

**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)	
)	

**FIRST DISCOVERY REQUESTS OF CHATTANOOGA GAS COMPANY
TO THE CONSUMER ADVOCATE AND PROTECTION DIVISION OF THE OFFICE
OF THE ATTORNEY GENERAL OF TENNESSEE**

To: Consumer Advocate and Protection Division
Office of Attorney General and Reporter
c/o C. Scott Jackson, Esq.
Ryan McGehee, Esq.
T. Jay Warner, Esq.
425 5th Avenue North, 2nd Floor
Nashville, TN 37202

These discovery requests are hereby served upon the Consumer Advocate and Protection Division ("CAPD" or "Consumer Advocate") of the Office of the Attorney General and Reporter of the State of Tennessee by 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. CGC requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The CAPD's responses are to be produced at the offices of the Luna Law Group, PLLC, 333 Union Street, Suite 300, Nashville, TN 37201, on or before March 29, 2010.

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information, and material available to the CAPD, as a party, whether it be the CAPD, in particular, or knowledge, information, or material possessed or available to the CAPD through its employees, representatives, agents, experts, or consultants.

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the CAPD or any of its employees, representatives, agents, experts, or consultants which would make a prior response inaccurate, incomplete, or incorrect.

For each discovery request, provide the name of the witness(es) or employee(s) responsible for compiling and providing the information contained in each response.

For purposes of these discovery requests, the term "you" shall mean and include the CAPD and all employees, agents, and representatives thereof.

As used herein, the term "document" shall have the broadest possible meaning under applicable law. "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, electronic, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, work paper, spreadsheet, email note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. You shall produce the original and each copy, regardless of origin or location, of any document, including but not limited to any book, pamphlet, periodical, publication, letter, correspondence, note, report, survey, summary, draft, work paper, memorandum (including memoranda, note or report of a meeting or conversation), projection,

comparison, evaluation, telephone call records, transcripts, witness statements, minutes or statistical compilation, spreadsheet, photograph, videotape, audio tape, computer disk, other electronic record or tape or printout, e-mail or electronic email files, 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. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when.

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 original 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 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.

As used herein, 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.

As used herein, 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.

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

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

- a. A complete explanation of the privilege being asserted;
- b. The nature of the communication, document, or information;
- c. The date of the communication, document, or information;
- d. The identity of the persons present at such communication or who prepared the document or information; and
- e. A brief description of the communication, document, or information 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.

“Identify” or “identifying” or “identification” when used herein with respect to any document means to provide a description of the document, including but not limited to the type of document (e.g., letter, memorandum, etc.), the date of the document, the title or label of the document, the identity of the person(s) who authored the document, was a recipient of the document, or possessed a copy of the document, and the current location of the document. “Identify” or “identifying” or “identification” when used herein with respect to any person or entity means without limitation the name of the person or entity and the current contact information (including but not limited to the daytime telephone number and address).

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.

FIRST DISCOVERY REQUESTS

DISCOVERY REQUEST NO. 1:

Please provide all supporting workpapers and source documents to Exhibit DED-10 from the direct testimony of CAPD witness Dismukes in MS Excel format with all links and formulas intact, source data used, and explain all assumptions and calculations used.

Response:

DISCOVERY REQUEST NO. 2:

Provide all studies, analysis, and supporting documentation used to develop the AG participation numbers for programmable thermostats, Low Income weatherization, High Efficiency Furnace/Boiler Incentive, Tankless Water Heater Incentive, and High Efficiency Storage Water Heater Incentive shown in Exhibit DED-8 of CAPD witness Dismukes direct testimony.

Response:

DISCOVERY REQUEST NO. 3:

Provide all studies, analysis, and supporting documentation used to develop the AG energy savings numbers for programmable thermostats, Low Income weatherization, High Efficiency Furnace/Boiler Incentive, Tankless Water Heater Incentive, and High Efficiency Storage Water Heater Incentive shown in Exhibit DED-8 of CAPD witness Dismukes direct testimony.

Response:

DISCOVERY REQUEST NO. 4:

Provide all studies, analysis, and supporting documentation used to develop the AG net to gross ratios for Residential Programmable Thermostats, Residential High Efficiency Furnace/Boiler Incentive, Residential Tankless Water Heater Incentive, Residential High Efficiency Storage Water Heater Incentive, Food Service Incentive, Commercial High Efficiency Furnace/Boiler Incentive, Commercial Tankless Water Heater Incentive, Commercial High Efficiency Storage Water Heater shown in Exhibit DED-8 of CAPD witness Dismukes direct testimony.

Response:

DISCOVERY REQUEST NO. 5:

For purposes of this request, please refer to page 31 of and Appendix A to Mr. Buckner's testimony. Provide a copy of all analysis that identify the impact of the "Budget Re-Repayment Plans" on uncollectible expense and uncollected gas cost. Provide all workpapers and source documents used in connection with this response. Provide the requested workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, please provide the information in the form that most closely matches what has been requested.

Response:

DISCOVERY REQUEST NO. 6:

For purposes of this request, please refer to page 31 of and Appendix A to Mr. Buckner's testimony. Provide a copy of all analysis that identify the impact that the "Ability to Waive Fees" provision of the proposed "consumer protection recommendations" would have on revenues, and identify the amount and where the Consumer Advocate and Protection Division has included an adjustment to the attrition period revenues for this proposed provision. Provide all workpapers and source documents used in connection with this response. Provide the requested workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, please provide the information in the form that most closely matches what has been requested.

Response:

DISCOVERY REQUEST NO. 7:

For purposes of this request, please refer to page 31 of and Appendix A to Mr. Buckner's testimony. Provide a copy of all analysis that identify the capital investment and operating expense that would be incurred in the implementation of the proposed "consumer protection recommendations." Provide all workpapers and source documents used in connection with this response. Provide the requested workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, please provide the information in the form that most closely matches what has been requested. Identify the specific adjustments that the Consumer Advocate and Protection Division has included for any additional capital investment or expense in the attrition period.

Response:

DISCOVERY REQUEST NO. 8:

For purposes of this request, please refer to page 31 of and Appendix A to Mr. Buckner's testimony. Provide a copy of all analysis that identify the number of Chattanooga Gas Customers that would be subject to the "Budget Re-Payment Plans." Provide all workpapers and source documents used in connection with this response. Provide the requested workpapers in electronic spreadsheet form, with all links and formulas intact, source data used, and explain all assumptions and calculations used. To the extent the data requested is not available in the form requested, please provide the information in the form that most closely matches what has been requested. Identify where the Consumer Advocate and Protection Division has included adjustments for any additional capital investment or expense in the attrition period.

Response:

DISCOVERY REQUEST NO. 9:

The following statement is included in the proposed "Budget Re-Payment Plans" on Appendix A of Mr. Buckner's testimony:

"Provided however, if a customer or household member of the customer is able to demonstrate a **unique financial distress situation** or the customer is disabled or a member of the customer's household is disabled, the Company shall be required to again consider permitting the customer to have additional installment plan(s) during the same calendar year."

- a. Provide the detailed definition of a "unique financial distress situation;"
- b. Identify and explain the action and/or documentation that would be required of a customer to demonstrate a unique financial situation;
- c. Identify and explain the specific criteria for a customer or a member of the customer's household to be considered as disabled; and
- d. Identify and explain the required action by the Company to verify a "unique financial distress situation" or that the customer or a member of the household is disabled.

Response:

DISCOVERY REQUEST NO. 10:

The following statement is included in the proposed "Budget Re-Payment Plan" on Appendix A of Mr. Buckner's testimony:

"Provided however, if a customer or **household member** of the customer is able to demonstrate a unique financial distress situation or the customer is disabled or a member of the customer's household is disabled, the Company shall be required to again consider permitting the customer to have additional installment plan(s) during the same calendar year."

- a. Provide the rational for requiring the utility to offer a "Budget Re-Payment Plan" when it is a "household member" that can demonstrate "a unique financial distress situation" and not the customer that can demonstrate "a unique financial distress situation."
- b. Provide the detailed definition of a "household member" as used in this proposed requirement; and
- c. Identify and explain the documentation required for a person to qualify as a "household member" as used in the proposed provision.

Response:

DISCOVERY REQUEST NO. 11:

Explain if the Consumer Advocate proposes that the TRA consider the proposed "consumer protection recommendations" included in Appendix A to Mr. Buckner's testimony for all of the local natural gas distribution companies regulated by the Authority, or does the Consumer Advocate propose that these proposed "consumer protection recommendations" be considered for Chattanooga Gas Company only. If the Consumer Advocate is proposing the "consumer protection recommendations" for Chattanooga Gas Company only, explain why the Consumer Advocate proposes that these be adopted only for Chattanooga Gas Company.

Response:

DISCOVERY REQUEST NO. 12:

Please provide all analysis, data, workpapers, and research materials that validate your “concern” stated on page 30 of Mr. Buckner’s Direct Testimony, that “Sequent may sell a portion of CGC’s system capacity to SouthStar Energy Services, LLC (“SouthStar”), its affiliate, at a below market value price.”

Response:

DISCOVERY REQUEST NO. 13:

Please provide all explanations, analysis, data, workpapers, and studies that support the contention on page 30 of Mr. Buckner’s testimony that the TRA’s Staff’s audits of CGC’s gas cost and the existing Asset Management Agreement between CGC and Sequent may not totally capture secondary transactions with SouthStar.

Response:

DISCOVERY REQUEST NO. 14:

Provide all explanations, analysis, data, workpapers, studies, and research materials that support the CAPD’s belief that “all revenues from secondary transactions of system capacity to an affiliated company should inure to the ratepayers of CGC.” *See* Buckner Testimony, page 30.

Response:

DISCOVERY REQUEST NO. 15:

Provide all analysis, data, workpapers, and research materials that support your implication on page 30 of Mr. Buckner's testimony that SouthStar should remit profits from transactions using CGC assets, which were bought in an arms-length transaction in a competitive market.

Response:

DISCOVERY REQUEST NO. 16:

Admit or deny: That credits to the ratepayers for off-system sales and/or asset management payments would be credited to customers through the purchased gas adjustment mechanism.

Response:

DISCOVERY REQUEST NO. 17:

Provide all analysis, data, workpapers, and studies that show that CGC and Sequent do not account for all transactions with affiliates in its reports to the TRA.

Response:

DISCOVERY REQUEST NO. 18:

Admit or deny: The current asset management agreement between CGC and Sequent allows for on-site audit of transactions which would allow the TRA Staff to determine if any capacity releases or bundled sales were being conducted below market prices.

Response:

DISCOVERY REQUEST NO. 19:

Admit or deny: That under the terms of the current asset management agreement between CGC and Sequent, that Sequent would bear 100% of any lost value associated with any sale or release below market prices until the total shareable value exceeds the minimum annual guarantee.

Response:

DISCOVERY REQUEST NO. 20:

Admit or deny: Under the Federal Energy Regulatory Commission's rules any capacity release proposed at below the maximum tariff rate must be posted on the pipeline's electronic bulletin board to allow parties willing to pay more than the posted price to bid for the capacity.

Response:

DISCOVERY REQUEST NO. 21:

Please identify and describe each of the goals and objectives that CAPD recommends be applied to design CGC rates in this proceeding.

Response:

DISCOVERY REQUEST NO. 22:

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

Response:

DISCOVERY REQUEST NO. 23:

Please provide a full definition of the term “abundant equity” as used by Mr. Buckner on page 25, line 1 of his prepared direct testimony.

Response:

DISCOVERY REQUEST NO. 24

Please provide all support for Mr. Buckner’s position that the monthly fixed charges for Piedmont Gas Company and Atmos Energy are determinative of the appropriate monthly fixed charge for CGC customers. Include citations to all applicable TRA regulations and/or precedent.

Response:

DISCOVERY REQUEST NO. 25:

Does Mr. Buckner believe that the variable distribution charges of Piedmont Gas Company and/or Atmos Energy as approved by the TRA are relevant to the distribution charges that should be approved for CGC in this proceeding? If so, please fully explain the relationship that exists.

Response:

DISCOVERY REQUEST NO. 26:

Please identify and explain each “burden” and “benefit” that Mr. Buckner is referring to on page 25, lines 8-10 of his direct testimony.

Response:

DISCOVERY REQUEST NO. 27:

Please provide all support for Mr. Buckner's position that "burdens" and "benefits" should be "shared proportionately by all customers" on CGC's system.

Response:

DISCOVERY REQUEST NO. 28:

Please provide all support including applicable empirical studies supporting Mr. Buckner's statement that "higher monthly customer charges will likely negatively impact the conservation efforts of customers."

Response:

DISCOVERY REQUEST NO. 29:

Please quantify the degree to which Mr. Buckner believes that the Company's proposed changes to monthly customer charges will impact the conservation efforts of customers. Please provide all supporting documentation and workpapers associated with Mr. Buckner's estimates.

Response:

DISCOVERY REQUEST NO. 30:

Please provide a complete rate design and proof of revenues that shows the existing and proposed rate for each base rate charge for each rate class associated with the rate design recommendation set forth in Mr. Buckner's testimony. Please provide the proposed rate design and all supporting documentation and workpapers in electronic form with all formulas intact.

Response:

DISCOVERY REQUEST NO. 31:

Please provide all supporting workpapers and source documents to Exhibit DED-2 from the direct testimony of CAPD witness Dismukes.

Response:

DISCOVERY REQUEST NO. 32:

Please provide all supporting workpapers and source documents to Exhibit DED-13 from the direct testimony of CAPD witness Dismukes.

Response:

DISCOVERY REQUEST NO. 33:

Please provide all supporting workpapers and source documents to Exhibit DED-15 from the direct testimony of CAPD witness Dismukes.

Response:

DISCOVERY REQUEST NO. 34:

Please provide all supporting workpapers and source documents to Exhibit DED-16 from the direct testimony of CAPD witness Dismukes. Please indicate whether the data presented in Exhibit DED-16 are weather-normalized.

Response:

DISCOVERY REQUEST NO. 35:

Please provide all supporting workpapers and source documents to Exhibit DED-17 from the direct testimony of CAPD witness Dismukes.

Response:

DISCOVERY REQUEST NO. 36:

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

Response:

DISCOVERY REQUEST NO. 37:

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

Response:

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.

Response:

DISCOVERY REQUEST NO. 39:

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

Response:

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.

Response:

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.

Response:

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.

Response:

DISCOVERY REQUEST NO. 43:

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

Response:

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.

Response:

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.

Response:

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.

Response:

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.

Response:

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.

Response:

DISCOVERY REQUEST NO. 49:

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

Response:

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.

Response:

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.

Response:

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.

Response:

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.

Response:

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."

Response:

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."

Response:

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.

Response:

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.

Response:

DISCOVERY REQUEST NO. 58:

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

Response:

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.

Response:

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.

Response:

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.

Response:

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.

Response:

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.

Response:

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.

Response:

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."

Response:

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."

Response:

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."

Response:

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."

Response:

DISCOVERY REQUEST NO. 69:

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

Response:

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.

Response:

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.

Response:

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."

Response:

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."

Response:

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.

Response:

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.

Response:

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%.

Response:

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.

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.

Response:

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.

Response:

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.

Response:

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.

Response:

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?

Response:

DISCOVERY REQUEST NO. 83:

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

Response:

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.

Response:

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.

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.

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.

Response:

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.

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.

Response:

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.

Response:

DISCOVERY REQUEST NO. 91

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

Response:

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.

Response:

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.”

Response:

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.

Response:

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."

Response:

DISCOVERY REQUEST NO. 96

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

Response:

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.

Response:

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.

Response:

Respectfully submitted,

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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:

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A handwritten signature in black ink, appearing to read "H. Walker", is written over a horizontal line.