

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

April 25, 2013

IN RE:)	
)	
PETITION OF CHATTANOOGA GAS)	
COMPANY FOR A GENERAL RATE)	Docket No. 09-00183
INCREASE, IMPLEMENTATION OF THE)	
ENERGYSMART CONSERVATION)	
PROGRAMS, AND IMPLEMENTATION OF)	
A REVENUE DECOUPLING MECHANISM)	
)	

**CHATTANOOGA GAS COMPANY'S MOTION TO EXTEND
THE ALIGNMENT AND USAGE ADJUSTMENT AND
CONSERVATION PROGRAMS APPROVED BY THE AUTHORITY**

In Docket 09-00183, the Tennessee Regulatory Authority ("TRA" or "Authority") approved an Alignment and Usage Adjustment ("AUA") for Chattanooga Gas Company's ("CGC" or "Company") Residential R-1 and Commercial C-1 Rate Schedules on a three-year trial basis beginning June 1, 2010. The AUA mechanism is designed to allow CGC to recover the average revenue per customer that was used to set rates in CGC's last rate case and to address any change in the customers' actual usages from the levels adopted for setting CGC's rates. Since the AUA adjusts for all variance in usage, the Weather Normalization Adjustment ("WNA") for these two Rate Schedules was discontinued.

Concurrent with the adoption of the AUA, the TRA also approved for the same three-year trial period two of the conservation programs proposed by CGC in its rate case filing. These programs are the Residential Free Programmable Thermostat Program

which allows a residential customer to receive one free thermostat per year¹ and the Community Outreach and Customer Education Program which provides for multiple methods of communication to reach out and educate consumers about energy conservation.

The TRA's November 8, 2010 Final Order in Docket 09-00183 provides that: "At the end of the three year trial period, the Company shall provide a report to the Authority on the AUA mechanism, including its impact and effect on both consumer classes and the Company . . . and provide recommendations as to whether the AUA mechanism should be continued." *See* Nov. 8, 2010 Order (Docket 09-00183), at p. 57. The TRA further directed its staff "to work with the National Regulatory Research Institute ("NRRI") to establish a set of measures sufficient to evaluate the Programmable Thermostat and Education and Outreach components." *See id.* at p. 62.

The AUA and conservation programs will terminate on May 31, 2013. While it is clear that the TRA intended to review the impact of the AUA and then decide if it should be continued, the Order provides that the AUA will terminate before CGC provides its required report on the effectiveness and impact of the AUA on its customers and the Company and recommendations about whether to continue the AUA. With the termination of the AUA on May 31, 2013, CGC will have no protection from the impact of abnormal weather that is provided to the other similarly situated gas utilities through the WNA for the residential and commercial customers. Additionally, the measures to evaluate the conservation programs have not yet been developed by the NRRI. During

¹ A total of 7,456 thermostats have been issued from October 2010 through March 2013 as follows: 3,196 for the 6 months ending on March 31, 2011; 1,794 for the 12 months ending on March 31, 2012; and 2,466 for the 12 months ending on March 31, 2013. In the rate case, CGC projected that it would have 1,500 participants per year. CGC's residential customers' demands have continued to exceed CGC's projections.

the week of April 15, 2013, the agreement with NRRI to assist in developing the measures was completed. It is highly unlikely that the measures for evaluating these programs will be developed and finalized by May 31, 2013 when the programs terminate. To alleviate these problems, the Company is respectfully requesting that it be allowed to continue the AUA and conservation programs for another three-year trial period or until CGC submits the required reports and the TRA has time to review and act upon the Company's analysis and recommendations.

Currently, the annual AUA adjustment is limited to 2% of the annual base revenue (margin) for the R-1 and C-1 Rate Schedules. As a result of this limit, the major portion of the AUA revenue has been deferred to future periods. For the period of June 1, 2010 through May 31, 2011, this limit did not result in a deferral. However, for the June 1, 2011 through May 31, 2012 period, the total accrued AUA revenue was \$1,176,329.00. As a result of the 2% cap, the amount that the Company could recover was \$314,432.00 with the remaining \$861,897.00 being deferred to future periods for recovery. Approximately \$1,041,530.00 of the total AUA was the result of the warmer than normal weather during the heating season that CGC would have recovered through the WNA if it had been in place for the 2011-2012 heating season.

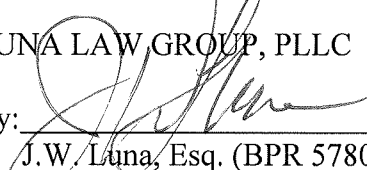
The 2% cap has resulted in the deferral of cost recovery from a warmer period when the customers' bills are lower due to less usage to cost recovery in a later period when the bills would be greater because of normal or colder than normal weather. To address this problem, CGC proposes that the annual limit of 2% of margin be changed to 2% of gross revenue. Had the limit been based on gross revenue for the R-1 and C-1

Rate Schedules for the 2011-2012 period, the problem with deferring the recovery to future periods would have been eliminated.

In conclusion, CGC respectfully requests that the experimental AUA and conservation programs be continued for another three-year trial period or until the required reports have been submitted and the TRA has had time to review and analyze the results. CGC further requests that the annual limit on recovery be changed from an annual 2% limit based on margin to an annual 2% limit based on gross revenue.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of April, 2013, a true and correct copy of the foregoing was served on the persons below by U.S. Mail first class postage prepaid:

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