

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

**PREPARED REBUTTAL TESTIMONY
OF
MARCIE H. SHIELDS**

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

Electronically filed 4/5/10 @ 4:20p

1 **Q: Please state your name, position, and business address.**

2 A: Marcie H. Shields, Program Development Analyst II, Rates and Regulatory, AGL
3 Services Company, 10 Peachtree Place NE, Atlanta, Georgia 30309.

4 **Q: Have you previously testified in this proceeding?**

5 A: Yes, direct testimony was submitted.

6 **Q: What is the purpose of this rebuttal testimony?**

7 A: The purpose of this testimony is to respond to the direct filed testimony of witness
8 Dave Peters in regards to forecasted customer net growth for the Attrition Year
9 ending April 2011.

10 **Q: Are you sponsoring exhibits in connection with your rebuttal testimony?**

11 A: Yes, Exhibit MHS-8 and Exhibit MHS-9.

12 **Q: Were these exhibits and related schedules prepared by you or under your
13 direction and supervision?**

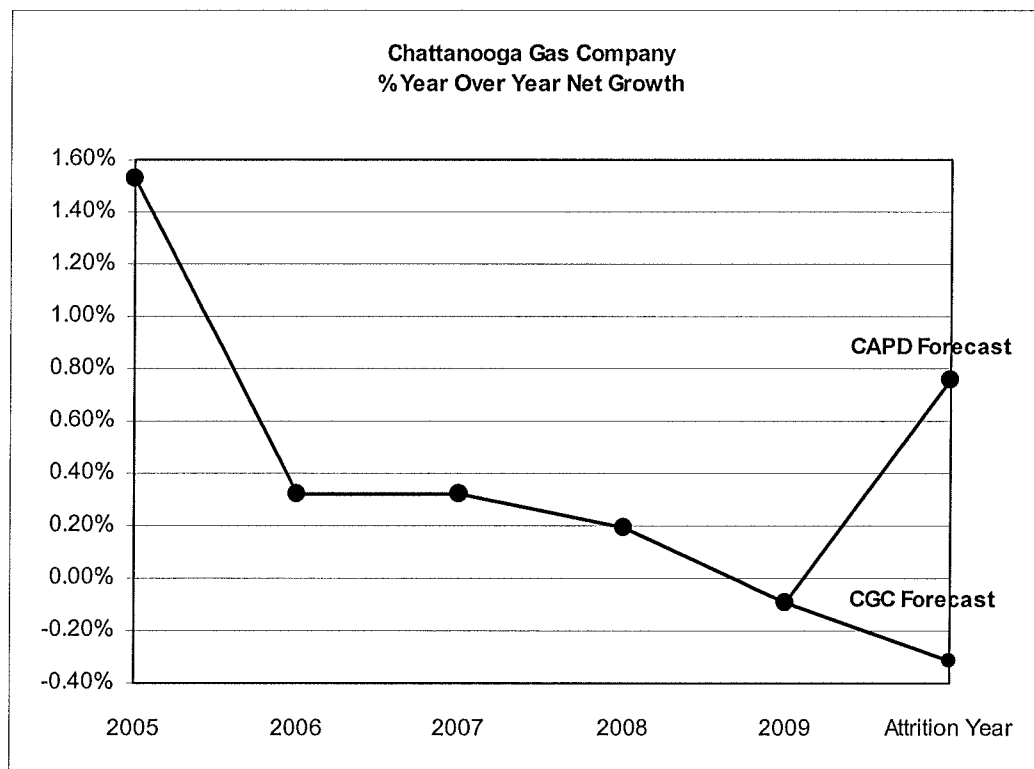
14 A: Yes.

15 **Q: What does your rebuttal testimony address?**

1 A: It was suggested in written testimony of Mr. Peters that forecasted Net Growth for
2 Chattanooga Gas Company for the Attrition Year May 2010 through April 2011
3 be adjusted up to 1.07%.

4 **Q: How does Mr. Peters' forecast differ from the Company's forecast?**

5 A: Given the decline in net growth the Company has experienced over the past 6
6 years, the forecast for net growth presented by Mr. Peters appears to not be in
7 line with actual results and trends. Please see the graph below, and also Exhibit
8 MHS-8, of historical net growth figures compared to those forecasted by both
9 Chattanooga Gas Company and by Mr. Peters. As clearly seen, the results of Mr.
10 Peters' net growth forecast far exceed what has actually occurred over the past 4
11 years, and there is no mention of what factors might cause the increase in Mr.
12 Peters' forecasted net growth.

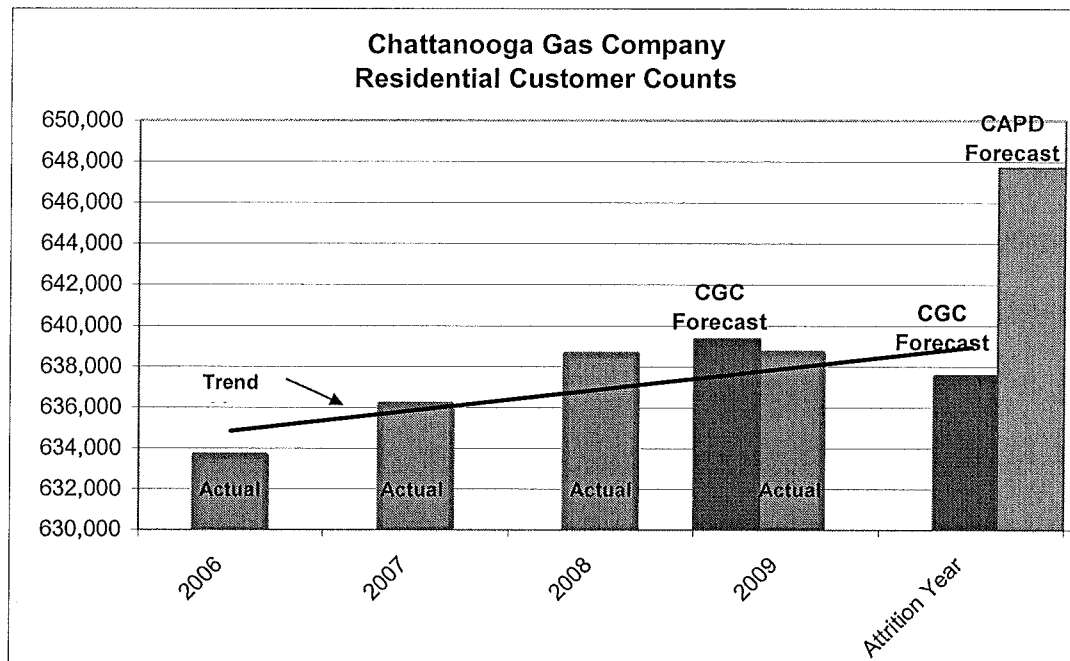


1 **Q:** Now that you have additional actual data from that filed in your original
2 testimony, how does actual 2009 data compare to that forecasted for the
3 same period?

4 A: Actual customer counts for 2009 were -0.13% lower than the forecast provided in
5 my direct testimony, further supporting the argument that net growth projected by
6 witness Dave Peters is high given historical actual data.

7 **Q:** Is there one specific class of customers you feel is overstated by Mr. Peters'
8 forecast or is the forecast overstated in your opinion across the board?

9 A: Yes, we are in agreement with the forecasts for all customer classes presented by
10 Mr. Peters with the exception of the residential class of customers. The
11 residential class of customers is specifically the topic of discussion in Mr. Peters'
12 testimony. Actual residential customer counts for 2009 were -0.11% below those
13 forecasted by Chattanooga Gas Company, and as displayed in the graph below,
14 and also in Exhibit MHS-9, it can be seen that the forecast presented by Mr.
15 Peters far exceeds actual historical customer counts. Also seen from the graph
16 presented below is a trend line which exceeds residential customer counts
17 projected for the attrition year. While a trend is a good starting point for looking
18 at forecasted data in the company forecast, other factors such as the housing
19 downturn, unemployment, and attrition rates were taken into account that resulted
20 in forecasted customer counts down from those seen from the trend line below.



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2 **Q: What is the revenue impact of the proposed increased Net Growth presented**
 3 **by Witness Dave Peters and how does that compare with your forecast?**

4 **A:** The revenue impact proposed by Mr. Peters is approximately \$0.1M, or 0.34% of
 5 total company margin revenue. This revenue impact is directly attributable to Mr.
 6 Peters' increase in projected residential customer counts for the attrition year.
 7 While revenue variations due to usage of this magnitude might be within the
 8 expected accuracy of the forecast, attributing the effect to customer growth does
 9 not appear reasonable. For this reason, an increase in volumetric revenue would
 10 be more appropriate.

11 **Q: Does this conclude your testimony?**

12 **A:** Yes, it does.

