. Dismukes or Acadian Consulting Group for NASUCA.

DISCOVERY REQUEST NO. 45:

Reference page 3, lines 16-18 of Dr. Dismukes testimony. Please describe Dr. Dismukes' understanding of Tennessee's "energy conservation policy". Provide the bases for Dr. Dismukes' opinions including copies of all supporting information and documents.

DISCOVERY REQUEST NO. 46:

Please indicate whether Dr. Dismukes believes that the TRA's decision in Docket No. 09-00104 establishes a precedent that applies to CGC in this proceeding. In particular, please explain any limitations on the potential outcome in this proceeding based upon Dr. Dismukes' understanding of the TRA's decision in Docket No. 09-00104. Fully explain all bases for Mr. Dismukes' opinions and beliefs.

DISCOVERY REQUEST NO. 47:

Please explain how the implementation of the proposed AUA would lead to changes in CGC's approach to cost efficiency. Please also provide supporting examples.

DISCOVERY REQUEST NO. 48:

Please explain how the implementation of the proposed AUA would lead to changes in CGC's approach to risk management. Please also provide supporting examples.

DISCOVERY REQUEST NO. 49:

Reference page 4, line 4 of Dr. Dismukes' testimony. Please provide a complete definition of "traditional regulation."

DISCOVERY REQUEST NO. 50:

Reference page 4, lines 6-7 of Dr. Dismukes' testimony. Please provide specific excerpts and associated citations supporting the referenced testimony concerning prior TRA findings.

DISCOVERY REQUEST NO. 51:

Reference page 4, lines 14-15 of Dr. Dismukes' testimony. Please define "financial harm" and provide a full description of what is necessary to demonstrate that financial harm has not been created.

DISCOVERY REQUEST NO. 52:

Reference page 5, lines 6-9 of Dr. Dismukes' testimony. Please fully explain the distinction between "revenue decoupling" and "revenue stabilization" as used by Dr. Dismukes in his testimony.

DISCOVERY REQUEST NO. 53:

Reference page 34, line 28 through page 35, line 1 of Dr. Dismukes' testimony. Please explain in detail the bases for Dr. Dismukes' conclusion that the "TRA's current regulatory approach provides ample opportunities for CGC, and other regulated utilities, to provide cost-effective energy efficiency service to its ratepayers." Provide all supporting materials for Dr. Dismukes' opinion.

DISCOVERY REQUEST NO. 54:

Reference page 38, lines 8-10. Please explain in detail how the Company's proposed AUA will "lead to higher utility costs."

DISCOVERY REQUEST NO. 55:

Reference page 38, lines 13-14. Please explain in detail how the Company's proposed AUA will allow CGC to "pass higher costs through to ratepayers."

DISCOVERY REQUEST NO. 56:

Reference Dr. Dismukes' testimony at page 53, lines 7-20. Please provide copies of any documents prepared by either (i) Central Maine Power, (ii) the Maine Public Utilities Commission, or (iii) other interveners in proceedings related to CMP's Electric Revenue Adjustment Mechanism that Dr. Dismukes has reviewed or consulted in formulating his opinion regarding that mechanism.

DISCOVERY REQUEST NO. 57:

Reference Dr. Dismukes' testimony at page 53, lines 7-20. Please provide a breakdown of the total deferral by year under CMP's ERAM that is attributable to the categories Dr. Dismukes specifically identified in his testimony including "conservation efforts" and "economic recession." If Dr. Dismukes has analyzed other categories of factors that contributed to CMP's deferral of \$52 million noted in his testimony, please also provide that analysis. Please provide all supporting documentation and workpapers.

DISCOVERY REQUEST NO. 58:

Provide copies of all energy efficiency cost effective analyses prepared by Dr. Dismukes including all related explanatory materials.

DISCOVERY REQUEST NO. 59:

Please provide copies of all texts that Dr. Dismukes considers to be authoritative on the subject of energy efficiency cost effective analyses.

DISCOVERY REQUEST NO. 60:

Please provide the last 5 testimonies prepared by Dr. Klein related to the cost of equity for gas utilities and provide the authorized returns on equity from those cases.

DISCOVERY REQUEST NO. 61:

Please provide Exhibits 1, 2, 3, 5, 7 and 8 of Dr. Klein's testimony in electronic spreadsheet form, with all links and formulas intact.

DISCOVERY REQUEST NO. 62:

For the regression equations presented in Exhibit 8 of Mr. Klein's testimony, please provide the resulting R^2 , Adjusted R^2 , and standard error of estimate for each equation.

DISCOVERY REQUEST NO. 63:

For each of the regression equations presented in Exhibit 8 of Mr. Klein's testimony, please provide the standard Analysis of Variance (ANOVA), with sum squares, degrees of freedom, mean, square, F-Test value and significance values for the regression, the residual and the total. Please state whether each equation passes an F-test.

DISCOVERY REQUEST NO. 64:

For each of the regression equations presented in Exhibit 8 of Mr. Klein's testimony, please provide the un-standardized regression coefficients with their associated standard error, un-standardized coefficients (Beta), T values, and significance. Please state whether each variable in each regression passes the T-test for significance.

DISCOVERY REQUEST NO. 65:

Reference page 12, lines 4-5 of Mr. Dismukes' testimony. Please provide all support for Dr. Dismukes' position that "many of these expenditures appear to be promoting the Company's image and creating goodwill."

DISCOVERY REQUEST NO. 66:

Reference page 9, line 12 of Dr. Dismukes' testimony. Please provide all support for Dr. Dismukes' position that the referenced LDCs are "considered leaders in the development of energy efficiency programs."

DISCOVERY REQUEST NO. 67:

Reference page 44, lines 10-11 and 21-22 of Dr. Dismukes' testimony. Please provide all support for Dr. Dismukes' position that "utility lost base revenues associated with energy efficiency programs are typically quite small" and "The differences in sales created by weather, the economy, commodity prices, and other factors usually account for greater changes in revenue than those resulting from utility-sponsored energy efficiency programs."

DISCOVERY REQUEST NO. 68:

Reference page 49, lines 17-19 of Dr. Dismukes' testimony. Please provide all support for Dr. Dismukes' position that "Large and rapid decreases in energy use are not likely to arise from any market transformation program thereby causing potential financial harm for the Company."

DISCOVERY REQUEST NO. 69:

To the extent not previously provided, please provide copies of all workpapers that support Dr. Klein's testimony.

DISCOVERY REQUEST NO. 70:

Please provide copies of the following publications identified in Exhibit 9 to Dr. Klein's testimony:

- a. "Regulatory Preferences and Utility Prices: Evidence From Natural Gas Distribution Utilities" Energy Economics, Vol. 21, N.1 1999.
- b. "Double Leverage and Strategic Financing Decisions" NRRI Quarterly Bulletin, V. II, N.3 September 1992.
- c. "Merger Incentives and Cost of Capital Regulation of Subsidiaries" Midsouth Journal of Economics and Finance, March 1988.
- d. "Rate of Return on Equity," National Conference of Unit Valuation Standards, Nashville, December 1987.

DISCOVERY REQUEST NO. 71:

To the extent not previously provided in response to CGC-1, please provide the following Economic Testimony identified in Exhibit 9 to Dr. Klein's testimony:

- a. CC Docket No. 89-624 (March 1990);
- b. TRA Docket 09-00104 – December 2009;
- c. Tennessee Public Service Commission (93-06946) December 1993;
- d. Tennessee Public Service Commission (91-03765) October 1991;
- e. Tennessee Public Service Commission (U-86-01363) February 1989; and
- f. Tennessee Public Service Commission (U-87-7499) October 1987.

DISCOVERY REQUEST NO. 72:

Referencing Dr. Klein's testimony at page 8, lines 7-9, please provide any information, data or documentation that supports the assertion that "Mr. Hanson's figure likely represents a brief departure from the long range structure of AGL."

DISCOVERY REQUEST NO. 73:

Referencing Dr. Klein's testimony at page 9, lines 17-19, please explain what Dr. Klein considers to be "outside investors." Please explain whether Dr. Klein considers a holding company to be an "outside investor."

DISCOVERY REQUEST NO. 74:

Referencing Dr. Klein's testimony at page 9, lines 18-19, please explain why AGL consolidated is the only entity that counts.

DISCOVERY REQUEST NO. 75:

Has Dr. Klein considered whether AGL investors can expect to earn returns from stock issuances at prices above book value? If not, why not? If so, please explain how Dr. Klein's analysis accounts for such issuances.

DISCOVERY REQUEST NO. 76:

Referencing Dr. Klein's testimony at page 10, lines 11-12, please explain Dr. Klein's understanding of the time horizon of Value Line's projected dividend growth rate of 2.5%.

DISCOVERY REQUEST NO. 77:

Is it Dr. Klein's testimony that Value Line's dividend growth projection extends over "an infinite time horizon?" Please explain your answer and provide any documents relevant to your response.

DISCOVERY REQUEST NO. 78:

Please provide copies of any analysis of the relative risk of the companies on Exhibit 3 performed, examined or relied upon by Dr. Klein in developing his recommendation in this proceeding.

DISCOVERY REQUEST NO. 79:

Referencing page 11, line 6 of Dr. Klein's testimony, please define the term "riskiness" and explain how Dr. Klein evaluated it for purposes of his testimony. Please provide any documents relied upon by Dr. Klein in formulating an opinion as to the relative "riskiness" of the companies identified on Exhibit 3.

DISCOVERY REQUEST NO. 80:

Please provide any analyses, prepared, considered or relied upon by Dr. Klein in evaluating the relative riskiness of AGL in comparison to the other companies identified on Exhibit 3.

DISCOVERY REQUEST NO. 81:

Referencing Dr. Klein's testimony at page 11, lines 5-10, please identify:

- a. the total universe of natural gas utilities considered by Dr. Klein;
- b. the entities that were eliminated from his proxy group; and
- c. the reason they were eliminated.

DISCOVERY REQUEST NO. 82:

Referencing Dr. Klein's testimony at page 11, line 9, why is a total capitalization of \$1 billion or more a prerequisite to inclusion in his analysis?

DISCOVERY REQUEST NO. 83:

Referencing Dr. Klein's testimony at page 11, line 23, please define the term "risk-free asset."

DISCOVERY REQUEST NO. 84

Please explain whether the term "multi-year period" used at page 12, line 17 means the same thing as the term "infinite time horizon" used at page 10, line 3. If not, explain the difference. In addition, please explain whether Dr. Klein believes that he is recommending a cost of equity applicable to a specific multi-year period or potentially for an infinite time horizon. If Dr. Klein believes that his proposed cost of equity should be applied only for a specific multi-year period, please identify the period.

DISCOVERY REQUEST NO. 85

Is it Dr. Klein's opinion that a "risk free" investment used in the CAPM model must eliminate the impact of projected inflation? If so, please explain your answer and provide any documents, studies or analyses that support your response.

DISCOVERY REQUEST NO. 86

Is it Dr. Klein's opinion that the impact of inflation is different on investments in long term debt as opposed to equity over any given period? If so, please explain why and provide any documents, studies or analyses that support your response.

DISCOVERY REQUEST NO. 87

Referencing Dr. Klein's testimony at page 12, lines 20-22, please explain why inflation risk raises the necessary return on a longer term bond above the risk-free rate.

DISCOVERY REQUEST NO. 88

Referencing Dr. Klein's testimony at page 13, lines 21 and 22, does Dr. Klein believe that the current risk premium is above historical averages? If so, by how much in terms of basis points? Please provide any studies, analyses or other documents that support your response.

DISCOVERY REQUEST NO. 89

On page 3 of Dr. Klein's testimony at lines 21-22, he states that the risk premium tends to expand when interest rates are low and shrink when interest rates are high. Please provide any studies, analyses or documents that support this statement and explain how Dr. Klein has applied this statement in formulating his recommendation in this case.

DISCOVERY REQUEST NO. 90

Referencing Dr. Klein's testimony at page 14, line 2, please define the term "slightly" and, if possible, state what number of basis points is equivalent to a "slight" underestimate.

DISCOVERY REQUEST NO. 91

On page 14, line 6, please define the term "significantly" as it is used in Dr. Klein's testimony.

DISCOVERY REQUEST NO. 92

Referencing Dr. Klein's testimony at page 15, lines 6-8, please provide:

- a. any studies, analyses or other documents that compare the risks of AGL, and CGC to Dr. Klein's comparable groups or Dr. Morin's comparable groups; and
- b. any studies, analyses or other documents that compare the risk of electric utilities to the risk of gas utilities.

DISCOVERY REQUEST NO. 93

Referencing Dr. Klein's testimony at page 15, lines 18 and 19, please explain and provide any studies, analyses or other documents that support the statement that "The difference between stock returns and a risk-free rate of return reflects only the added risk embodied in stocks."

DISCOVERY REQUEST NO. 94

Referencing Dr. Klein's testimony at page 16, lines 17 and 18, please explain and provide any documents that support the statement that quarterly payment of dividends reduce the cost of equity.

DISCOVERY REQUEST NO. 95

Referencing Dr. Klein's testimony at page 15, line 22 through page 16, line 2, please provide any studies, analyses or other documents that support the claim that "the price of utilities' stock will increase due to lower debt costs."

DISCOVERY REQUEST NO. 96

Referencing Dr. Klein's testimony at page 17, line 6, please describe AGL's "current decoupling status."

DISCOVERY REQUEST NO. 97

Referencing Dr. Klein's testimony at page 17, line 17 through page 18, line 7, please provide any studies, analyses, workpapers or documents that support the claims made in this passage of testimony.

DISCOVERY REQUEST NO. 98

Referencing Dr. Klein's testimony at p. 20, line 7, what is the basis of the stated 10% reduction in risk. Please provide any studies, analyses or other documents that support your claim.