BEFORE THE
TENNESSEE REGULATORY AUTHORITY

PREPARED DIRECT REBUTTAL TESTIMONY
OF
RONALD D. HANSON

IN RE:
CHATTANOOGA GAS COMPANY
DOCKET NO. 09-00183

electronically filed 4/6/10 @ 10:30

Q. Please state your name, position and address.

A. Ronald D. Hanson, Manager, Regulatory Analysis, AGL Services Company ("AGSC"). My business address is 10 Peachtree Place, Location 1686, Atlanta, Georgia 30309.

Q. Are you the same Ronald D. Hanson who previously submitted direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to present information for Chattanooga Gas Company ("CGC" or the "Company") in response to the direct testimony of witnesses for the Consumer Advocate and Protection Division ("Consumer Advocate"). Specifically I will respond to the financial and accounting information set forth in the direct testimony of Mr. Terry Buckner, Mr. John Hughes and Mr. Chris Klein. Additionally, I will provide corrections and updated forecast information and incorporate this information into the Consumer

Advocate's calculated revenue requirement to provide an updated revenue requirement for the Company.

Q. How will your rebuttal testimony be presented?

A. I will (1) provide summary results of the Company's revenue requirement, which is based on the Consumer Advocate's revenue requirement, adjusted for corrections and updated forecast information and (2) respond to the Consumer Advocate's forecast of operating income, rate base, and cost of capital.

Q. Are you presenting Exhibits with your testimony?

A. Yes. I am sponsoring the following exhibits in support of CGC's base revenue requirement for the twelve months ending April 30, 2011:

- Exhibit RDH-5 – Statement of Income as proposed by the Consumer Advocate and as adjusted by the Company before and after the proposed rate adjustment and calculations of the proposed base revenue adjustment, base revenue conversion factor and Tennessee excise and federal income taxes.
- Exhibit RDH-6 – The elements of estimated average rate base as of April 30, 2011 as proposed by the Consumer Advocate and as adjusted by the Company.
- Exhibit RDH-7 – A summary of the Company's estimated cost of capital as of April 30, 2011 as proposed by the Consumer Advocate and as proposed by the Company.
- Exhibit RDH-8 – Details of Adjustments and Updates to the Consumer Advocate Filing

- Confidential Exhibit RDH-9 – Comparison of Compensation for CGC to Market
- Confidential Exhibit RDH-10 – Comparison of Compensation for AGSC to Market

Q. Please provide a summary of the differences between the Consumer Advocate's proposed revenue deficiency of $41,409 and the Company's updated proposed revenue deficiency of $2,248,376.

A. The major components of the difference are as follows:

- Total adjustments for corrections to the Consumer Advocate's estimates reduce operating expenses by $(121) thousand
- Total adjustments for updates to forecasts for known changes to expenses reduce operating expenses by $(87) thousand
- Adjustments to add back expense eliminations made by the Consumer Advocate increase operating expenses by $930 thousand
- An increase in return on equity from the Consumer Advocate's proposed cost of equity of 9.5% to the Company's of 11% equates to approximately a $1.2 million increase in revenue requirement
- The change in capital structure from the Consumer Advocate's proposal to the Company's results in an increase in revenue requirement of $.3 million
- The change in rate base resulting corrections to the Consumer Advocate's estimated rate base and from the changes in operating expenses above results in a decrease in revenue requirement of $(15) thousand

I. Operating Income

Q. Do you accept the update of operating income as proposed by the Consumer Advocate?

A. I have reviewed the forecast of operating income as prepared by the Consumer Advocate and accept the forecast with the exception of several corrections and forecast updates. Additionally, the Consumer Advocate and the Company have differing positions on certain items included in the Company's revenue requirement. All of these items will be explained in detail throughout my testimony.

A. Operating Revenues

Q. Please describe the components of operating income as proposed by the Consumer Advocate?

A. The first component of operating income is operating revenues and the second component is operating expenses. Operating revenues includes revenues, cost of gas and allowance for funds used during construction ("AFUDC"). The Consumer Advocate's estimate of operating revenues excluding AFUDC is $88,348,700 which is $95,410 higher than the Company's forecast of $88,253,290. While the Company does not accept the methods used to arrive at the forecast the Company does accept the result as a reasonable update to the revenue forecast. The Company also accepts the Consumer Advocate's forecast of cost of gas. The amount of cost of gas is based on the amount included in the Company's filing. This amount is embedded in the operating revenues amount and has an equal offset amount in cost of gas and therefore has no effect on the operating margin. The rebuttal testimony of Marcie Shields addresses the details of the revenue forecast.

Q. Do you agree with Mr. Buckner's forecast of AFUDC?

A. I agree with the process used by Mr. Buckner in his workpaper on page 2 of his workpapers but I disagree with the cost of capital that he has applied. I have updated Mr. Buckner's forecast using the Company's proposed cost of capital. The result is AFUDC of $239,457 rather than the Consumer Advocate's AFUDC of $210,826.

B. <u>Operating Expenses</u>

Q. Do you agree with the Consumer Advocate's forecast of operating expenses?

A. I agree with the Consumer Advocate's calculation of operating expenses with the exception of seven corrections to operating expenses and three eliminations of expenses. I would also like to provide updates to expenses for estimates that have changed since the Company's filing of its revenue requirement.

<u>Corrections to Operating Expenses</u>

Q. Would you provide an explanation of the seven corrections to operating expenses?

A. The first five adjustments are related to expenses allocated from AGL Services Company ("AGSC"). First, in its calculation of AGSC allocated expenses the Consumer Advocate incorrectly reduced allocated expenses by $165,163 for an adjustment amount related to CGC's property tax expense. This incorrect reduction is shown on page 19 of Mr. Hughes' workpapers. The Consumer

Advocate had already made an adjustment to reflect the proper level of property tax for CGC as shown on pages 1 and 22 of Mr. Hughes' workpapers.

Second, in its calculation of AGSC allocated expenses the Consumer Advocate incorrectly increased allocated expenses by $73,531 for allocated income taxes from AGL Resources Inc. ("AGLR") This incorrect increase is shown on page 19 of Mr. Hughes' workpapers under the caption "PUCHA TAX COLLECTION ALLOCATIONS." The elimination of this expense had already effectively been made in Mr. Buckner's excise and income tax calculation on Schedule 6 of his exhibits.

Third, in its calculation of allocated costs the Consumer Advocate incorrectly excluded an adjustment to AGSC allocated expenses for pension and postretirement benefits expense other than pensions ("PBOP"). The required adjustment is to increase the estimated pension contribution amounts and PBOP expense amounts per actuarial estimates. The combined adjustment for pensions and PBOP expense is $117,651.

Fourth, in its calculation of AGSC allocated costs the Consumer Advocate overstated the allocated expenses by $352,911 for allocated depreciation expense. Mr. Buckner on page 3 of his workpapers had an allowance for depreciation expense from AGSC. Mr. Hughes in his calculation of AGSC allocated operations and maintenance expense included the total allocation amounts from AGSC and should have reduced the amount by $352,911. This amount represents the allocated depreciation expense embedded in Mr. Hughes' operations and maintenance expense forecast.

Fifth, similar to adjustment 4 in its calculation of AGSC allocated costs the Consumer Advocate overstated the allocated expenses by $129,739 for allocated taxes other than income. Mr. Hughes, on page 1 of his workpapers, had an allowance for taxes other than income from AGSC. Mr. Hughes, in his calculation of AGSC allocated operations and maintenance expense, included the total allocated amounts from AGSC and should have reduced the amount by $129,739. This amount represents the allocated taxes other than income expense embedded in Mr. Hughes' operations and maintenance expense forecast.

Q. Please continue with your explanation of adjustments to the Consumer Advocate's proposed operating expenses.

A. A sixth adjustment relates to the calculation of depreciation expense. I agree with Mr. Buckner's calculations with the exception of the understatement of depreciation expense related to three accounts which totals $111,480. Mr. Buckner has understated depreciation expense for LNG Storages Tanks (Account 362) by $61,298, Transportation - Heavy Trucks (Account 392.2) by $46,896, and Stores Equipment (Account 393) by $3,286. Mr. Buckner had excluded the depreciation on these accounts based on the fact that the net book value in these accounts was less than zero. However, he did not take into account that the depreciation rates included in the direct testimony of Rhonda Watts were based on reallocated depreciation reserves. The effect of the reallocation of the reserves is to decrease the depreciation rates in other accounts for the over accrual in these accounts. A full explanation of this process and the effect on depreciation rates is included in the rebuttal testimony of Rhonda Watts. The calculation of the understatement of depreciation expense is included my rebuttal workpapers.

A seventh adjustment relates to the calculation of uncollectible accounts expense, which understates operating expenses by $40,390. Mr. Hughes makes a reduction to uncollectible accounts expense with no reasonable basis. He reduces the Company's forecast by a factor of 36.4% which is the ratio of write-offs to amounts accrued as expense for 2009. The Company's method for calculating bad debt expense is to apply an estimated percentage of write-offs to the estimated non-gas revenues. The validity and appropriateness of this approach is that it provides how much the Company needs to collect as uncollectible accounts expense for each dollar of non-gas revenue that it collects. This approach has been approved by the TRA in each of the Company's last two rate cases in 2004 and 2006. Further, the Company's approach was accepted by the Consumer Advocate in the last two rate cases as well. The calculation of the appropriate level of uncollectible accounts expense for the attrition period using the Consumer Advocate's estimated revenue and the resulting adjustment to the Consumer Advocate's operating expenses is included in my rebuttal workpapers. This calculation reflects the updated estimated write-off percentage for the 24 months ended December 2009 and the estimated revenues as estimated by the Consumer Advocate.

<u>Incorrect Expense Eliminations Made by Consumer Advocate</u>

Q. Please describe the three expense eliminations made by the Consumer Advocate.

A. One expense incorrectly eliminated by the Consumer Advocate is expenses related to the variable compensation plans proposed in the Company's operating expenses. The Consumer Advocate eliminated 50% of the directly incurred Annual Incentive Plan ("AIP") expenses or $62,556 and 50% of the allocated Annual Incentive Plan expenses or $148,036 and eliminated 100% of the allocated Long-Term Incentive Plan expenses or $189,359.

Q. Mr. Hughes cites TRA precedent as a reason to eliminate variable compensation. Is his application of the precedent correct?

A. No it is not. Mr. Hughes relies on the TRA's Order in Docket 96-00977 which states that 50% of Nashville Gas Company's Long-Term Incentive Plan expense will be included in the cost of service. According to the TRA order in that case, the reason for the disallowance was that the plan was "designed to provide additional compensation for top executives that achieve preset financial targets established by the Company." [Feb 19, 1997 TRA Order, p. 12]. Mr. Hughes applies the precedent to the Company's AIP. The compensation plan cited in Docket 96-00977 is not similar to the Company's AIP program. First, the AIP is a program that applies to all employees, not just senior executives. Second, approximately 60% of the AIP for CGC employees is based on individual performance measures such as safety, customer service, operating efficiency and compliance. Lastly, Mr. Hughes proposes the elimination of 100% of LTIP while in the case cited, the TRA only eliminated 50% of LTIP. It appears Mr. Hughes is applying an interpretation to the TRA order that, for compensation plans that have only financial targets, 100% should be eliminated. However, in the TRA order, the only targets referred to are financial in nature. Therefore, should the TRA in this proceeding use the 1996 case as the basis for its decisions, at a minimum 50% of the LTIP costs should be allowed in the Company's cost of service.

Q. Are the Company's variable compensation plans included as part of its total compensation plan?

A. Yes. As a subsidiary of AGLR, CGC and AGSC, CGC's provider of shared services, participate in AGLR's compensation program and variable compensation is a necessary and important part of the AGLR's total compensation program. Employee compensation is reviewed at least annually and set using external market surveys to determine reasonable and appropriate compensation levels. These surveys provide data on both base salary and variable pay target levels and related forms of compensation paid by comparable employers to similarly situated employees. Using this data AGLR sets annual compensation levels relative to the 50^{th} percentile. This means that AGLR targets the middle-of-road benchmark, where 50% of companies pay more and 50% would pay less than AGLR. Paying employees at the 50^{th} percentile is equivalent to paying employees at 100% of market. Recent surveys performed for CGC and AGSC employees are included as Confidential Exhibit RDH-9 and Confidential Exhibit RDH-10, respectively. These exhibits show that CGC employees are compensated at 97% of market including total compensation and that AGSC employees are compensated at 99.3% of market including total compensation.

Q. Mr. Hughes proposes the elimination of 50% of the AIP based on an assertion that only 50% benefits ratepayers. Is this assertion correct?

A. No it is not. First, the Company is requesting the inclusion of AIP at the payout level that represents the market level pay for employees. Therefore, AIP is simply a part of the cost of doing business. Ratepayers benefit from the services provided by CGC's employees and the services provided by AGSC employees on behalf of CGC. Second, AIP varies with the level of individual, business unit and corporate performance. Because AIP varies with business results it encourages employees to control costs which helps the Company to avoid or minimize rate increases. Additionally, approximately 60% of the AIP for CGC employees is based on individual performance measures such as safety, customer service, operating efficiency and compliance. These measures result in better service for customers. Our customers receive full and direct benefit from CGC's employees and AGSC employees acting on behalf of CGC having a salary and incentive structure that is aligned with enhancing customer service and minimizing costs.

Q. Mr. Hughes proposed the elimination of LTIP based on the assumption that shareholders reap all of the benefits of LTIP. Is this correct assumption correct?

A. No. As with AIP, LTIP represents a part of the compensation for certain employees and is therefore a part of the cost of doing business. Additionally, as business performance is enhanced through the incentive plan, ratepayers reap benefits of lower costs and improved productivity which helps the Company avoid or minimize rate increases. Ratepayers also benefit from AGLR's ability to attract and retain employees and officers who can best serve the needs of the customers.

Q. Do you agree with Mr. Hughes' assessment and characterization of the Company's variable compensation plans?

A. No. Mr. Hughes' characterization of the Company's variable compensation programs is inaccurate. First, Mr. Hughes states that variable compensation programs apply to "certain officers and employees of CGC and its parent company, AGL Resources, Inc." The Company's AIP applies to **all** employees of CGC and AGL Services Company, the companies' costs that are at issue in this case. Second, Mr. Hughes underestimates the benefits that the variable compensation plans bring to CGC's customers, both from a qualitative and quantitative standpoint. A substantial portion of the Company's variable compensation plans is directly related to individual performance measures such as safety, customer service, operating efficiency and compliance. These measures result in better service for customers.

Q. How does Mr. Hughes underestimate the quantitative benefits that CGC customers derive from the Company's variable compensation plans?

A. Mr. Hughes is of the opinion that a financial target can only benefit the shareholders. He repeatedly states that earnings per share are solely a benefit for shareholders. However, the pure nature of financial targets and earnings per share and the regulated nature of CGC make the benefits associated with the Company's variable compensation plans, in my opinion, a 100% benefit for both shareholders **and customers**.

Q. How do the Company's variable compensation plans benefit both customers and shareholders 100%?

A. A financial target such as earnings per share is driven primarily by two things – revenues and costs. As revenues increase, so do earnings per share. Likewise, as costs decrease, earnings per share increase. Earnings per share are often viewed through a narrow prism as a benefit only for shareholders. However, when one expands this view and looks at it in the context of ratemaking and what drives a company's rates, one can clearly see that the drivers of earnings per share - revenues and costs - clearly impact the rates to customers.

As the Company adds customers, its revenues and earnings per share increase. Put in the context of a rate case, higher revenues result in a lower revenue requirement from customers. The same principle can be said for costs. If the Company's costs decrease, its earnings per share will increase. Again put in the context of a rate case, lower costs will result in a lower revenue requirement from customers. Further, on page 7, lines 12-18, Mr. Hughes himself indicates that there are financial benefits to customers that are derived from the Company's variable compensation plans.

Q. Can you provide an example in this case where the performance of employees had a direct and measurable effect on the revenue requirement proposed in this case?

A. Yes. Due to the time, effort and diligence of the tax group of AGSC, CGC's property taxes have been reduced by approximately $500,000. This substantial reduction in costs has been incorporated in this case, reducing the Company's revenue deficiency by almost 25%. This is a perfect example of how a compensation plan can drive behaviors that produce both an increase in earnings per share **and** a decrease in rates to customers.

Q. Do you have any further comments of how the Company's variable compensation plans benefit customers?

A. Yes, and in doing so, I would like to further expand on the property tax example discussed previously. In that example, the reduction in CGC's property taxes result in a **temporary** benefit to shareholders but a **permanent** benefit to its customers. This same logic holds true for any reductions in costs – shareholders benefit temporarily until a rate case proceeding, at which time the benefit is passed along to customers on a permanent basis. Or, such a cost reduction can help offset cost increases, thereby mitigating the need for the Company to file for rate relief.

Q. Do you have any other comments about Mr. Hughes' assertions regarding the Company's variable compensation plans?

A. Yes. Mr. Hughes comments that "CGC has proposed rewarding their employees and shareholders for merely increasing natural gas rates charged to ratepayers." This statement is not true. The Company's variable compensation plans have been in place for quite some time and were not developed for the mere purpose of increasing rates to customers. Conversely, these plans were established to drive efficiencies, reduce costs and enhance the overall customer experience, the complete opposite of what Mr. Hughes is asserting. Lastly, Mr. Hughes' recommendation that all variable compensation be eliminated if the TRA adopts the Company's alignment and usage adjustment ("AUA") should be rejected. The contention that CGC's proposed AUA "guarantees" a return to the Company is simply not true. The AUA covers one component of CGC's base rates, and that is the fluctuation in customer usage. The AUA does not cover key items such as decreases in customer growth, increases in the Company's cost to serve, increases in the Company's capital investment or increases in the Company's debt costs.

Q. Do you agree with Mr. Hughes that the TRA's ruling on Nashville Gas' LTIP in 1996 should be applied as a precedent to eliminate 50% AIP and 100% of LTIP?

A. No. As I have mentioned AIP and LTIP are a part of the compensation of CGC and AGSC employees. Both of the programs benefit ratepayers through both financial and non-financial means. Our customers receive full and direct benefit from CGC's employees and AGSC employees acting on behalf of CGC having a salary and incentive structure that is aligned with enhancing customer service and minimizing costs.

Q. Please describe the second expense elimination made by the Consumer Advocate.

A. A second expense eliminated by the Consumer Advocate is 50% of the amortization of rate case preparation costs of $106,536 of the total amortization of $212,781. These amounts represent the 3-year amortization of $89,706 of the remaining unrecovered costs from the Company prior rate case costs plus $548,640 expected to be incurred during this proceeding. The Company provided an updated estimate of rate case preparation costs in its response to Consumer Advocate Discovery Request 1-79. The total expected costs are $632,002. The amortization of this amount plus the amortization of the existing balance results in a total amortization of $240,569. An adjustment of $134,033 ($240,569 less $106,536) is required to restore rate case costs to the proper level.

These costs include legal expenses, cost of preparing the class cost of service, depreciation study costs, costs of the cost of equity witness, general rate case support and costs incurred in the estimate of pensions and postretirement benefits costs other than pensions (PBOP). The Consumer Advocate incorrectly eliminated these expenses on the premise that much of the costs associated with ratemaking dockets are incurred for the protection of shareholders' interest. These costs, like any other cost, are a cost of the provision of service to customers. In order to establish fair and reasonable rates for customers the Company must present its case to the TRA. These proceedings are in a legal environment that requires representation. Further, there are certain topics in a rate case that are specialized in nature, and it is more cost effective to have an outside resource perform the function rather than develop the expertise in house, and such in house costs would be recoverable. The class cost of service study determines the appropriate rates to charge each class of customers. The depreciation study and pension and PBOP estimates are required to estimate the appropriate level of operating expenses to charge customers. In fact, the depreciation study resulted in a cost reduction of over $1 million, all of which was passed on to the customers. Under the Consumer Advocate's argument of 50% sharing in costs, the shareholder should be able to retain 50% of this cost reduction if it must incur 50% of the costs associated with the study. The cost of equity study is required to determine a fair cost to charge ratepayers to ensure that capital is attracted to the Company for investment in facilities to serve rate payers.

The Consumer Advocate also asserts that the costs should not be fully recovered because the case is "without merit." With all due respect to the Consumer Advocate, regardless of its opinion on the merit of CGC's case, costs associated with rate cases should be allowed. It should also be noted that as a result of the settlement of the 2006 rate case the Company was required to file a rate case prior to May 28, 2010. The settlement also required the depreciation study that the Company performed in this case.

The Company urges the TRA to reject the Consumer Advocate's position and allow all outside costs incurred for the preparation and litigation of this case to be recovered. Not doing so could result in unintended consequences in future cases.

Q. What unintended consequences could occur in future cases?

A. If utilities are not allowed to recover the full costs of outside resources for a rate case, they may begin hiring additional resources to perform these functions in house. Costs for additional attorneys, specialized accountants and economists and other specialized areas would greatly exceed the costs incurred by having these same services performed by outside resources.

Q. Please describe the third expense elimination made by the Consumer Advocate.

A. A third expense that is incorrectly adjusted by Mr. Buckner is legal costs. Mr. Buckner states in his supplemental testimony that the Company is seeking double recovery of legal costs related to TRA Docket No. 07-00224. The legal costs included by the Company are the estimated amount of legal costs the Company expects to incur during the attrition period. Therefore, the inclusion of the expense is not a proposed double recovery but rather a means to estimate future expense.

Mr. Buckner's proposed elimination of $396,208 of legal costs was derived by taking the difference between total legal expenses included in the Consumer Advocate's original filing of $590,821 (based on calendar year 2009 plus expense growth factors) and the 3-year average for legal costs of $194,613 for the years 2005 through 2007. Mr. Buckner's use of a three year period that ends almost four years outside the Company's attrition period is not appropriate. The amount included by the Consumer Advocate in its original filing is appropriate and $396,208 should be restored. The Company incurred $527,498 of legal expenses in 2008 and $578,479 in 2009 which is evidence that this level of legal expenses are reasonably likely to recur through the attrition period. Further, if the TRA were to adopt a 3-year average as a representation of the legal expenses for the attrition period it should use the most recent average. The 3-year average of expenses for 2007 through 2009 for these expenses is $434,199. The calculation of this average is provided in my rebuttal workpapers.

<u>Updates to Estimates to include in Consumer Advocate's Cost of Service</u>

Q. Please describe your updates to the estimated cost of service.

A. There are four updates that I am providing for information that has become available since the filing of my direct testimony that reduce estimated operating expenses during the attrition period by $87,084. The first update is to decrease pension expense by $140,801, $152,333 less benefits capitalized of $11,532, as a result of updated actuarial estimates. The second update is to increase allocated expenses from AGSC by $96,520 for an increase in the estimated pension expense based on contributions made on behalf of AGSC employees due to a change in the actuarial determination. The third is to increase PBOP expenses by $11,521, $12,465 less benefits capitalized of $944, as a result of updated actuarial estimates. The fourth update is to decrease allocated expenses from AGSC for the transition of the call center by $54,324 from the original estimate due to the use of more recent budget data. The calculation of each of the updates is provided in my rebuttal workpapers.

II. <u>Forecast of Rate Base</u>

Q. Please summarize the forecast of rate base presented by Mr. Buckner.

A. Mr. Buckner's forecast of rate base for the 13 month average for the attrition period is $93.9 million as compared to $97.8 million as included in CGC's filing in this proceeding. Mr. Buckner's forecast was based upon the actual balances of rate base items as of December 31, 2009 adjusted for forecast changes through the attrition period. The primary reasons for the decrease were an increase in utility plant of $4.0 million, a decrease in construction work in progress of $4.8 million, a decrease in working capital (due to decreased cost of gas stored) of $1.8 million and an increase in accumulated deferred income taxes of $1.0 million. Each of the forecast items was based upon information provided by the Company in response to discovery requests with the exception of deferred rate case costs, understated accumulated deferred income tax related to AGSC and three adjustments resulting from expense adjustment mentioned earlier in my rebuttal testimony. Therefore, with the exception of these items the Company agrees with the updates to rate base as provided by Mr. Buckner.

Q. Do you agree with Mr. Buckner's forecast of deferred rate case cost that is included as a component of working capital?

A. No. Mr. Buckner has understated deferred rate case costs by $393,128. This understatement has two components. First, Mr. Buckner has incorrectly excluded the unrecovered cost from the Company's 2006 rate case in TRA Docket 06-00175. These costs have not been fully recovered. The Company has proposed to recover the yet unrecovered cost over 3 years. The unrecovered balance as of the beginning of the attrition period, May 1, 2010, is $89,706. Mr. Buckner has also incorrectly excluded from his calculation 50% of the rate case costs that have or will be incurred in this proceeding. The total updated estimated costs for this rate case are $632,002. Mr. Buckner excluded 50% of these costs from his calculation of working capital based on his opinion that the costs are excessive. I have addressed the issue of the level of rate case costs earlier in my rebuttal testimony in the discussion of operating expenses. Had Mr. Buckner properly included the unrecovered balance from the 2006 case and included the full cost of this proceeding the deferred rate case costs would be $656,462 as compared to $263,334 provided in his workpapers on page 25. A corrected calculation of the updated deferred rate case costs is included in my rebuttal workpapers.

Q. Please describe the understatement of accumulated deferred income tax related to AGSC.

A. Allocated accumulated deferred income tax in the amount of $375,633, as provided in Consumer Advocate Discovery Request 1-85 should have been included in accumulated deferred income tax. This adjustment is reflected in my exhibits and results in a reduction to rate base.

Q. Please describe the other changes to rate base.

A. I provided updates to the Consumer Advocate's calculation of rate base for the PBOP component of working capital for changes in the estimated expense and payment amounts. I updated accumulated depreciation for the change in depreciation expense. I updated accumulated deferred income taxes as appropriate and finally updated the lead lag component of working capital.

III. <u>Cost of Capital</u>

Q. Please summarize the cost of capital as proposed by the Consumer Advocate.

A. The Consumer Advocate has proposed a cost of capital of 7.29% versus the Company's estimate of 8.28%. The Components of the Consumer Advocate's and Company's cost of capital are presented in Exhibit RDH-7.

Q. Do you agree with the cost of components of the capital structure as proposed by Dr. Chris Klein?

A. Dr. Klein has adopted the cost of short-term and long-term debt as proposed by the Company. The cost of equity is addressed in the direct rebuttal testimony of Dr. Roger Morin.

Q. Do you agree with Dr. Klein's proposed capital structure?

A. No. Dr. Klein in his Exhibit 2 based his capital structure on a 4 point average historic capital structure. The average is based on the three years ended June 2009 and the forecast for the attrition period as proposed in my proposed capital structure on Exhibit RDH-4, Schedule 1. There are two reasons that the Company's capital structure is more appropriate than Dr. Klein's. First, the level of short-term debt in Dr. Klein' capital structure of 10% is overstated versus the level that will be experienced during the attrition period. The Company estimates that its short-term debt to total capital will be 6.94% of total capitalization. The Company's forecast of its capital structure includes the issuance of $300 million in senior notes by AGLR in August 2009, the proceeds of which were used to repay short-term debt. Since Dr. Klein's balance is based on historic balances it does not take into account this known change in balance. Second, the Company's capital structure is more appropriate because the capital structure is aligned with the peer group upon which the cost of equity is based. Dr. Klein's capital structure which includes 48% equity is not aligned with the peer group used in his cost of equity estimate which creates an inconsistency as detailed in the rebuttal testimony of Dr. Morin.

Q. Does this conclude your testimony?

A. Yes.

Chattanooga Gas Company
2009 Rate Case - Docket 09-00183
Rebuttal To Consumer Advocate Filing
Ronald D. Hanson Exhibits

Docket No. 09-00183
Exhibit RDH-5
Schedule 1

Chattanooga Gas Company
Statement of Income with Proposed Rate Adjustment
Twelve Months Ended April 30, 2011 (Attrition Period)

Line No.	Description		(1) Consumer Advocate (A)	(2) Adjustments		(3) (Column 1+2) Company Update	(4) Proposed Rate Adjustments		(5) (Column 3+4) Total company Rate Adjustments
1	Revenues - Sales of Gas		87,662,634	$0		$87,662,634	$2,248,376	(H)	$89,911,010
2	Cost of Gas		58,634,548			58,634,548			58,634,548
3	Base Revenues		29,028,086	-		29,028,086	2,248,376		31,276,462
4	Other Revenues		686,066	-		686,066	9,356	(I)	695,422
5	AFUDC		$210,826	28,631	(D)	239,457			239,457
6	Total Operating Revenues		29,924,978	28,631		29,953,609	2,257,732		32,211,341
7	Operation and Maintenance Expense		11,515,483	610,131	(E)	12,125,614	15,961	(J)	12,141,575
8	Depreciation Expense		5,201,431	111,480	(F)	5,312,911			5,312,911
9	Interest on Customer Deposits		132,216	-		132,216			132,216
10	Taxes Other than Federal Income and State Excise		3,581,242	-		3,581,242			3,581,242
11	Income Taxes		2,665,889	(271,821)	(G)	2,394,068	879,335		3,273,403
12	Total Operating Expenses		$23,096,261	$449,789		$23,546,050	$895,296		$24,441,346
13	Operating Income for Return		$6,828,717	-$421,159		$6,407,558	$1,362,437		$7,769,995
14	Rate Base	(B)	$93,931,708			$93,818,504			$93,818,504
15	Rate of Return	(C)	7.27%			6.83%			8.28%

(A) REVISED Consumer Advocate Exhibits Schedule 3 - Mr. Buckner
Revenues from Gas Sales equal total per Mr. Bucker Revised Exhibit 3 ($88,348,700) less amount reclassified to Other Revenues per Mr. Peters ($686,066).
(B) REVISED Consumer Advocate Exhibits Schedule 2 Line 14 - Mr. Buckner

(C) Line 13 divided by Line 14

(D) Exhibit RDH-8 Line 26

(E) Exhibit RDH-8 Line 23

(F) Exhibit RDH-8 Line 24

(G) Exhibit RDH-5 Schedule 4 Column 2 Line 23

(H) Exhibit RDH-5 Schedule 2 Column 2 Line 12

(I) Exhibit RDH-5 Schedule 2 Column 2 Lines 11 + 14

(J) Exhibit RDH-5 Schedule 2 Column 2 Line 12 X RDH-5 Schedule 3 Column 3 Line 4

Chattanooga Gas Company
Revenue Adjustment Calculation
For the Twelve Months Ending April 30, 2011 (Attrition Period)

Line No.		(1) Consumer Advocate Amount (A)		(2) Company Update	
1	Rate Base	$93,931,708		$93,818,504	(C)
2	Operating Income at Present Rates	6,828,717		6,407,558	(D)
3	Earned Rate of Return	7.27%		6.83%	(E)
4	Proposed Rate of Return	7.30%		8.28%	(F)
5	Required Operating Income	6,853,821		7,769,955	(G)
6	Operating Income Deficiency	25,104		1,362,396	(H)
7	Gross Revenue Conversion Factor	164.944%		165.031%	(I)
8	Revenue Deficiency	$41,409		$2,248,376	(J)
9	Components of Revenue Deficiency:				
10	Revenues - Sales of Gas	41,409		2,248,376	
11	Other Revenues	-		-	
12	Total Revenue Deficiency	$41,409		$2,248,376	
13	Forfeited Discount Ratio	0.3951%	(B)	0.4161%	(K)
14	Forfeited Discount	$164		$9,356	(L)

(A) REVISED Consumer Advocate Exhibits Schedule 1 - Mr. Buckner

(B) REVISED Consumer Advocate Exhibits Schedule 7 - Mr. Buckner

(C) Exhibit RDH-6 Schedule 1 Column 3 Line 10

(D) Exhibit RDH-5 Schedule 1 Column 3 Line 13

(E) Line 2/Line 1

(F) Exhibit RDH-7 Schedule 1 Colunm 3 Line 10

(G) Line 1 X Line 4

(H) Line 5 Minus Line 2

(I) Exhibit RDH-5 Schedule 3 Column 4 Line 10

(J) Line 6 X Line 7

(K) Exhibit RDH-5 Schedule 3 Column 3 Line 2

(L) Line 12 X Line 13

Docket No. 09-00183
Exhibit RDH-5
Schedule 3

Chattanooga Gas Company
Revenue Conversion Factor
For the Twelve Months Ending April 30, 2011 (Attrition Period)

		Consumer Advocate (A)		Company Update		
		(1)	(2)	(3)		(4)
Line No.	Revenue Conversion Factor	Rate	Balance	Rate		Balance
1	Operating Revenues		100.000%			100.000%
2	Add: Forfeited Discount Ratio	0.3951%	0.3951%	0.4161%	(B)	0.4161%
3	Balance (Lines 1 + 2)		100.3951%			100.4161%
4	Deduct: Uncollectible Ratio	0.6367%	0.006392156	0.7099%	(C)	0.007128332
5	Balance (Line 3 Less Line 4)		99.7559%			99.7033%
6	Deduct: State Excise Tax Rate	6.5000%	0.064841325	6.5000%	(D)	0.064807137
7	Balance (Line 5 Less Line 6)		93.272%			93.223%
8	Deduct: Federal Income Tax	35.0000%	32.6451%	35.0000%	(D)	32.6279%
9	Retention Factor (Line 7 Less Line 8)		60.6266%			60.5947%
10	Revenue Conversion Factor		164.944%			165.031%

(A) REVISED Consumer Advocate Exhibits Schedule 7

(B) Exhibit RDH-1 Schedule 3 Line 2

(C) Workpaper 10 Line 28

(D) Statutory Rates

Docket No. 09-00183
Exhibit RDH-5
Schedule 4

Chattanooga Gas Company
Tennesse Excise and Federal Income Taxes
Twelve Months Ended April 30, 2011 (Attrition Period)

Line No.	Description		(1) Consumer Advocate	(2) Tax Calc for Adjustments		(3) Columns 1 plus 2 Company Attrition Period at Current Rates		(4) Attrition Period at Proposed Rates (H)
1	Revenues - Sales of Gas	(A)	$87,662,634	$0		$87,662,634		$89,911,010
2	Cost of Gas	(A)	58,634,548	-		58,634,548		58,634,548
3	Base Revenues (Line 1 minus Line 2)		29,028,086	-		29,028,086		31,276,462
4	Other Revenues	(A)	686,066	-		686,066		695,422
5	AFUDC	(A)	210,826	28,631		239,457		239,457
6	Total Operating Revenues		29,924,978	28,631		29,953,609		32,211,341
7	Operation and Maintenance Expense	(A)	11,515,483	610,131	(F)	12,125,614		12,141,575
8	Depreciation Expense	(A)	5,201,431	111,480	(G)	5,312,911		5,312,911
9	Interest on Customer Deposits	(A)	132,216	-		132,216		132,216
10	Taxes Other than Federal Income	(A)	3,581,242	-		3,581,242		3,581,242
11	Net Operating Income Before Interest and Income Taxes ((Line 6 Less Lines (7+8+9+10))		$9,494,606	-$692,980		$8,801,626		$11,043,398
12	Interest Expense	(B)	2,570,535	-		2,570,535	(I)	2,570,535
13	Net Income Before Income Taxes (Line 11 minus Line 12)		$6,924,071	-$692,980		$6,231,091		$8,472,863
14	Permanent Adjustments to Book Income	(C)	9,148	-		9,148		9,148
15	Net Taxable Income (Line 13 plus Line 14)		6,933,219	(692,980)		6,240,239		8,482,011
16	Excise Tax Rate	(D)	6.50%	6.50%		6.50%		6.50%
17	Excise Tax (Line 15 X Line 16)		$450,659	-$45,044		$405,616		$551,331
18	Federal Taxable Income (Line 15 minus Line 17)		$6,482,560	-$647,936		$5,834,624		$7,930,680
19	Federal Income Tax Rate	(D)	35%	35%		35%		35%
20	Federal Income Tax Expense (Line 18 X Line 19)		$2,268,896	-$226,778		$2,042,118		$2,775,738
21	Amortization of Deferred Tax Liability - Federal	(E)	(35,585)	-		(35,585)		(35,585)
22	Amortization of Deferred Tax Liability - State	(E)	(18,081)	-		(18,081)		(18,081)
23	Tennessee Excise and Federal Income Tax Expense (Lines 17+20+21+22)		$2,665,889	-$271,821		$2,394,068		$3,273,403

(A) REVISED Consumer Advocate Exhibits Schedule 3 - Mr. Buckner

(B) REVISED Consumer Advocate Exhibits Schedule 6 Line 7 - Mr. Buckner

(C) Exhibit RDH-1 Schedule 4 Line 14

(D) Statutory Rates

(E) Exhibit RDH-1 Schedule 4 Line 21

(F) Exhibit RDH-8 Line 23

(G) Exhibit RDH-8 Line 24

(H) Exhibit RDH-5 Schedule 1 Column 5

(I) (RDH-3, Schedule 1, Line 10 x RDH-4, Schedule 1, Line 1) + (RDH-3, Schedule 1, Line 10 x RDH-4, Schedule 1, Line 2)

Docket No. 09-00183
Exhibit RDH-5
Schedule 5

Chattanooga Gas Company
Comparative Statements of Operations and Maintenance Expense and Taxes Other than Income
Consumer Advocate and CompanyTwelve months Ended April 30, 2011 (Attrition Period)

Line No.	Description		(1) Consumer Advocate	(2) Adjustments		(3) Columns (1 plus 2) Company
	Operation and Maintenance Expenses					
1	Payroll Expenses	(A)	$2,198,645	-		$2,198,645
2	Employee Benefits	(A)	1,201,530	(72,189)	(C)	$1,129,341
3	Benefits Capitalized	(A)	(92,776)	5,465	(D)	($87,311)
4	Fleet Services and Facilities Expense	(A)	833,649	-		$833,649
5	Outside Services	(A)	1,046,501	396,208	(E)	$1,442,709
6	Bad Debt Expenses	(A)	189,197	40,390	(F)	$229,587
7	Sales Promotion Expense	(A)	13,818	-		$13,818
8	Customer Service and Account Expense	(A)	5,930	-		$5,930
9	Administrative and General Expenses	(A)	896,957	134,033	(G)	$1,030,990
10	Admin & Gen. Salaries & Exp. Capitalized	(A)	(38,668)	-		($38,668)
11	Other Distribution and Storage Expense	(A)	625,098	-		$625,098
12	AGL Services Company Allocations	(A)	4,635,602	106,224	(H)	4,741,826
13	**Total Operation and Maintenance Expenses**		**$11,515,483**	**$610,131**		**$12,125,614**
14	Taxes Other than Income					
15	Property	(B)	$1,603,581	-		$1,603,581
16	Gross Receipts	(B)	699,928	-		$699,928
17	Franchise Fees	(B)	675,947	-		$675,947
18	TRA Inspection Fee	(B)	285,537	-		$285,537
19	Payroll	(B)	173,560	-		$173,560
20	Payroll taxes capitalized	(B)	-	-		$0
21	Allocated Taxes Other than Income	(B)	142,688	-		$142,688
22	**Total Taxes Other than Income**		**$3,581,241**	**$0**		**$3,581,241**

(A) REVISED Consumer Advocate Exhibits Schedule 4 - Mr. Buckner

(B) REVISED Consumer Advocate Exhibits Schedule 5 - Mr. Buckner

(C) Exhibit RDH-8 Lines (9+12+16)

(D) Exhibit RDH-8 Lines (10+13+17)

(E) Exhibit RDH-8 Line 21

(F) Exhibit RDH-8 Line 7

(G) Exhibit RDH-8 Line 20

(H) Exhibit RDH-8 Lines (1+2+3+4+5+11+14+18+19)

Docket No. 09-00183_____
Exhibit RDH-6
Schedule 1

Chattanooga Gas Company
Average Rate Base
For the Twelve Months Ending April 30, 2011 (Attrition Period)

Line No.		(1) Consumer Advocate (A)	(2) Adjustments		(3) (Columns 1 plus 2) Company	
1	Utility Plant in Service	$202,717,046			$202,717,046	
2	Construction Work In Progress	(189,090)			(189,090)	
3	Postretirement Benefits Other than Pensions	248,501	9,095	(B)	257,596	(E)
4	Working Capital Requirement	13,090,905	393,128	(C)	13,484,033	
		$215,867,362	$402,223		$216,269,585	
	Less:					
5	Accumulated Provision For Depreciation	$96,370,052	$113,022	(D)	$96,483,074	
6	Accumulated Deferred Income Taxes	23,770,564	402,406		24,172,970	(F)
7	Contributions in Aid of Construction	1,508,644			1,508,644	
8	Customer Advance For Construction	286,394			286,394	
9	Total Deductions	$121,935,654	$515,427		$122,451,081	
10	Rate Base	$93,931,708	-$113,205		$93,818,504	

(A) REVISED Consumer Advocate Exhibits Schedule 2 - Mr. Buckner

(B) Line 18 Column 3 minus Column 1

(C) Exhibit RDH-6 Schedule 2 Column 2 Line 11

(D) Workpaper 2 Column 20 Line 5

(E) Workpaper 1 Column 4 Line 44

(F) Workpaper 3 Page 1 Column 1 Line 20

Docket No. 09-00183
Exhibit RDH-6
Schedule 2

Chattanooga Gas Company
Working Capital Requirement
For the Twelve Months Ending April 30, 2011 (Attrition Period)

Line No.		(1) Consumer Advocate (A)	(2) Adjustments	(3) Columns 1 plus 2 Company	
1	Requirement For Lead Lag	$1,164,573	$0	$1,390,440	(B)
2	Materials and Supplies	20,788	-	20,788	
3	Stored Gas Inventory	14,881,232	-	14,881,232	
4	Other Accounts Receivable	8,299	-	8,299	
5	Deferred Rate Case	263,334	393,128	656,462	(C)
6	Total Additions	$16,338,226	$393,128	$16,731,354	
7	Reserve for Uncollectibles Accounts	$252,837	$0	$252,837	
8	Customer Deposits	2,339,923	-	2,339,923	
9	Accrued Interest on Customer Deposits	654,561	-	654,561	
10	Total Deductions	$3,247,321	$0	$3,247,321	
11	Working Capital Requirement	$13,090,905	$393,128	$13,484,033	

(A) Consumer Advocate Buckner Workpapers Schedule RB-Working Capital Page 20

(B) Exhibit RDH 6 schedule 3 Line 25

(C) Workpaper 4 Column 5 Line 31

Docket No. 09-00183
Exhibit RDH-6
Schedule 3

Chattanooga Gas Company
Lead Lag Requirement After Revenue Adjustment
For the Twelve Months Ending April 30, 2011 (Attrition Period)

Line No.			Required Income Statement Attrition Period	Lag Days	$ Days
1	Revenues	$	90,845,889	**46.05**	4,183,453,184
2	Gas Purchased	$	58,634,548	**39.66**	2,325,446,174
3	Salary and Wages		2,198,645	**12.00**	26,383,740
4	Pension		486,411	**166.56**	81,016,616
5	Postretirment Benefits Other than Pensions		115,743	**-**	
6	Insurance Expense		313,281	**-**	
7	Allocated Cost		4,741,826	**38.71**	183,556,071
8	Uncollectibles		229,587		
9	Other Operating		4,056,082	**34.64**	140,502,692
10	Depreciation and Amortization		5,312,911	**-**	-
11	Taxes - Other Than Income Tax		3,581,242	**177.78**	636,673,203
12	SIT Current		258,286	**59.25**	15,303,435
13	SIT Deferred		274,965	**-**	-
14	FIT Current		1,634,343	**37.75**	61,696,443
15	FIT Deferred		1,105,811	**-**	-
16	Interest on Customer Deposits		132,216	**-**	-
17	Interest ST Debt		132,941	**(23.34)**	(3,102,846)
18	Interest LT Debt		2,384,022	**93.38**	222,619,933
19	Equity Return (Line 1 minus Lines 2 through 18)		5,253,030	**-**	-
20	Total Operating Funds	$	90,845,889	**40.62**	$ 3,690,095,460
21	Net Lead (Lag) Days			5.431	
22	Average Daily Operating Expenses				$ 248,893
23	CWC Required for Operating Expenses				1,351,665
24	Tax Collections Withheld				38,953
25	Net Cash Working Capital Provided				$ 1,390,440

Docket No. 09-00183
Exhibit RDH-6
Schedule 4

Chattanooga Gas Company
Lead Lag Requirement After Revenue Adjustment
For the Twelve Months Ending April 30, 2011 (Attrition Period) (A)

Line No.		Required Income Statement Attrition Period	Lag Days	$ Days	No CAPD
1	Revenues	$ 88,559,526	**46.05**	4,078,166,172	
2	Gas Purchased	$ 58,634,548	**39.66**	2,325,446,174	
3	Salary and Wages	2,198,645	**12.00**	26,383,740	
4	Pension	638,744	**166.56**	106,389,201	
5	Postretirment Benefits Other than Pensions	103,277	-		
6	Insurance Expense	313,281	-		
7	Allocated Cost	4,635,602	**38.71**	179,444,153	
8	Uncollectibles	189,197			
9	Other Operating	3,832,945	**34.64**	132,773,215	
10	Depreciation and Amortization	5,201,431	-	-	
11	Taxes - Other Than Income Tax	3,581,242	**177.78**	636,673,209	
12	SIT Current	150,094	**37.00**	5,553,478	
13	SIT Deferred	274,812	-	-	
14	FIT Current	997,731	**37.00**	36,916,047	
15	FIT Deferred	1,087,840	-	-	
16	Interest on Customer Deposits	132,216	-	-	
17	Interest ST Debt	191,621	**(23.34)**	(4,472,434)	
18	Interest LT Debt	2,378,914	**93.38**	222,142,989	
19	Equity Return	4,017,386	-	-	
20	Total Operating Funds	$ 88,559,526	**41.41**	$ 3,667,249,772	
21	Net Lead (Lag) Days		4.640		
22	Average Daily Operating Expenses			$ 242,629	
23	CWC Required for Operating Expenses			1,125,798	
24	Tax Collections Withheld			38,953	
25	Net Cash Working Capital Provided			$ 1,164,573	

(A) Consumer Advocate Buckner Workpapers Schedule RB-CWC

Docket No. 09-00183
Exhibit RDH-7
Schedule 1

Chattanooga Gas Company
Summary of Estimated Consolidated Cost of Capital
Test Period - 12 Months Ended June 30, 2009

Consumer Advocate Capital Structure and Cost of Capital (A)

Line No.	Capital Structure Component	(1) Ratio	(2) Cost Rate	(3) Weighted Average Cost
1	Short-term debt	10.00%	2.04%	0.204%
2	Long-Term Debt	42.00%	6.03%	2.533%
3	Total Debt	52.00%		2.74%
4	Common Equity	48.00%	9.50%	4.56%
5	Total Capitalization	100.00%		7.297%

Chattanooga Gas Company Capital Structure and Cost of Capital (B)

Line No.	Capital Structure Component	(1) Ratio	(2) Cost Rate	(3) Weighted Average Cost
6	Short-term debt	6.94%	2.04%	0.14%
7	Long-Term Debt	42.15%	6.03%	2.54%
8	Total Debt	49.10%		2.68%
9	Common Equity	50.90%	11.00%	5.60%
10	Total Capitalization	100.00%		8.28%

(A) REVISED Consumer Advocate Exhibits Schedule 8 - Mr. Buckner

(B) Exhibit RDH-4 Schedule 1

Docket No. 09-00183
Exhibit RDH-7
Schedule 2

Chattanooga Gas Company
Estimated Consolidated Cost of Capital - Capitalization by Long-Term Component
Attrition Period - 12 Months Ended April 30, 2011

Comparison of Consumer advocate Capital Structure and CGC Capital Structure

Line No.	**Consumer Advocate**	Long-Term Capitalization: Long-Term Debt		Long-Term Capitalization: Common Equity	
	Proposed Long-term Capitalization Structure:				
1	Long Term Debt	46.67%			
2	Common Equity	53.33%			
3	Capital Structure excluding short-term debt	90.00%			
4	Proposed Capitalization Structure	42.00%	(A)	48.00%	(B)

(A) Line 1 x Line 3

(B) Line 2 x Line 3

Line No.	**Chattanooga Gas Company (1)**	Long-Term Capitalization: Long-Term Debt		Long-Term Capitalization: Common Equity	
	Proposed Long-term Capitalization Structure:				
1	Long Term Debt	45.30%			
2	Common Equity	54.70%			
3	Capital Structure excluding short-term debt	93.06%			
4	Proposed Capitalization Structure	42.15%	(A)	50.90%	(B)

(A) Line 1 x Line 3

(B) Line 2 x Line 3

(1) Exhibit RDH-4 Schedule 2

Chattanooga Gas Company
Details of Adjustments and Updates to Consumer Advocate Filing

Docket No. 09-00183
Exhibit RDH-8

Operating Expenses
Summary of Adjustment and Updates

Line No.		Operating Expense Category			Workpaper
	Adjustments				
1	Property Tax	AGL Services Company Allocations	165,163		6
2	PUHCA Tax Adjustment	AGL Services Company Allocations	(73,531)		7
3	Pension and PBOP Costs - AGL Service Co.	AGL Services Company Allocations	117,651		8
4	Overstatement of allocated Depreciation	AGL Services Company Allocations	(352,911)		5
5	Overstatement of allocated Taxes Other than Income	AGL Services Company Allocations	(129,739)		5
6	Depreciation Expense	Depreciation Expense	111,480		9
7	Uncollectible Expense	Bad Debt Expenses	40,390		10
8	Total adjustments		(121,497)		
	Updates to Forecasts				
9	Update to Pension Contribution - Direct	Employee Benefits	(152,333)		11
10	Update to Pension Contribution - Direct	Benefits Capitalized	11,532		11
11	Update to Pension Contribution - Allocated	AGL Services Company Allocations	96,520		12
12	Update to PBOP Expense - Direct	Employee Benefits	12,465		11
13	Update to PBOP Expense - Direct	Benefits Capitalized	(944)		11
14	Adjustment for Allocated Call Center Costs	AGL Services Company Allocations	(54,324)		13
15	Total		(87,084)		
	Add Back Eliminations				
16	Direct Variable Compensation - 50%	Employee Benefits	67,679		14
17	Direct Variable Compensation - 50%	Benefits Capitalized	(5,123)		14
18	Allocated Variable Compensation - 50%	AGL Services Company Allocations	148,036	(A)	
19	Add Back Long-Term Incentive Pay (LTIP)	AGL Services Company Allocations	189,359	(B)	
20	Add Back 50% elimination of Rate Case Costs	Administrative and General Expenses	134,033		15
21	Restore Legal Costs to Appropriate Run Rate	Outside Services	396,208		16
22	Total Addbacks from Eliminations		930,192		
23	**Total Operations and Maintenance Adjustments**		**610,131**	(1)	
24	**Depreciation Expense**		**111,480**	(2)	
25	**Total Operating Expense Adjustments**		**721,611**		
26	**Allowance for Funds Used During Construction**		28,631		17

(1) Line 8+15+22 Less Line 6
(2) Line 6

(A) Page 19 of Hughes Workpapers
(B) Per Hughes Workpapers Page 19
(C) Total elimination equals total of accounts 670402 and 670403 on Hughes Workpaper E-outside less three year average per Buckner supplemental Exhibit E-LGL-3 YR AVG of $396,208.

Chattanooga Gas Company
2009 Rate Case - Docket 09-00183
Rebuttal To Consumer Advocate Filing
Ronald D. Hanson Workpapers

Rate Base - PBOP
Estimated Attrition Period Balance

Line No.		(1) Opening Balance	(2) Expense	Notes	(3) Paygo	Notes	(4) Ending Balance	Notes	(5) Accumulated Deferred Income Tax Federal	(6) State	(7) Total
1	Dec-07 Actual		-		-		(130,137)	(1)			
2	Jan-08	(130,137)	(12,431)		26,102		(116,466)				
3	Feb-08	(116,466)	7,519		34,958		(73,989)				
4	Mar-08	(73,989)	7,519		22,533		(43,937)				
5	Apr-08	(43,937)	29,239		11,150		(3,548)				
6	May-08	(3,548)	7,519		29,021		32,992				
7	Jun-08	32,992	7,519		14,441		54,953				
8	Jul-08	54,953	7,519		27,765		90,237				
9	Aug-08	90,237	7,519		62,946		160,701				
10	Sep-08	160,701	(141,890)		21,695		40,507				
11	Oct-08	40,507	(9,082)		18,550		49,975				
12	Nov-08	49,975	(9,082)		19,450		60,343				
13	Dec-08	60,343	(9,082)		39,545		90,809	(2)			
14	Jan-09	90,809	(16,067)		10,886		85,628				
15	Feb-09	85,628	(16,067)		27,387		96,948				
16	Mar-09	96,948	(16,067)		17,299		98,179				
17	Apr-09	98,179	(16,067)		14,313		96,425				
18	May-09	96,425	(16,067)		32,224		112,582				
19	Jun-09	112,582	(16,067)		21,083		117,598		(38,484)	(7,644)	(46,128)
20	Jul-09	117,598	(16,067)		20,180		121,710		(39,830)	(7,911)	(47,741)
21	Aug-09	121,710	(16,067)		10,120		115,763		(37,884)	(7,525)	(45,408)
22	Sep-09	115,763	4,642		29,560		149,965		(49,076)	(9,748)	(58,824)
23	Oct-09	149,965	(14,625)		6,208		141,548		(46,322)	(9,201)	(55,522)
24	Nov-09	141,548	(14,625)		10,554		137,477		(44,989)	(8,936)	(53,925)
25	Dec-09	137,477	(14,625)		17,924		140,775	(6)	(46,069)	(9,150)	(55,219)
26	Jan-10 Estimated	140,775	(10,541)	(4)	22,030	(7)	152,264		(49,829)	(9,897)	(59,726)
27	Feb-10	152,264	(10,541)	(4)	22,030	(7)	163,754		(53,588)	(10,644)	(64,232)
28	Mar-10	163,754	(10,541)	(4)	22,030	(7)	175,243		(57,348)	(11,391)	(68,739)
29	Apr-10	175,243	(10,541)	(4)	22,030	(7)	186,732		(61,108)	(12,138)	(73,246)
30	May-10	186,732	(10,541)	(4)	22,030	(7)	198,221		(64,868)	(12,884)	(77,752)
31	Jun-10	198,221	(10,541)	(4)	22,030	(7)	209,710		(68,628)	(13,631)	(82,259)
32	Jul-10	209,710	(10,541)	(4)	22,030	(7)	221,199		(72,388)	(14,378)	(86,765)
33	Aug-10	221,199	(10,541)	(4)	22,030	(7)	232,689		(76,147)	(15,125)	(91,272)
34	Sep-10	232,689	(10,541)	(4)	22,030	(7)	244,178		(79,907)	(15,872)	(95,779)
35	Oct-10	244,178	(10,541)	(4)	22,030	(7)	255,667		(83,667)	(16,618)	(100,285)
36	Nov-10	255,667	(10,541)	(4)	22,030	(7)	267,156		(87,427)	(17,365)	(104,792)
37	Dec-10	267,156	(10,541)	(4)	22,030	(7)	278,645		(91,187)	(18,112)	(109,299)
38	Jan-11	278,645	(7,853)	(5)	21,850	(8)	292,642		(95,767)	(19,022)	(114,789)
39	Feb-11	292,642	(7,853)	(5)	21,850	(8)	306,638		(100,347)	(19,932)	(120,279)
40	Mar-11	306,638	(7,853)	(5)	21,850	(8)	320,635		(104,928)	(20,841)	(125,769)
41	Apr-11	320,635	(7,853)	(5)	21,850	(8)	334,632		(109,508)	(21,751)	(131,259)
42	Test Period 13 Month Average: June 2008-June 2009						88,837		(29,072)	(5,774)	(34,846)
43	13 Month Average: December 2008-December 2009						115,800				
44	Attrition Period 13 Month Average: April 2010-April 2011						257,596				

(1) From Actuarial Letter from Mercer dated February 4, 2008 included in TRA FG Item 50-7. See page titled " AGL Resources Inc. Postretirement Health and Welfare Plans."

(2) From Actuarial Letter from Mercer dated January 28, 2009 included in TRA FG Item 50-8. See page titled " AGL Resources In. Postretirement Health and Welfare Plans".

(3) From Actuarial Letter from Mercer dated September 8, 2009 included in TRA FG Item 50-3. See Exhibit II.

(4) Calendar year 2010 amount based on estimated FAS 106 Expense per Mercer Letter dated February 5, 2010 titled AGL Resources Inc. Postretirement Helath and Welfare Plans FAS 106 Net Periodic Benefit Costs, Exhibit II. Letter is included in response to TRA FG-50-9.

(5) Calendar year 2011 amount based on estimated FAS 106 Expense per MERCER letter dated March 3, 2010 titled Rate Case Support Qualified and Nonqualified Pension Plans FAS 106 Expense and Contribution Forecasts, Exhibit IV. Letter is inlcuded in response to TRA FG-50-11.

(6) From Actuarial Letter from Mercer dated January 29, 2010 included in Discovery Request No 50.

(7) From Actuarial Letter from Mercer dated March 3, 2010 included in TRA FG Item 50-11. See Exhibit III. Estimated Paygo of $264,364 divided by 12.

(8) From Actuarial Letter from Mercer dated March 3, 2010 included in TRA FG Item 50-11. See Exhibit III. Estimated Paygo of $262,199 divided by 12.

Chattanooga Gas Company
Depreciation Expense and Accumulated Depreciation Adjustments

Line No.	FERC Acct.		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
			(A)			(B)				(C)												
			12/31/2009	12/31/2009	5/31/2010	Jan 2010 Expense	Feb 2010 Expense	Mar 2010 Expense	Apr 2010 Expense	May 2010 Expense	Jun 2010 Expense	Jul 2010 Expense	Aug 2010 Expense	Sep 2010 Expense	Oct 2010 Expense	Nov 2010 Expense	Dec 2010 Expense	Jan 2011 Expense	Feb 2011 Expense	Mar 2011 Expense	Apr 2011 Expense	Attrition Year
1	362	LNG Storage Tanks	4,409,906	2.67%	1.39%	9,812	9,812	9,812	9,812	5,108	5,108	5,108	5,108	5,108	5,108	5,108	5,108	5,108	5,108	5,108	5,108	
2	392.2	Transportation - Heavy Trucks	496,255	10.00%	9.45%	4,135	4,135	4,135	4,135	3,908	3,908	3,908	3,908	3,908	3,908	3,908	3,908	3,908	3,908	3,908	3,908	
3	393	Stores Equipment	60,965	7.34%	5.39%	373	373	373	373	274	274	274	274	274	274	274	274	274	274	274	274	
4		Total Expense				14,320	14,320	14,320	14,320	9,290	9,290	9,290	9,290	9,290	9,290	9,290	9,290	9,290	9,290	9,290	9,290	111,480 (E)
5		Effect on Accumulated Depreciation (D)				14,320	28,641	42,961	57,282	66,572	75,862	85,152	94,442	103,732	113,022	122,311	131,601	140,891	150,181	159,471	168,761	113,022 (F)

(A) Consumer Advocate Buckner Workpapers Schedule E-DEP1 Page 4
(B) Monthy expense based on 12/31/09 Balance X 12/31/09 percentage Divided by 12 Months
(C) Monthly expense based on 12/31/09 Balance X 5/31/10 percentage Divided by 12 Months
(D) Previous month balance plus new monthly expense
(E) Total of Columns 8 through 19--Attrition Period
(F) Average of columns 7 through 19--Attrition period

Chattanooga Gas Company
Projected Accumulated Deferred Income Tax by month

Line No.	Month	(1) Consolidated	(2) Federal	(3) State
1	December-09	(22,613,306)	(20,861,761)	(1,751,545)
2	January-10	(22,732,652)	(20,956,932)	(1,775,720)
3	February-10	(22,851,997)	(21,052,103)	(1,799,894)
4	March-10	(22,971,343)	(21,147,274)	(1,824,069)
5	April-10	(23,090,688)	(21,242,445)	(1,848,244)
6	May-10	(23,208,463)	(21,337,233)	(1,871,230)
7	June-10	(23,326,238)	(21,432,022)	(1,894,216)
8	July-10	(23,444,013)	(21,526,811)	(1,917,202)
9	August-10	(23,561,787)	(21,621,600)	(1,940,188)
10	September-10	(23,679,562)	(21,716,388)	(1,963,174)
11	October-10	(23,797,337)	(21,811,177)	(1,986,160)
12	November-10	(23,915,112)	(21,905,966)	(2,009,146)
13	December-10	(24,032,886)	(22,000,754)	(2,032,132)
14	January-11	(24,150,661)	(22,095,543)	(2,055,118)
15	February-11	(24,268,436)	(22,190,332)	(2,078,104)
16	March-11	(24,386,211)	(22,285,121)	(2,101,090)
17	April-11	(24,503,986)	(22,379,909)	(2,124,076)
18	13 Month Average - Attrition Period	(23,797,337)		
19	Allocated Amount (1)	(375,633)		
20	Total	(24,172,970)		

(1) From Response to CAPD Discovery Request No. 1-85

Chattanooga Gas Company

Accumulated Deferred Income Tax - Combined Federal and State

Line No.		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			As of December 31, 2009			As of April 30, 2010			As of April 30, 2011	
		Consolidated	Federal	State	Consolidated	Federal	State	Consolidated	Federal	State
1	Federal Depreciation	(21,480,969)	(18,446,988)	(3,033,981)	(21,705,337)	(18,614,181)	(3,091,155)	(22,987,004)	(19,625,644)	(3,361,360)
2	Contributions in Aid of Construction	1,372,846	1,145,351	227,495	1,386,929	1,157,100	229,829	1,422,264	1,185,030	237,234
3	Engineering Costs	(223,628)	(186,570)	(37,058)	(240,275)	(200,458)	(39,817)	(290,239)	(242,136)	(48,103)
4	Software Amortization	(236,088)	(196,966)	(39,122)	(236,088)	(196,966)	(39,122)	(236,088)	(196,966)	(39,122)
5	Interest and Taxes Charged to Construction	(267,298)	(223,004)	(44,294)	(287,378)	(239,756)	(47,621)	(348,376)	(290,638)	(57,738)
6	Software Labor	(539)	(450)	(89)	(539)	(450)	(89)	(539)	(450)	(89)
7	Removal Costs	(230,757)	(192,518)	(38,239)	(242,879)	(202,631)	(40,248)	(275,178)	(229,578)	(45,600)
8	Gain/Loss Difference	(282,473)	(235,664)	(46,809)	(294,241)	(244,825)	(49,416)	(329,331)	(272,190)	(57,142)
9	Deductible G & A Costs	(106,613)	(88,946)	(17,667)	(127,985)	(106,776)	(21,208)	(192,165)	(160,321)	(31,843)
10	481(a)- Deductible G&A Costs	(41,024)	(34,226)	(6,798)	(41,024)	(34,226)	(6,798)	(41,024)	(34,226)	(6,798)
11	Engineering Cost-G & A	-	-	-	-	-	-	-	-	-
12	AMT_SYS	-	-	-	-	-	-	-	-	-
13	Chattanooga Rate Case	(118,107)	(98,535)	(19,572)	(250,391)	(208,899)	(41,492)	(211,412)	(183,750)	(27,662)
14	Deferred Reconciliation	-	-	-	-	-	-	-	-	-
15	Deferred State Reconciliation	-	-	-	-	-	-	-	-	-
16	PP Treatment of TN excise tax as credit on gross receipts re	1,177,084	(633,815)	1,810,899	1,177,084	(633,815)	1,810,899	1,177,084	(633,815)	1,810,899
17	State Amortization	(289,835)	156,064	(445,899)	(285,922)	153,956	(439,878)	(274,171)	147,627	(421,798)
18	Organizational Costs	-	-	-	-	-	-	-	-	-
19	Miscellaneous Accrued Liabilities	3,697	3,086	611	3,697	3,086	611	3,697	3,086	611
20	Accrued Severance	-	-	-	-	-	-	-	-	-
21	Miscellaneous Accrued Taxes	132,928	110,900	22,028	128,892	107,533	21,359	116,772	97,421	19,351
22	Purchased Gas Adjustment	-	-	-	-	-	-	-	-	-
23	LNG Maintenance Reserve	-	-	-	-	-	-	-	-	-
24	NSP	(2,014)	(1,680)	(334)	(2,014)	(1,680)	(334)	(2,014)	(1,680)	(334)
25	Variable Compensation	-	-	-	-	-	-	-	-	-
26	Section 481 Adjustment	(601,827)	(502,098)	(99,729)	(601,827)	(502,098)	(99,729)	(601,827)	(502,098)	(99,729)
27	UNICAP	601,777	502,056	99,721	601,777	502,056	99,721	601,777	502,056	99,721
28	Bad Debt Reserve	135,901	113,381	22,520	69,600	58,067	11,534	69,600	58,067	11,534
29	Charitable Contribution Basis Difference	3,015	2,515	500	3,015	2,515	500	3,015	2,515	500
30	Restricted Stock	-	-	-	-	-	-	-	-	-
31	Goodwill Amortizations	-	-	-	-	-	-	-	-	-
32	Pension - Other	1,541,402	1,285,975	255,427	1,541,402	1,285,975	255,427	1,541,402	1,285,975	255,427
33	Relocation Cost	(492,154)	(410,599)	(81,555)	(500,132)	(417,255)	(82,877)	(524,090)	(437,243)	(86,847)
34	Accrued Bonus	80,053	66,787	13,266	105,699	88,183	17,516	182,714	152,435	30,279
35	Accrued Post Retirement Benefits	827,012	689,967	137,045	777,946	649,032	128,914	723,974	604,004	119,970
36	Charitable Contributions Carryforward	-	-	-	-	-	-	-	-	-
37	Amortization	(1,521,347)	(1,521,347)	-	(1,507,390)	(1,507,390)	-	(1,465,477)	(1,465,477)	-
38	Salaries Overhead G and A	(170,715)	(142,426)	(28,289)	(170,715)	(142,426)	(28,289)	(170,715)	(142,426)	(28,289)
39	Total	(20,189,673)	(18,839,750)	(1,349,923)	(20,698,094)	(19,246,330)	(1,451,765)	(22,107,351)	(20,380,422)	(1,726,928)
40	Less: Pension - Not included because expense is based on cash contributions	1,541,402	1,285,975	255,427	1,541,402	1,285,975	255,427	1,541,402	1,285,975	255,427
41	Less: PBOP - Amount including FAS 158	827,012	689,967	137,045	777,946	649,032	128,914	723,974	604,004	119,970
42	Plus: PBOP Amount Excluding FAS 158	(55,219)	(46,069)	(9,150)	(73,246)	(61,108)	(12,138)	(131,259)	(109,508)	(21,751)
43	Adjusted Accumulated Deferred Income Tax	(22,613,306)	(20,861,761)	(1,751,545)	(23,090,688)	(21,242,445)	(1,848,244)	(24,503,986)	(22,379,909)	(2,124,076)
44					Average for Test Period			(23,797,337)	(21,811,177)	(1,986,160)

Chattanooga Gas Company
Accumulated Deferred Income Tax - Federal

Line No.		(1) As of December 31, 2008	(2) January-December 2009 Activity	(3) As of December 31, 2009	(4) January-April 2010 Activity	(5) As of April 30, 2010	(6) May 2010 - April 2011 Activity	(7) As of April 30, 2011
1	Federal Depreciation	(16,276,161)	(2,170,827)	(18,446,988)	(168,195)	(18,615,183)	(1,010,461)	(19,625,644)
2	Contributions in Aid of Construction	1,120,226	25,125	1,145,351	11,749	1,157,100	27,930	1,185,030
3	Engineering Costs	(144,178)	(42,392)	(186,570)	(13,888)	(200,458)	(41,678)	(242,136)
4	Software Amortization	(181,799)	(15,167)	(196,966)	0	(196,966)	0	(196,966)
5	Interest and Taxes Charged to Construction	(201,161)	(21,843)	(223,004)	(16,752)	(239,756)	(50,882)	(290,638)
6	Software Labor	(450)	0	(450)	0	(450)	0	(450)
7	Removal Costs	(154,524)	(37,994)	(192,518)	(10,113)	(202,631)	(26,947)	(229,578)
8	Gain/Loss Difference	(315,437)	79,773	(235,664)	(9,161)	(244,825)	(27,365)	(272,190)
9	Deductible G & A Costs	(35,401)	(53,545)	(88,946)	(17,830)	(106,776)	(53,545)	(160,321)
10	481(a)- Deductible G&A Costs	(34,226)	0	(34,226)	0	(34,226)	0	(34,226)
11	Engineering Cost-G & A	0	0	0	0	0	0	0
12	AMT_SYS	0	0	0	0	0	0	0
13	Chattanooga Rate Case (2)	(60,679)	(37,856)	(98,535)	(137,644)	(236,179)	52,429	(183,750)
14	Deferred Reconciliation	0	0	0	0	0	0	0
15	Deferred State Reconciliation	0	0	0	0	0	0	0
16	PP Treatment of TN excise tax as credit on gross receipts re	(633,815)	0	(633,815)	0	(633,815)	0	(633,815)
17	State Amortization	162,393	(6,329)	156,064	(2,108)	153,956	(6,329)	147,627
18	Organizational Costs	0	0	0	0	0	0	0
19	Miscellaneous Accrued Liabilities (1)	99,157	(96,071)	3,086	0	3,086	0	3,086
20	Accrued Severance	0	0	0	0	0	0	0
21	Miscellaneous Accrued Taxes	121,012	(10,112)	110,900	(3,367)	107,533	(10,112)	97,421
22	Purchased Gas Adjustment	0	0	0	0	0	0	0
23	LNG Maintenance Reserve	0	0	0	0	0	0	0
24	NSP	(1,680)	0	(1,680)	0	(1,680)	0	(1,680)
25	Variable Compensation	0	0	0	0	0	0	0
26	Section 481 Adjustment	(502,098)	0	(502,098)	0	(502,098)	0	(502,098)
27	UNICAP	502,056	0	502,056	0	502,056	0	502,056
28	Bad Debt Reserve	69,610	43,771	113,381	(55,314)	58,067	0	58,067
29	Charitable Contribution Basis Difference	2,515	0	2,515	0	2,515	0	2,515
30	Restricted Stock	0	0	0	0	0	0	0
31	Goodwill Amortizations	0	0	0	0	0	0	0
32	Pension - Other	(613,311)	1,899,286	1,285,975	0	1,285,975	0	1,285,975
33	Relocation Cost	(390,611)	(19,988)	(410,599)	(6,656)	(417,255)	(19,988)	(437,243)
34	Accrued Bonus	2,535	64,252	66,787	21,396	88,183	64,252	152,435
35	Accrued Post Retirement Benefits	29,420	660,547	689,967	(40,935)	649,032	(45,028)	604,004
36	Charitable Contributions Carryforward	0	0	0	0	0	0	0
37	Amortization	(1,563,260)	41,913	(1,521,347)	13,957	(1,507,390)	41,913	(1,465,477)
38	Salaries Overhead G and A		(142,426)	(142,426)	0	(142,426)	0	(142,426)
39	Total	(18,999,867)	160,117	(18,839,750)	(434,861)	(19,274,611)	(1,105,811)	(20,380,422)
40				Less Amortization of Regulatory Liability			35,584	
41				Federal Deferred Provision Excluding Reg. Amortization			(1,141,395)	

(1) Reconciling item to General Ledger of $3,086
(2) Revised for updated rebuttal

Chattanooga Gas Company
Accumulated Deferred Income Tax - State

Line No.		(1) As of December 31, 2008	(2) Column 3 minus 1 January-December 2009 Activity	(3) As of December 31, 2009	(4) January-April 2010 Activity	(5) As of April 30, 2010	(6) May 2010 - April 2011 Activity	(7) As of April 30, 2011
1	Federal Depreciation	(2,874,909)	(159,072)	(3,033,981)	(57,373)	(3,091,354)	(270,006)	(3,361,360)
2	Contributions in Aid of Construction	222,505	4,990	227,495	2,334	229,829	7,405	237,234
3	Engineering Costs	(28,637)	(8,421)	(37,058)	(2,759)	(39,817)	(8,287)	(48,103)
4	Software Amortization	(36,110)	(3,012)	(39,122)		(39,122)	0	(39,122)
5	Interest and Taxes Charged to Construction	(39,956)	(4,338)	(44,294)	(3,327)	(47,621)	(10,116)	(57,738)
6	Software Labor	(89)	0	(89)	0	(89)	0	(89)
7	Removal Costs	(30,692)	(7,547)	(38,239)	(2,009)	(40,248)	(5,352)	(45,600)
8	Gain/Loss Difference	(62,654)	15,845	(46,809)	(2,607)	(49,416)	(7,725)	(57,142)
9	Deductible G & A Costs	(7,032)	(10,635)	(17,667)	(3,541)	(21,208)	(10,635)	(31,843)
10	481(a)- Deductible G&A Costs	(6,798)	0	(6,798)	0	(6,798)	0	(6,798)
11	Engineering Cost-G & A	0	0	0	0	0	0	0
12	AMT_SYS	0	0	0	0	0	0	0
13	Chattanooga Rate Case	(12,052)	(7,520)	(19,572)	(21,920)	(41,492)	13,830	(27,662)
14	Deferred Reconciliation	0	0	0	0	0	0	0
15	Deferred State Reconciliation	0	0	0	0	0	0	0
16	PP Treatment of TN excise tax as credit on gross receipts re	1,810,899	0	1,810,899	0	1,810,899	0	1,810,899
17	State Amortization	(463,979)	18,080	(445,899)	6,021	(439,878)	18,080	(421,798)
18	Organizational Costs	0	0	0	0	0	0	0
19	Miscellaneous Accrued Liabilities (1)	19,695	(19,084)	611	0	611	0	611
20	Accrued Severance	0	0	0	0	0	0	0
21	Miscellaneous Accrued Taxes	24,036	(2,008)	22,028	(669)	21,359	(2,008)	19,351
22	Purchased Gas Adjustment	0	0	0	0	0	0	0
23	LNG Maintenance Reserve	0	0	0	0	0	0	0
24	NSP	(334)	0	(334)	0	(334)	0	(334)
25	Variable Compensation	0	0	0	0	0	0	0
26	Section 481 Adjustment	(99,729)	0	(99,729)	0	(99,729)	0	(99,729)
27	UNICAP	99,721	0	99,721	0	99,721	0	99,721
28	Bad Debt Reserve	13,826	8,694	22,520	(10,986)	11,534	0	11,534
29	Charitable Contribution Basis Difference	500	0	500	0	500	0	500
30	Restricted Stock	0	0	0	0	0	0	0
31	Goodwill Amortizations	0	0	0	0	0	0	0
32	Pension - Other	(121,819)	377,246	255,427	0	255,427	0	255,427
33	Relocation Cost	(77,585)	(3,970)	(81,555)	(1,322)	(82,877)	(3,970)	(86,847)
34	Accrued Bonus	503	12,763	13,266	4,250	17,516	12,763	30,279
35	Accrued Post Retirement Benefits	5,844	131,201	137,045	(8,131)	128,914	(8,944)	119,970
36	Charitable Contributions Carryforward	0	0	0	0	0	0	0
37	Amortization	0	0	0	0	0	0	0
38	Salaries Overhead G and A		(28,289)	(28,289)	0	(28,289)	0	(28,289)
39	Total	(1,664,846)	314,923	(1,349,923)	(102,040)	(1,451,963)	(274,965)	(1,726,928)
40				Less Amortization of Regulatory Liability			18,080	
41				State Deferred Provision Excluding Reg. Amortization			(293,045)	

(1) Reconciling item to General Ledger of $611

Chattanooga Gas Company
Book vs Tax Depreciation Temporary Difference Calculation for Accumulated Deferred Income Tax Calculation

Line No.		(1) CAPD Proposed Depreciation Expense	(2) Adjusted for under depreciated plant	(3) Book depreciation		(4) Tax depreciation	(5) Column 2 Less Column 3 Tax - Book	(6) Fed	(7) State	(8) Column 5 Less Column 6 Fed - State	(9) Federal Tax	(10) State Tax
1	Jan-10	524,165	14,320									
2	Feb-10	524,648	14,320									
3	Mar-10	525,833	14,320									
4	Apr-10	527,704	14,320	2,159,632	(1)	2,697,561	537,930	2,697,561	3,042,297	(344,736)	168,195	57,373
5	May-10	392,815	9,290									
6	Jun-10	394,426	9,290									
7	Jul-10	396,221	9,290									
8	Aug-10	398,051	9,290									
9	Sep-10	399,150	9,290									
10	Oct-10	399,863	9,290									
11	Nov-10	400,493	9,290									
12	Dec-10	400,797	9,290	3,256,136	(2)	5,403,223	2,147,087	5,403,223	6,093,730	(690,507)	686,925	184,444
13	Jan-11	401,101	9,290									
14	Feb-11	400,968	9,290									
15	Mar-11	400,963	9,290									
16	Apr-11	401,049	9,290	1,641,241	(3)	2,651,192	1,009,951	2,651,192	2,957,578	(306,386)	323,536	85,562

(1) Lines 1 through 4 depreciation Expense
(2) Lines 5 through 12 depreciation Expense
(3) Lines 13 through 16 depreciation Expense

Chattanooga Gas Company
Rate Case Preperation Costs
For the Twelve Months Ending April 30, 2011 (Attrition Period)

Line No.	**Current Rate Case Preparation Costs**	
1	Depreciation Study	[redacted]
2	Class Cost of Service	
3	General Rate Case Support	
4	Legal Costs	
5	Cost of Equity Witness	
6	Pension PBOP Estimates	
7	Total	632,002
8	Monthly Amortization	17,556
9	Amortization - 3 years	210,667
	Amortization of Existing Cost	
10	Balance as of April 30, 2010	89,705.70
11	Monthly Amortization	2,491.83
12	Annual Amortization	29,901.90
13	Total Annual Amortization	**240,569.23**

	(1) Balance for Attrition Period	(2) Beginning Balance Rate Case Costs	(3) Monthly Amortization	(4) Cost Incurred	(5) Ending Balance Rate Case Costs	(6) Federal	(7) State	(8) Total
						Accumulated Deferred Income Tax Balance		
14	31-Dec-09				326,928			
15	31-Jan-10	326,928.00	(7,985)		318,943	104,374	20,731	125,105
16	28-Feb-10	318,943.00	(7,985)		310,958	101,761	20,212	121,973
17	31-Mar-10	310,958.00	(7,985)		302,973	99,148	19,693	118,841
18	30-Apr-10	302,973.00	(7,985)	426,719.70	721,708	236,179	46,911	283,090
19	31-May-10	721,707.70	(7,985)		713,723	233,566	46,392	279,958
20	30-Jun-10	713,722.70	(7,985)		705,738	230,953	45,873	276,826
21	31-Jul-10	705,737.70	(7,985)		697,753	228,340	45,354	273,693
22	31-Aug-10	697,752.70	(7,985)		689,768	225,726	44,835	270,561
23	30-Sep-10	689,767.70	(7,985)		681,783	223,113	44,316	267,429
24	31-Oct-10	681,782.70	(7,985)		673,798	220,500	43,797	264,297
25	30-Nov-10	673,797.70	(18,717)		655,081	214,375	42,580	256,956
26	31-Dec-10	655,081.10	(18,717)		636,364	208,250	41,364	249,614
27	31-Jan-11	636,364.49	(18,717)		617,648	202,125	40,147	242,272
28	28-Feb-11	617,647.89	(18,717)		598,931	196,000	38,931	234,931
29	31-Mar-11	598,931.29	(18,717)		580,215	189,875	37,714	227,589
30	30-Apr-11	580,214.69	(18,717)		561,498	183,750	36,497	220,248
31	Attrition Period Average				656,462			

Total Estimated Costs above	632,002.00
Less actual incurred through December 31, 2009	205,282.30
Remaining Cost to be incurred	426,719.70

Chattanooga Gas Company (CGC)

	2009 Total Allocated Costs to CGC from Service Company (1)	Proportion of allocated to cost catagory (2)	2009 Amount allocated to cost catagory (3) Column 1 X 2	INFLATION Factor (A) (4)	GROWTH Factor (A) (5)	Total for Attrition Period (6) Columns 3+4+5	
Depreciation	4,908,973	7.04%	345,540	5,529	1,843	**352,911**	**(B)**
Taxes other than inc.	4,908,973	2.59%	127,029	2,032	677	**129,739**	**(B)**

(A) As calculated by the consumer advocate in Rebuttal workpapers
(B) See Hughes workpapers Schedule E - ALLOC-2. The allocated amount on page 19 of Hughes workpapers should have been reduced by these amounts

Note: The calculation above is the amount of depreciation and taxes other than income included in allocated costs. Since the consumer advocate had included within depreciation and taxes other than income taxes these amounts allocated costs should have been reduced by the amounts as calculated above.

Chattanooga Gas Company
Incorrect reduction of AGL Services Company allocations related to property tax

Consumer Advocate Calculation of Property Tax	165,163 (1)

(1) Consumer Advocate had already shown the proper calculation of property taxes as shown on Hughes workpapers 1 and 22. Then on Hughes workpaper page 19, $165,163 was improperly backed out of allocated costs from services company. The adjustment of $165,163 was included in response to discovery Request No. 46 as an adjustment to property tax (shown as an adjustment to allocated costs in error.) The amount was intended to be an adjustmnet to direct property tax. Since the Consumer advocate already adjusted pages 1 & 22, there is no need for this entry.

Chattanooga Gas Company
Incorrect increase of AGL Services Company allocations related to PUCHA tax

Consumer Advocate Calculation of PUCHA Tax	-73,531 (1)

(1) In the calculation of AGSC allocated expenses, the Consumer Advocate incorrectly increased allocated expenses by $73,531 for allocated income taxes from AGL Resources Inc. This incorrect increase is shown on page 19 of Mr. Hughes' workpapers under the caption "PUCHA TAX COLLECTION ALLOCATIONS." The elimination of this expense had already effectively been made in Mr. Buckner's excise and income tax calculation on Schedule 6 of his exhibits.

Chattanooga Gas Company
Allocated Pension Adjustment

Services Company Calandar Year 2009

(1)	(2)	(1) X (2) (3)
Services Company Pension Exp.	Allocation Percentage	CAPD Calc
4,059,170	3.15%	127,864
		245,515 (a)
	Total Adjustment	117,651

(a) Per attached CGC Schedule 25-12d Workpaper 8 Page 2 Line 43

Chattanooga Gas Company
Estimated Pension Plan Payments
Attrition Period

Line No.		Estimated Pension Payments for Non-Qualifed Plans Based on Test Period Payments-Account 247010		Payments-Account 247020		Estimated Payments for AGL Services Company per MERCER Payments-account 247030	
1	Jul-08	13,451		33,263			
2	Aug-08	13,451		33,263			
3	Sep-08	20,177		51,245			
4	Oct-08	13,451		30,563			
5	Nov-08	13,451		33,263			
6	Dec-08	13,451		33,263			
7	Jan-09	13,451		33,706			
8	Feb-09	13,451		33,706			
9	Mar-09	20,177		51,908			
10	Apr-09	13,451		33,706			
11	May-09	13,451		31,006			
12	Jun-09	18,864		33,706			
13	Jul-09	13,451		33,263			
14	Aug-09	13,451		33,263			
15	Sep-09	20,177		51,245			
16	Oct-09	13,451		30,563			
17	Nov-09	13,451		33,263			
18	Dec-09	13,451		33,263			
19	Jan-10	13,451		33,706		488,017	(2)
20	Feb-10	13,451		33,706		488,017	(2)
21	Mar-10	20,177		51,908		488,017	(2)
22	Apr-10	13,451		33,706		488,017	(2)
23	May-10	13,451	(1)	31,006	(1)	488,017	(2)
24	Jun-10	18,864	(1)	33,706	(1)	488,017	(2)
25	Jul-10	13,451	(1)	33,263	(1)	488,017	(2)
26	Aug-10	13,451	(1)	33,263	(1)	488,017	(2)
27	Sep-10	20,177	(1)	51,245	(1)	488,017	(2)
28	Oct-10	13,451	(1)	30,563	(1)	488,017	(2)
29	Nov-10	13,451	(1)	33,263	(1)	488,017	(2)
30	Dec-10	13,451	(1)	33,263	(1)	488,017	(2)
31	Jan-11	13,451	(1)	33,706	(1)	823,016	(3)
32	Feb-11	13,451	(1)	33,706	(1)	823,016	(3)
33	Mar-11	20,177	(1)	51,908	(1)	823,016	(3)
34	Apr-11	13,451	(1)	33,706	(1)	823,016	(3)
35	Attrition Period Estimated	180,278		432,598		7,196,200	
36	Estimated Attrition Period Payments					7,809,076	
37	Attrition Period PBOP Expense			Calendar Years		Attrition Period Amounts	
38	Estimated Calendar Year 2010 PBOP (4)			109,267		72,845	
39	Estimated Calendar Year 2011 PBOP (5)			(30,474)		(10,158)	
40	Total PBOP Forecast					62,687	
41	Total Forecast AGSC Pension and PBOP					7,871,762	
42	Percentage Allocable to CGC based on test year allocated percentage					3.12%	
43	Adjustment to include Pension Expense Based on Contribution and PBOP Based on FAS 106 Accruals					245,515	

(1) Based on attrition test period actual amounts.

(2) Estimated contribution amount of $5,856,203 for 2010 divided by 12 per MERCER letter Dated October 14, 2009 include in TRA FG Item No. 50-6. See Exhibit III.

(3) Estimated contribution amount of $9,876,193 for 2011 divided by 12 per MERCER letter Dated October 14, 2009 included in TRA FG Item No. 50-6. See Exhibit III.

(4) Estimated FAS 106 expense amount for 2010 per MERCER letter dated September 8, 2009 included in TRA FG Item No. 50-3. See Exhibit IV.

(5) Estimated FAS 106 expense amount for 2011 per MERCER letter dated September 8, 2009 included in TRA FG Item No. 50-5. See Exhibit II.

Chattanooga Gas Company
Incorrect decrease of depreciation expense.

Adjustment to Depreciation Expense	111,480	(A)

(A) Workpaper 2 column 20 Line 4

Note: Mr. Bucker has understated depreciation expense for LNG Storages Tanks (Account 362) by $61,298, Transportation - Heavy Trucks (Account 392.2) by $46,896, and Stores Equipment (Account 393) by $3,286. Mr. Buckner had excluded the deprecation on these accounts based on the fact that the net book value in these accounts was less than zero. However, he did not take into account that the depreciation rates included in the direct testimony of Rhonda Watts were based on reallocated depreciation reserves.

Chattanooga Gas Company

	Provision for Uncollectibles - Gas Account No. 139100	Beginning Balance	Accruals	Net Write-Offs	Ending Balance
1	January-08	(94,044)		9,219	(84,825)
2	February-08	(84,825)		(3,600)	(88,425)
3	March-08	(88,425)		8,345	(80,080)
4	April-08	(80,080)		13,508	(66,572)
5	May-08	(66,573)		23,302	(43,271)
6	June-08	(43,270)		66,554	23,284
7	July-08	23,284	(226,921)	65,702	(137,935)
8	August-08	(137,934)	(85,604)	53,358	(170,180)
9	September-08	(170,180)		15,862	(154,318)
10	October-08	(154,318)		(25,603)	(179,921)
11	November-08	(179,921)		(25,807)	(205,728)
12	December-08	(205,728)		5,324	(200,404)
13	January-09	(200,404)		913	(199,491)
14	February-09	(199,491)	(13,140)	6,320	(206,311)
15	March-09	(206,311)	(151,000)	58,985	(298,326)
16	April-09	(298,326)	(37,598)	21,783	(314,141)
17	May-09	(314,141)	(37,598)	39,602	(312,137)
18	June-09	(312,136)	(37,598)	88,670	(261,064)
19	July-09	(261,064)	(37,598)	55,492	(243,170)
20	August-09	(243,170)	(37,598)	15,467	(265,301)
21	September-09	(265,301)	112,402	(30,977)	(183,876)
22	October-09	(183,876)	(37,598)	1,677	(219,797)
23	November-09	(219,797)	(37,598)	(8,256)	(265,651)
24	December-09	(265,651)	(37,598)	(13,965)	(317,214)
25	Total 24 months activity		(665,047)	441,875	

26	Net Charge-Offs	441,875
27	Net Margin Excluding Damaged Billing Line 33	62,246,549
28	Historic Charge Off Percentage 24 Months (Line 26/Line 27)	0.7098793%
	Estimated Margin Excluding Damaged Billing Per Mr. Peters' -	
29	Page 11 Workpapers	29,661,450
30	Estimated Bad Debt Expense	210,560
	Net Margin Excluding Damaged Billing	
31	2008	31,405,451
32	2009	30,841,098
33	Total	62,246,549

	Provision for Uncollectbles - Damages Account No. 139610	Beginning Balance	Accruals	Net Write-Offs	Ending Balance
34	January-08	(12,056)	(3,138)	6980.5	(8,214)
35	February-08	(8,214)	-	-291.74	(8,506)

36	March-08	(8,506)	(1,264)	1650.29	(8,119)
37	April-08	(8,119)	(5,000)	13953.35	834
38	May-08	834	(1,387)	1253.06	700
39	June-08	(200)	(3,908)	-1955.3	(6,063)
40	July-08	(6,063)	(2,482)	4891.68	(3,654)
41	August-08	(3,654)	(899)	5488.05	935
42	September-08	935	(6,764)	-326.71	(6,155)
43	October-08	(6,155)	(2,672)	44.54	(8,783)
44	November-08	(8,783)	(2,829)	5028.95	(6,583)
45	December-08	(6,583)	(5,104)	303.22	(11,384)
46	January-09	(11,384)	(1,172)	(3,480)	(16,035)
47	February-09	(16,035)	(1,172)	1,867	(15,340)
48	March-09	(15,340)	(2,734)	6,802	(11,272)
49	April-09	(11,272)	(1,923)	404	(12,791)
50	May-09	(12,791)	(853)	(4,085)	(17,729)
51	June-09	(17,729)	(2,199)	3,702	(16,226)
52	July-09	(16,226)	(1,803)	(1,857)	(19,885)
53	August-09	(19,885)	(1,885)	1,793	(19,977)
54	September-09	(19,977)	(526)	201	(20,302)
55	October-09	(20,302)	(1,440)	(4,729)	(26,471)
56	November-09	(26,471)	(1,706)	(150)	(28,327)
57	December-09	(28,327)	(1,001)	(252)	(29,579)
58	Total 24 months activity		(53,861)	37,238	

	Damage Billing	
59	2008	93,279
60	2009	52,701
61	Total Damaged Billing 24 Months	145,980
62	Historic Charge Off Percentage 24 Months	36.10%
63	Damaged Billing Per Mr. Peters' - Page 11 Workpapers	52,702
64	Estimated Bad Debt Expense	19,026
65	Total Bad Debt Expense	229,587
	Amount Per CAPD Filing Per Hughes Workpapers	
66	Page 12 column 5	189,197
67	Total Bad Debt Expense Adjustment	40,390

Estimated Pension Contributions and FAS 106 Expense

Estimated Pension Contribution

Line No.		Calendar		
1	**Estimated Funding for Non-Qualified Plan**		37,744	(1)
	Estimated Contribution Related to Qualified Plan			
2	Minimum Required Contribution Related to Calendar Year 2010	370,000	246,667	(2)
3	Minimum Required Contribution Related to Calendar Year 2011	606,000	202,000	(2)
4	Total Contribution Related to Attrition Period		448,667	
5	Estimated Contribution Related to Qualified Plan			
6	**Total Pension Contribution**		486,411	

Original	Change	O&M Percentage	
638,744	(152,333)	92.43%	(140,801.70)
Amount Capitalized			11,531.63

(1) Based on Actual Payments made to participants during test period 12 months ended December 2009.
(2) Amount based on estimated minimum contributions to be made related to Attrition period per MERCER, the Company's actuary. Letter dated March 3, 2010, page 3 included in response to TRA FG-50-10.

Calculation of Attrition Period Amounts
Calendar 2010 estimate 370,000 divided by 12 multiplied by 8 equals 246,667
Calendar 2011 estimate 606,000 divided by 12 multiplied by 4 equals 202,000

Estimated FAS 106 Expense for Postretirement Benefits Other than Pensions (PBOP)

Line No.				
1	Estimated Expense for Calendar 2010	126,494	84,329	(3)
2	Estimated Expense for Calendar 2011	94,240	31,413	(4)
			115,743	

103,277	12,465	92.43%	11,521.71
Amount Capitalized			(943.63)

(3) Calendar year 2010 amount based on estimated FAS 106 Expense per MERCER letter dated February 5, 2010 titled AGL Resources Inc. Postretirement Health and Welfare Plans FAS 106 Net Periodic Benefit Cost, Exhibit II. Letter is inlcuded in response to TRA FG-50-9.

Calendar 2010 estimate of 126,494 divided by 12 multiplied by 8 equals 84,329 for attrition period.

(4) Calendar year 2011 amount based on estimated FAS 106 Expense per MERCER letter dated March 3, 2010 titled Rate Case Support Qualified and Nonqualified Pension Plans FAS 106 Expense and Contribution Forecasts, Exhibit IV.
Letter is inlcuded in response to TRA FG-50-11.

Calendar 2011 estimate of 94,240 divided by 12 multiplied by 4 equals 31,413 for attrition period.

Chattanooga Gas Company
2009 Rate Case
Cost of Service Workpapers
TRA FG Item No. 25
CGC Schedule 25-12d
updated

Chattanooga Gas Company
Estimated Pension Plan Payments
Attrition Period

Line No.		Estimated Pension Payments for Non-Qualifed Plans Based on Test Period: Payments-Account 247010		Estimated Pension Payments for Non-Qualifed Plans Based on Test Period: Payments-Account 247020		Estimated Payments for AGL Services Company per MERCER: Payments-account 247030	
1	Jul-08	13,451		33,263			
2	Aug-08	13,451		33,263			
3	Sep-08	20,177		51,245			
4	Oct-08	13,451		30,563			
5	Nov-08	13,451		33,263			
6	Dec-08	13,451		33,263			
7	Jan-09	13,451		33,706			
8	Feb-09	13,451		33,706			
9	Mar-09	20,177		51,908			
10	Apr-09	13,451		33,706			
11	May-09	13,451		31,006			
12	Jun-09	18,864		33,706			
13	Jul-09	13,451		33,263			
14	Aug-09	13,451		33,263			
15	Sep-09	20,177		51,245			
16	Oct-09	13,451		30,563			
17	Nov-09	13,451		33,263			
18	Dec-09	13,451		33,263			
19	Jan-10	13,451		33,706		779,707	(2)
20	Feb-10	13,451		33,706		779,707	(2)
21	Mar-10	20,177		51,908		779,707	(2)
22	Apr-10	13,451		33,706		779,707	(2)
23	May-10	13,451	(1)	31,006	(1)	779,707	(2)
24	Jun-10	18,864	(1)	33,706	(1)	779,707	(2)
25	Jul-10	13,451	(1)	33,263	(1)	779,707	(2)
26	Aug-10	13,451	(1)	33,263	(1)	779,707	(2)
27	Sep-10	20,177	(1)	51,245	(1)	779,707	(2)
28	Oct-10	13,451	(1)	30,563	(1)	779,707	(2)
29	Nov-10	13,451	(1)	33,263	(1)	779,707	(2)
30	Dec-10	13,451	(1)	33,263	(1)	779,707	(2)
31	Jan-11	13,451	(1)	33,706	(1)	960,052	(3)
32	Feb-11	13,451	(1)	33,706	(1)	960,052	(3)
33	Mar-11	20,177	(1)	51,908	(1)	960,052	(3)
34	Apr-11	13,451	(1)	33,706	(1)	960,052	(3)
35	Attrition Period Estimated	180,278		432,598		10,077,866	
36	Estimated Attrition Period Payments					10,690,742	
37	Attrition Period PBOP Expense			Calendar Years		Attrition Period Amounts	
38	Estimated Calendar Year 2010 PBOP (4)			214,168		142,779	
39	Estimated Calendar Year 2011 PBOP (5)			74,177		24,726	
40	Total PBOP Forecast					167,504	
41	Total Forecast AGSC Pension and PBOP					10,858,246	
42	Percentage Allocable to CGC based on test year allocated percentage					3.15%	
43	Adjustment to include Pension Expense Based on Contribution and PBOP Based on FAS 106 Accruals (Updated)					342,035	
44	Adjustment to include Pension Expense Based on Contribution and PBOP Based on FAS 106 Accruals (original filing--workpaper 8)					245,515	
45	Adjustment for update					96,520	

(1) Based on attrition test period actual amounts.

(2) Estimated contribution amount of $9,356,489 for 2010 divided by 12 per MERCER letter Dated March 3, 2010 include in TRA FG Item No. 50-11. See Exhibit III.

(3) Estimated contribution amount of $11,520,619 for 2011 divided by 12 per MERCER letter Dated March 3, 2010 included in TRA FG Item No. 50-11. See Exhibit III.

(4) Estimated FAS 106 expense amount for 2010 per MERCER letter dated September 8, 2009 included in TRA FG Item No. 50-9. See Exhibit IV.

(5) Estimated FAS 106 expense amount for 2011 per MERCER letter dated September 8, 2009 included in TRA FG Item No. 50-11. See Exhibit II.

Chattanooga Gas Company
Summary of Estimated impact of Call Center Transition

Line No.			Cost for Attrition Period - Budget Amounts for July 2010 - December 2010 Annualized (1)
	6011 Staff Support		
1	Payroll Expenses		57,312
2	Benefits and Incentives		16,010
3	Outside Services		-
4	Depreciation		270,228
5	Capitalized and Distributed		(10,557)
6	Other (2)		-
7	Taxes		11,794
8	Total		344,786
9	Allocation based on Call Volume	6.48%	22,336
10	Employees		-
	1215 VP Customer Service		
11	Payroll Expenses		139,826
12	Benefits and Incentives		83,559
13	Outside Services		256,680
14	Depreciation		-
15	Capitalized and Distributed		(25,757)
16	Other (2)		33,120
17	Taxes		7,548
18	Total		494,976
19	Allocation based on Call Volume	6.48%	32,066
20	Employees		2
	6018 Call Center Management		
21	Payroll Expenses		596,172
22	Benefits and Incentives		215,453
23	Outside Services		-
24	Depreciation		-
25	Capitalized and Distributed		(109,820)
26	Other (2)		-
27	Taxes		32,185
28	Total		733,990
29	Allocation based on Call Volume	6.48%	47,550
30	Employees		10

Chattanooga Gas Company
Summary of Estimated impact of Call Center Transition

Line			Cost for Attrition Period - Budget Amounts for July 2010 - December 2010 Annualized (1)
	6046 Director Customer Operations		
31	Payroll Expenses		275,880
32	Benefits and Incentives		87,725
33	Outside Services		-
34	Depreciation		-
35	Capitalized and Distributed		(50,820)
36	Other (2)		-
37	Taxes		14,893
38	Total		327,678
39	Allocation based on volume of end-use customers	2.73%	8,958
40	Employees		3
	6036 Customer Relations		
41	Payroll Expenses		230,484
42	Benefits and Incentives		82,151
43	Outside Services		-
44	Depreciation		-
45	Capitalized and Distributed		(42,457)
46	Other (2)		-
47	Taxes		12,443
48	Total		282,621
49	Allocation based on volume of end-use customers excluding ETG	3.11%	8,798
50	Employees		5
	1502 Strategic Alliances		
51	Payroll Expenses		-
52	Benefits and Incentives		-
53	Outside Services		-
54	Depreciation		-
55	Capitalized and Distributed		-
56	Other (2)		13,600
57	Taxes		-
58	Total		13,600
59	Allocation based on Call Volume excluding ETG	9.41%	1,280
60	Employees		-

Chattanooga Gas Company
Summary of Estimated impact of Call Center Transition

Line			Cost for Attrition Period - Budget Amounts for July 2010 - December 2010 Annualized (1)
	6036 Ops Support - Commercial		
61	Payroll Expenses		836,412
62	Benefits and Incentives		290,501
63	Outside Services		-
64	Depreciation		-
65	Capitalized and Distributed		(154,075)
66	Other (2)		5,408
67	Taxes		45,153
68	Total		1,023,399
69	Allocation based on Call Volume excluding ETG	9.05%	92,599
70	Employees		16
	6031 Customer Verification		
71	Payroll Expenses		126,504
72	Benefits and Incentives		45,998
73	Outside Services		-
74	Depreciation		-
75	Capitalized and Distributed		(23,303)
76	Other (2)		
77	Taxes		6,829
78	Total		156,029
79	N/A	7.94%	12,386
80	Employees		3
	6032 VNG/ELK/FCG/CGC Market		
81	Payroll Expenses		3,332,772
82	Benefits and Incentives		1,190,387
83	Outside Services		-
84	Depreciation		-
85	Capitalized and Distributed		(613,926)
86	Other (2)		-
87	Taxes		179,919
88	Total		4,089,152
89	N/A	12.84%	524,952
90	Employees		73

Chattanooga Gas Company
Summary of Estimated impact of Call Center Transition

Line			Cost for Attrition Period - Budget Amounts for July 2010 - December 2010 Annualized (1)
	6041 Credit and Collections		
91	Payroll Expenses		169,810
92	Benefits and Incentives		61,649
93	Outside Services		-
94	Depreciation		-
95	Capitalized and Distributed		(31,281)
96	Other (2)		-
97	Taxes		9,167
98	Total		209,345
99	N/A	8.58%	17,963
100	Employees		4
	6040 Credit and Collections MGT		
101	Payroll Expenses		97,538
102	Benefits and Incentives		30,800
103	Outside Services		-
104	Depreciation		-
105	Capitalized and Distributed		(17,967)
106	Other (2)		66,000
107	Taxes		5,265
108	Total		181,636
109	Allocation based on volume of end-use customers	2.73%	4,965
110	Employees		1
	6042 Backline		
111	Payroll Expenses		758,254
112	Benefits and Incentives		272,221
113	Outside Services		-
114	Depreciation		-
115	Capitalized and Distributed		(139,677)
116	Other (2)		-
117	Taxes		40,934
118	Total		931,732
119	Allocation based on volume of end-use customers excluding ETG	3.11%	29,005
120	Employees		17

Chattanooga Gas Company
Summary of Estimated impact of Call Center Transition

Line			Cost for Attrition Period - Budget Amounts for July 2010 - December 2010 Annualized (1)
	6043 Backline - Credit & Collection ETG		
121	Payroll Expenses		324,818
122	Benefits and Incentives		115,610
123	Outside Services		-
124	Depreciation		-
125	Capitalized and Distributed		(59,834)
126	Other (2)		-
127	Taxes		17,535
128	Total		398,128
129	N/A	8.16%	32,482
130	Employees		7
	1366 Operation Services		
131	Payroll Expenses		168,022
132	Benefits and Incentives		54,522
133	Outside Services		-
134	Depreciation		-
135	Capitalized and Distributed		(30,951)
136	Other (2)		3,000
137	Taxes		9,070
138	Total		203,664
139	Allocation based on volume of end-use customers	2.73%	5,568
140	Employees		2
	6016 Customer Logistics Services		
141	Payroll Expenses		2,486,392
142	Benefits and Incentives		850,061
143	Outside Services		-
144	Depreciation		-
145	Capitalized and Distributed		(458,016)
146	Other (2)		12,120
147	Taxes		134,158
148	Total		3,024,715
149	Allocation based on volume of end-use customers	3.22%	97,290
150	Employees		41

Chattanooga Gas Company
Summary of Estimated impact of Call Center Transition

Line			Cost for Attrition Period - Budget Amounts for July 2010 - December 2010 Annualized (1)
	6019 Call Center Overhead		
151	Payroll Expenses		-
152	Benefits and Incentives		14,028
153	Outside Services		327,858
154	Depreciation		-
155	Capitalized and Distributed		-
156	Other (2)		349,850
157	Taxes		-
158	Total		691,736
159	Allocation based on volume of end-use customers	2.73%	18,910
160	Employees		-
	6045 Customer Services Technology		
161	Payroll Expenses		303,694
162	Benefits and Incentives		102,967
163	Outside Services		-
164	Depreciation		-
165	Capitalized and Distributed		(59,383)
166	Other (2)		22,780
167	Taxes		16,346
168	Total		386,404
169	Allocation based on volume of end-use customers	2.73%	10,563
170	Employees		4
	6017 Emergency Response Team		
171	Payroll Expenses		1,180,692
172	Benefits and Incentives		436,627
173	Outside Services		12,500
174	Depreciation		-
175	Capitalized and Distributed		(217,494)
176	Other (2)		-
177	Taxes		63,719
178	Total		1,476,044
179	Allocation based on leak call volumes	3.32%	49,005
180	Employees		30

Chattanooga Gas Company
Summary of Estimated impact of Call Center Transition

Line		Cost for Attrition Period - Budget Amounts for July 2010 - December 2010 Annualized (1)
	Total	
181	Payroll Expenses	11,084,582
182	Benefits and Incentives	3,950,269
183	Outside Services	597,038
184	Depreciation	270,228
185	Capitalized and Distributed	(2,045,319)
186	Other (2)	505,878
187	Taxes	606,958
188	Total Annualized Costs - Allocable	14,969,634
189	Total Annualized Costs Allocated to CGC	1,016,675
190	Employees	218
191	Call Center Allocated To CGC During Test Period	796,024
192	Incremental Annualized Cost of Operation for Call Center	**220,651**
193	Amount included in Consumer Advocate Hughes Workpaper E - ALLOC-2 Page 19 Line 4	274,975
194	Total amount of update adjustment (Line 192 minus Line 193)	(54,324)

(1) The above amounts for payroll, outside services, depreciation and other expenses are based on budgeted amounts for the months July 2010 through December 2010 annualized to develop an annual run rate for the customer service function of AGL Services Company.

(2) Other is comprised of travel and entertainment, training, supplies, dues and subscriptions, equipment leases etc...

Chattanooga Gas Company
2009 Rate Case
Variable Compensation

Workpaper 14

		Total AIP			Amounts eliminated (B)
100.00%		135,358	(A)	50%	67,679
7.57%	**(C)**	(10,246)		50%	(5,123)
92.43%		125,112		50%	62,556

(A) Total Per FG 25-7
(B) Per Hughes Workpaper E-Benefits Page 8
(C) Per Hughes Workpaper E-PAY SUM Page 2

Chattanooga Gas Company
Deferred Rate Case Cost Adjustment

Revised Rate case Costs annual Amortization	240,569.23	(A)
Amount included in Consumer Advocate Workpapers	106,536.00	(B)
Total Rate Case Costs to Restore	134,033.23	

(A) Workpaper 4 Def. Rate Case Cost Line 13
(B) Hughes Workpaper E-A&G Page 15 account 670700

Chattanooga Gas Company
3-year Average of Legal Expenses

	2007	2008	2009	3-Year Average
670402 Outside Legal Services	191,789.41	514,743.37	559,518.23	422,017.00
670403 Miscellaneous Legal Services	4,831.08	12,754.66	18,961.22	12,182.32
Total	196,620.49	527,498.03	578,479.45	434,199.32

Note: Total elimination equals total of accounts 670402 and 670403 on Hughes Workpaper E-OUTSIDE Page 11 less three year average per Buckner supplemental Exhibit E-LGL-3 YR AVG of $396,208.

CHATTANOOGA GAS COMPANY
TRA DOCKET #09-00183
ANALYSIS OF AFUDC
FOR ATTRITION YEAR ENDING 4/30/11

		A/ PLANT ADDITIONS	B/ ROR	C/ AFUDC
MAY	2010	$ 979,094	8.28%	$ 40,534
JUNE		1,166,097	8.28%	48,276
JULY		1,061,449	8.28%	43,944
AUGUST		665,900	8.28%	27,568
SEPTEMBER		429,094	8.28%	17,764
OCTOBER		378,544	8.28%	15,672
NOVEMBER		179,094	8.28%	7,414
DECEMBER		179,094	8.28%	7,414
JANUARY	2011	34,563	8.28%	1,431
FEBRUARY		125,156	8.28%	5,181
MARCH		190,178	8.28%	7,873
APRIL		395,723	8.28%	16,383
		TOTAL		$ 239,457
Per Buckner Workpapers R-AFUDC Page 2				210,826
Total AFUDC Adjustment				**28,631**