

STATE OF TENNESSEE

Office of the Attorney General



LUCY HONEY HAYNES
CHIEF DEPUTY ATTORNEY GENERAL

LAWRENCE HARRINGTON
CHIEF POLICY DEPUTY

ROBERT E. COOPER, JR.
ATTORNEY GENERAL AND REPORTER
CORDELL HULL AND JOHN SEVIER STATE
OFFICE BUILDINGS

MAILING ADDRESS
P.O. BOX 20207
NASHVILLE, TN 37202

MICHAEL E. MOORE
SOLICITOR GENERAL

TELEPHONE (615) 741-3491
FACSIMILE (615) 741-2009

April 16, 2010

Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

filed electronically in docket office on 04/16/10

**Re: Updated Exhibits to Terry Buckner's Testimony
Docket 09-00183**

Dear Chairman Kyle:

Please find attached the updated exhibits requested by the TRA Staff at the conclusion of Terry Buckner's Testimony on April 13, 2010. The attached exhibits were prepared based upon Chattanooga Gas Company's updates and corrections filed within its rebuttal testimony. The Consumer Advocate's updated figures, in light of this new information, were summarized in the office's opening statement and during the testimony of Mr. Terry Buckner. Following that testimony, the TRA staff requested that the Consumer Advocate provide updated exhibits to reflect those changes. Attached Exhibit "A" contains the Consumer Advocate's updated figures should the TRA adopt some form of "Decoupling" rate design mechanism; Exhibit "B" contains the same figures if no "Decoupling" mechanism is put in place.

Prior to today's filing of these exhibits, the Consumer Advocate made these updates available to the appropriate CGC witnesses, answered any questions, and discussed the foundation and methodology behind each of the items contained therein. Should CGC have any additional questions regarding these updated exhibits in the future, the Consumer Advocate will be available to discuss them at that time.

Sara Kyle, Chairman
April 16, 2010

Thank you for your time and attention. Should you have any questions comments or concerns regarding these updates, or any other issue, please do not hesitate to ask.

Sincerely,



T. JAY WARNER(BPR #26649)
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
(615) 532-9299

CC: Gary Hotvedt, Hearing Officer
Parties of Record

Enclosures: as stated.

EXHIBIT A

Chattanooga Gas Company
Index to Schedules
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

	<u>Schedule No.</u>
Revenue Deficiency (Surplus)	1
Rate Base	2
Income Statement at Current Rates	3
Operation & Maintenance Expenses	4
Taxes Other Than Income Taxes	5
Excise and Income Taxes	6
Revenue Conversion Factor	7
Cost of Capital	8

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Chattanooga Gas Company
Revenue Deficiency (Surplus)
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

Line No.		Consumer Advocate		CGC	E/	Difference
1	Rate Base	\$ 93,818,504	A/	\$ 93,818,504		\$ 0
2	Operating Income at Present Rates	7,027,793	B/	6,407,558		(620,235)
3	Earned Rate of Return (L 2 / L 1)	7.49%		6.83%		-0.66%
4	Fair Rate of Return	7.057%	C/	8.2819%		1.23%
5	Required Operating Income (L 1 x L 4)	\$ 6,620,397		\$ 7,769,955		\$ 1,149,558
6	Operating Income Deficiency (Surplus) (L 5 - L 2)	(407,396)		1,362,396		1,769,793
7	Gross Revenue Conversion Factor	1.651701	D/	1.650310		(0.001391)
8	Revenue Deficiency (Surplus)	\$ (672,896)		\$ 2,248,376		\$ 2,921,272

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A/ Schedule 2, Line 14.
B/ Schedule 3, Line 16.
C/ Schedule 8, Line 5.
D/ Schedule 7, Line 10.
E/ CGC Rebuttal Exhibits.

Chattanooga Gas Company
Rate Base
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

Line No.		A/ Consumer Advocate	A/ CGC	Difference
Additions:				
1	Utility Plant in Service	\$ 202,717,046	\$ 202,717,046	\$ (0)
2	Construction Work in Progress	(189,090)	(189,090)	-
3	Other	-	-	-
4	Working Capital	13,484,033	13,484,033	-
5	OPEBs	257,596	257,596	-
6		-	-	-
7	Total Additions	<u>\$ 216,269,585</u>	<u>\$ 216,269,585</u>	<u>\$ (0)</u>
Deductions:				
8	Accumulated Depreciation	\$ 96,483,074	\$ 96,483,074	\$ -
9	Contributions in Aid of Construction	1,508,644	1,508,644	-
10	Advances in Aid of Construction	286,394	286,394	-
11	Accumulated Deferred Tax	24,172,970	24,172,970	-
12	Other	-	-	-
13	Total Deductions	<u>\$ 122,451,081</u>	<u>\$ 122,451,081</u>	<u>\$ -</u>
14	Rate Base	<u>\$ 93,818,504</u>	<u>\$ 93,818,504</u>	<u>\$ (0)</u>

A/ CGC Rebuttal Testimony, Exhibit RDH-6, Schedule 1.

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Chattanooga Gas Company
Income Statement at Current Rates
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

Line No.		Consumer Advocate	CGC B/	Difference
1	Revenues - Sales, forfeited discounts & other	\$ 88,348,700	\$ 88,348,700	\$ -
2	Cost of Gas	58,634,548	58,634,548	-
3	Gross margin on sales and service	\$ 29,714,152 A/	\$ 29,714,152	\$ -
4	AFUDC	210,826 C/	239,457	(28,631)
5	Operating Margin	\$ 29,924,978	\$ 29,953,609	\$ (28,631)
6	Other Operation and Maintenance	\$ 11,185,921 D/	\$ 12,125,614	\$ (939,693)
7	Interest on Customer Deposits	132,216 E/	132,216	-
8	Depreciation and Amortization Exp.	5,201,431 F/	5,312,911	(111,480)
9	Taxes Other Than Income	3,581,242 G/	3,581,242	0
10	State Excise Tax	472,282 H/	405,616 H/	66,667
11	Federal Income Tax	2,324,093 H/	1,988,452 H/	335,641
12	Total Operating Expense	\$ 22,897,185	\$ 23,546,051	\$ (648,866)
13	Net Operating Income for Return	\$ 7,027,793	\$ 6,407,558	\$ 620,235
14		-	-	-
15		-	-	-
16	Adjusted Net Operating Income	\$ 7,027,793	\$ 6,407,558	\$ 620,235

A/ D. Peters work paper, Revenue.

B/ Per CGC Rebuttal Exhibit RDH-5, Schedule 1.

C/ T. Buckner work paper R-AFUDC.

D/ Schedule 4, Line 13.

E/ Per CGC Exhibit RDH-1, Schedule 1, Line 9.

F/ T. Buckner work paper E-DEP.

G/ Schedule 5, Line 7.

H/ Schedule 6, Lines 12 and 20.

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Line No.		Consumer Advocate A/	CGC B/	Difference
1	Payroll Expense	\$ 2,198,645	\$ 2,198,645	\$ -
2	Employee Benefits	1,061,662	1,129,341	(67,679)
3	Benefits Capitalized	(82,188)	(87,311)	5,123
4	Fleet Services and Facilities Expense	833,649	833,649	-
5	Outside Services	1,046,501	1,442,709	(396,208)
6	Bad Debt Expenses	229,587	229,587	-
7	Sales Promotion Expense	13,818	13,818	-
8	Customer Service and Account Expense	5,930	5,930	-
9	Administrative and General Expenses	896,957	1,030,990	(134,033)
10	Admin & Gen. Salaries & Exp. Capitalized	(38,668)	(38,668)	-
11	Other Distribution and Storage Expense	625,098	625,098	-
12	AGL Service Company Allocations	4,394,930	4,741,826	(346,896)
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
		-	-	-
13	Total O&M Expense	\$ 11,185,921	\$ 12,125,615	\$ (939,693)

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A/ J. Hughes work paper, E-O&M SUM-MOD.

B/ CGC Rebuttal Testimony, Exhibits RDH-5, Schedule 5.

Chattanooga Gas Company
Taxes Other Than Income Taxes
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

Line No.		Consumer Advocate	CGC	Difference
1	Property Taxes	\$ 1,603,581	\$ 1,603,581	\$ 0
2	State Gross Receipts Tax	699,928	699,928	0
3	Net Payroll Taxes	173,560	173,560	0
4	State Franchise Tax	675,947	675,947	0
5	Allocated Taxes Other Than Income	142,688	142,688	-
6	TRA Inspection Fee	<u>285,537</u>	<u>285,537</u>	<u>-</u>
7	Total Taxes Other Than Income Taxes	<u>\$ 3,581,242</u> A/	<u>\$ 3,581,242</u> A/	<u>\$ -</u>

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A/ J. Hughes work paper, T-OTAX-1.

Chattanooga Gas Company
Excise and Income Taxes
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

Line No.		Consumer Advocate	CGC
1	Operating Margin	\$ 29,924,978 A/	\$ 29,953,609
2	Other Operation and Maintenance	11,185,921	12,125,614
3	Depreciation and Amortization Expense	5,201,431 A/	5,312,911
4	Taxes Other Than Income	3,581,242 A/	3,581,242
5	NOI Before Excise and Income Taxes	\$ 9,956,384	\$ 8,933,842
6	less Interest on Customer Deposits	132,216 A/	132,216
7	less Interest Expense	2,567,437 B/	2,570,535
8	Pre-tax Book Income	\$ 7,256,731	\$ 6,231,091
9	Schedule M Adjustments	9,148 C/	9,148
10	Excise Taxable Income	\$ 7,265,879	\$ 6,240,239
11	Excise Tax Rate	6.50%	6.50%
12	Excise Tax	\$ 472,282	\$ 405,616
13	Pre-tax Book Income	\$ 7,256,731	\$ 6,231,091
14	Excise Tax	472,282	405,616
15	Schedule M Adjustments	9,148	9,148
16	FIT Taxable Income	\$ 6,793,596	\$ 5,834,623
17	FIT Rate	35.00%	35.00%
18	Subtotal FIT	\$ 2,377,759	\$ 2,042,118
19	Less: ITC Amortization	53,666 C/	53,666
20	Federal Income Tax Expense	\$ 2,324,093	\$ 1,988,452

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A/ Schedule 3, Lines 1, 2, and 4.

B/ Rate Base * Weighted Cost of Debt

(Schedule 2, Line 14 * [Schedule 8 Line 1 + Line 2 + Line 3]).

C/ CGC Response FG #25-1-4.

Chattanooga Gas Company
Revenue Conversion Factor
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

<u>Line No.</u>		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	Add: Forfeited Discounts	0.003951 A/	<u>0.003951</u>
3	Balance		1.003951
4	Uncollectible Ratio	0.007727 B/	<u>0.007757</u>
5	Balance		0.996194
6	State Excise Tax	0.065000 C/	<u>0.064753</u>
7	Balance		0.931441
8	Federal Income Tax	0.350000 C/	<u>0.326004</u>
9	Balance		<u>0.605437</u>
10	Revenue Conversion Factor (1 / Line 9)		<u><u>1.651701</u></u>

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A/ Forfeited discounts on gross revenues = forfeited discounts / gross revenues (excluding forfeited discounts)

355,923 / 90,449,406 - 355,923 0.003951

B/ Uncollectible expenses on base revenues 229,587 / 29,714,152 (base revenues) = 0.007727

C/ Statutory rate

Chattanooga Gas Company
Cost of Capital
For the Twelve Months Ended April 30, 2011
Decoupling Mechanism Tracker In Effect

Line No.		Ratio	Cost	Weighted Cost
1	Short Term Debt	10.00%	2.04%	0.204%
2	Long Term Debt	42.00%	6.03%	2.53%
3	Preferred Stock	0.00%	0.00%	0.00%
4	Stockholder's Equity	<u>48.00%</u>	9.00%	<u>4.32%</u>
5	Total	<u>100.00%</u>		<u>7.057%</u>

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Source: Direct Testimony, Dr. Chris Klein

EXHIBIT B

Chattanooga Gas Company
Index to Schedules
For the Twelve Months Ended April 30, 2011

	<u>Schedule No.</u>
Revenue Deficiency (Surplus)	1
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Cost of Capital	8

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Chattanooga Gas Company
Revenue Deficiency (Surplus)
For the Twelve Months Ended April 30, 2011

Line No.		Consumer Advocate		CGC	E/	Difference
1	Rate Base	\$ 93,818,504	A/	\$ 93,818,504		\$ -
2	Operating Income at Present Rates	7,027,793	B/	6,407,558		(620,235)
3	Earned Rate of Return (L 2 / L 1)	7.49%		6.83%		-0.66%
4	Fair Rate of Return	7.297%	C/	8.2819%		0.99%
5	Required Operating Income (L 1 x L 4)	\$ 6,845,561		\$ 7,769,955		\$ 924,394
6	Operating Income Deficiency (Surplus) (L 5 - L 2)	(182,232)		1,362,396		1,544,628
7	Gross Revenue Conversion Factor	1.651701	D/	1.650310		(0.001391)
8	Revenue Deficiency (Surplus)	\$ (300,992)		\$ 2,248,376		\$ 2,549,368

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A/ Schedule 2, Line 14.
B/ Schedule 3, Line 16.
C/ Schedule 8, Line 5.
D/ Schedule 7, Line 10.
E/ CGC Rebuttal Exhibits.

Chattanooga Gas Company
Rate Base
For the Twelve Months Ended April 30, 2011

Line No.		A/ Consumer Advocate	A/ CGC	Difference
	Additions:			
1	Utility Plant in Service	\$ 202,717,046	\$ 202,717,046	\$ -
2	Construction Work in Progress	(189,090)	(189,090)	-
3	Other	-	-	-
4	Working Capital	13,484,033	13,484,033	-
5	OPEBs	257,596	257,596	-
6		-	-	-
7	Total Additions	<u>\$ 216,269,585</u>	<u>\$ 216,269,585</u>	<u>\$ -</u>
	Deductions:			
8	Accumulated Depreciation	\$ 96,483,074	\$ 96,483,074	\$ -
9	Contributions in Aid of Construction	1,508,644	1,508,644	-
10	Advances in Aid of Construction	286,394	286,394	-
11	Accumulated Deferred Tax	24,172,970	24,172,970	-
12	Other	-	-	-
13	Total Deductions	<u>\$ 122,451,081</u>	<u>\$ 122,451,081</u>	<u>\$ -</u>
14	Rate Base	<u>\$ 93,818,504</u>	<u>\$ 93,818,504</u>	<u>\$ -</u>

A/ CGC Rebuttal Testimony, Exhibit RDH-6, Schedule 1.

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Chattanooga Gas Company
Income Statement at Current Rates
For the Twelve Months Ended April 30, 2011

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8	Depreciation and Amortization Exp.	5,201,431 F/	5,312,911	(111,480)
9	Taxes Other Than Income	3,581,242 G/	3,581,242	0
10	State Excise Tax	472,282 H/	405,616 H/	66,667
11	Federal Income Tax	<u>2,324,093 H/</u>	<u>1,988,452 H/</u>	<u>335,641</u>
12	Total Operating Expense	<u>\$ 22,897,185</u>	<u>\$ 23,546,051</u>	<u>\$ (648,866)</u>
13	Net Operating Income for Return	<u>\$ 7,027,793</u>	<u>\$ 6,407,558</u>	<u>\$ 620,235</u>
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16	Adjusted Net Operating Income	<u>\$ 7,027,793</u>	<u>\$ 6,407,558</u>	<u>\$ 620,235</u>

A/ D. Peters work paper, Revenue.

B/ Per CGC Rebuttal Exhibit RDH-5 Schedule 1

C/ T. Buckner work paper R-AFUDC.

D/ Schedule 4, Line 13.

E/ Per CGC Exhibit RDH-1, Schedule 1, Line 9.

F/ T. Buckner work paper E-DEP.

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H/ Schedule 6, Lines 12 and 20.

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Chattanooga Gas Company
Taxes Other Than Income Taxes
For the Twelve Months Ended April 30, 2011

Line No.		A/ Consumer Advocate	A/ CGC	Difference
1	Property Taxes	\$ 1,603,581	\$ 1,603,581	\$ -
2	State Gross Receipts Tax	699,928	699,928	-
3	Net Payroll Taxes	173,560	173,560	-
4	State Franchise Tax	675,947	675,947	-
5	Allocated Taxes Other Than Income	142,688	142,688	-
6	TRA Inspection Fee	<u>285,537</u>	<u>285,537</u>	<u>-</u>
7	Total Taxes Other Than Income Taxes	<u>\$ 3,581,242</u>	<u>\$ 3,581,242</u>	<u>\$ -</u>

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A/ J. Hughes work paper, T-OTAX-1.

Chattanooga Gas Company
Excise and Income Taxes
For the Twelve Months Ended April 30, 2011

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A/ Schedule 3, Lines 1, 2, and 4.

B/ Rate Base * Weighted Cost of Debt

(Schedule 2, Line 14 * [Schedule 8 Line 1 + Line 2 + Line 3]).

C/ CGC Response FG #25-1-4.

Chattanooga Gas Company
Revenue Conversion Factor
For the Twelve Months Ended April 30, 2011

Line No.		<u>Amount</u>	<u>Balance</u>
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4	Uncollectible Ratio	0.007727 B/	<u>0.007757</u>
5	Balance		0.996194
6	State Excise Tax	0.065000 C/	<u>0.064753</u>
7	Balance		0.931441
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9	Balance		<u>0.605437</u>
10	Revenue Conversion Factor (1 / Line 9)		<u><u>1.651701</u></u>

#####

A/ Forfeited discounts on gross revenues = forfeited discounts / gross revenues (excluding forfeited discounts)

355,923 / 90,449,406 - 355,923 0.003951

B/ Uncollectible expenses on base revenues 229,587 / 29,714,152 (base revenues) = 0.007727

C/ Statutory rate

Chattanooga Gas Company
Cost of Capital
For the Twelve Months Ended April 30, 2011

Line No.		Ratio	Cost	Weighted Cost
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2	Long Term Debt	42.00%	6.03%	2.53%
3	Preferred Stock	0.00%	0.00%	0.00%
4	Stockholder's Equity	<u>48.00%</u>	9.50%	<u>4.56%</u>
5	Total	<u>100.00%</u>		<u>7.297%</u>

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Source: Direct Testimony, Dr. Chris Klein