

# LUNA LAW GROUP

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June 20, 2013

## VIA EMAIL AND HAND DELIVERY

Executive Director Earl R. Taylor  
c/o Ms. Sharla Dillon  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

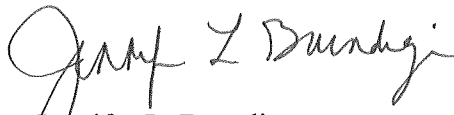
Re: Docket 09-00183 Petition of Chattanooga Gas Company for a General  
Rate Increase, Implementation of the EnergySmart Conservation  
Programs, and Implementation of a Revenue Decoupling Mechanism

Dear Mr. Taylor:

Chattanooga Gas Company ("Company") is filing the enclosed revised tariff sheets in Docket 09-00183 as instructed by the Directors of the Tennessee Regulatory Authority ("TRA" or "Authority") during the June 17, 2013 Authority Conference. The Company is also enclosing a red-line copy of the revised tariff sheets which easily identifies the changes.

Please do not hesitate to contact J. W. Luna or me if you have any questions.

Sincerely,



Jennifer L. Brundige

Enclosures

cc: Certificate of Service List  
Archie Hickerson

**ALIGNMENT AND USAGE ADJUSTMENT  
(AUA) RIDER**

APPLICABILITY

The Alignment and Usage Adjustment (AUA) shall adjust the rates for the applicable Rate Schedules to reconcile actual base revenue recoveries per customer to the benchmark level established by the Tennessee Regulatory Authority. The AUA shall apply to the following Rate Schedules:

- R-1: Residential General Service
- C-1: Commercial and Industrial Small General Service

PURPOSE

The purpose of the AUA is to establish on an annual basis a base revenue adjustment, positive or negative, to permit the Company to recover the approved level of base revenues per customer. The AUA provides the Company with the proper incentive to promote conservation and energy efficiency by ensuring that the Company neither over-collects or under-collects base revenues due to changes in average customer consumption levels in between base rate case proceedings.

DEFINITIONS

For Purpose of this Rider:

**"Authority"** shall mean the Tennessee Regulatory Authority.

**"Actual Base Revenue per Customer"** shall be determined on a monthly basis by dividing the actual base revenue for a Customer Class Group by the respective Actual Number of Customers as recorded on the Company's books.

**"Actual Number of Customers"** shall be determined on a monthly basis for each Customer Class Group to which the AUA applies. The Actual Number of Customers shall equal the aggregate actual booked number of customers for the month as recorded on the Company's books of account.

**"Benchmark Base Revenue per Customer"** shall mean the allowed average Revenue Per Customer ("RPC") for a given month and Customer Class Group.

**"Calculation Period"** shall be the twelve consecutive months from June 1 of one calendar year through May 31 of the following calendar year.

**"Customer Class"** shall mean the group of customers all taking service pursuant to the same Rate Schedule.

**"Customer Class Group"** shall mean the group of Rate Schedules combined for purposes of calculating the Revenue Normalization Adjustment amounts. For purposes of determining and applying the AUA, customers shall be aggregated into two separate Customer Class Groups as follows:

- Customer Class Group I: Residential customers taking service pursuant to Rate Schedule R-1
- Customer Class Group II: Commercial & Industrial customers taking service pursuant to Rate Schedules C-1

**ALIGNMENT AND USAGE ADJUSTMENT**  
**(AUA) RIDER**  
**(Continued)**

**"Recovery Period"** shall mean the twelve month period beginning on the August 1st of one calendar year immediately following the conclusion of the Annual Period through July 31<sup>th</sup> of the following calendar year.

**"Revenue per Customer"** shall mean the average total base revenues divided by the corresponding number of customer bills.

**"Relevant Rate Order"** shall mean the final order of the Authority in the most recent litigated rate case of Chattanooga Gas Company (Company) fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

**BENCHMARK BASE REVENUE PER CUSTOMER**

The Benchmark Base RPC shall be determined separately for each month and Customer Class Group. The Benchmark Base RPC for the applicable Customer Class Group shall be determined by first multiplying the then effective base rates for each Customer Class by the corresponding test period billing determinants utilized to design base rates to yield benchmark base revenues by Customer Class. The base rates and the associated billing determinants shall be those established by the Authority in the Company's most recent base rate case pursuant to a Relevant Rate Order. The resulting benchmark base revenues by Customer Class for all Rate Schedules within the same Customer Class Group shall be added together and divided by the total test period number of customers for the corresponding Customer Classes in order to yield the applicable Benchmark Base RPC. The Benchmark Base RPC for each Customer Class Group by month are as follows:

<u>Month</u>	<u>Residential (R-1)</u>	<u>Commercial (C-1)</u>
June	\$14.48	\$31.73
July	14.24	30.47
August	14.28	29.96
September	14.23	29.84
October	15.18	30.07
November	21.87	42.10
December	27.30	57.43
January	31.39	72.07
February	30.46	72.57
March	26.75	62.05
April	22.28	48.63
May	15.82	33.03
Total-Annual	\$248.28	\$539.95

**ALIGNMENT AND USAGE ADJUSTMENT**  
**(AUA) RIDER**  
**(Continued)**

**CALCULATION OF AUA ADJUSTMENT**

At the end of the Calculation Period, the Company shall determine for each Customer Class Group the base revenue deficiency or excess to be surcharged or credited to customers pursuant to the AUA mechanism. The revenue deficiency or excess shall be calculated by subtracting the Actual Base Revenue per Customer from the Benchmark Base Revenue per Customer for each month and multiplied by the corresponding monthly Actual Number of Customers. The AUA Revenue Adjustment shall be aggregated for all months during the Calculation Period.

The AUA shall be computed for each Customer Class Group pursuant to the following formula:

$$AUA_{cg} = \frac{((BRPC - ARPC) * \sum_{n=1}^{n=j} ACUSTS) + I + RA}{TVOL}$$

**Where**

$AUA_{cg}$	=	The Revenue Decoupling Adjustment for the Customer Class Group.
ARPC	=	The Actual Base Revenue Per Customer for the applicable Customer Class Group and month for the most recently completed Calculation Period.
BRPC	=	The Benchmark Base Revenue Per Customer for the applicable Customer Class Group and month.
$j$	=	The total number of Rate Schedules included in the Customer Class Group.
ACUSTS	=	The Actual number of customers for the applicable Customer Class Group and month for the most recently completed Calculation Period.
$I$	=	Interest on the end-of-month AUA Account balance. The interest rate for each month used shall be the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the month preceding the month of the Calculation Period.
RA	=	Reconciliation Adjustment for prior period over or under-recovery of the AUA for the applicable Customer Class Group.
TVOL	=	Forecast throughput Volumes inclusive of all firm sales and firm transportation throughput for the applicable Customer Class Group.

This Alignment and Usage Adjustment (AUA) Rider shall be effective for the Calculation Periods with the first beginning June 1, 2010 and the corresponding Recovery Period with the first beginning July 1, 2011. The AUA Rider shall continue in effect on an experimental basis until made permanent, terminated, or otherwise modified by Order of the Tennessee Regulatory Authority.

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**ALIGNMENT AND USAGE ADJUSTMENT**  
**(AUA) RIDER**  
**(Continued)**

**RECONCILIATION OF AUA REVENUE RECOVERIES**

The revenues billed, or credits applied, net of taxes and assessments, through the application of the AUA Rate shall be accumulated for each month of the Recovery Period and applied against the AUA revenue excess or deficiency from the Calculation Period. The excess or deficiency shall include any cumulative balances remaining from prior periods. Any balance existing at the conclusion of the Recovery Period, positive or negative, shall be reflected as a Reconciliation Adjustment to be included in the AUA for the subsequent Recovery Period. The amount to be recovered through the AUA in any one Recovery Period shall not exceed 2% of total margin for the corresponding Calculation Period.

**FILING WITH AUTHORITY**

No later than June 1<sup>st</sup> of each year, the Company will file with the Authority for approval of rates to be effective under the AUA Rider accompanied by the computations and information required by this Rider.

**ALIGNMENT AND USAGE ADJUSTMENT  
(AUA) RIDER**

**APPLICABILITY**

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**(AUA) RIDER**  
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TVOL	=	Forecast throughput Volumes inclusive of all firm sales and firm transportation throughput for the applicable Customer Class Group.

This Alignment and Usage Adjustment (AUA) Rider shall be effective for the three Calculation Periods with the first beginning June 1, 2010 and the corresponding three Recovery Periods with the first beginning July 1, 2011. The AUA Rider shall continue in effect on an experimental basis until made permanent, terminated, or otherwise modified by Order of the Tennessee Regulatory Authority.

C



**ALIGNMENT AND USAGE ADJUSTMENT**  
**(AUA) RIDER**  
**(Continued)**

**RECONCILIATION OF AUA REVENUE RECOVERIES**

The revenues billed, or credits applied, net of taxes and assessments, through the application of the AUA Rate shall be accumulated for each month of the Recovery Period and applied against the AUA revenue excess or deficiency from the Calculation Period. The excess or deficiency shall include any cumulative balances remaining from prior periods. Any balance existing at the conclusion of the Recovery Period, positive or negative, shall be reflected as a Reconciliation Adjustment to be included in the AUA for the subsequent Recovery Period. The amount to be recovered through the AUA in any one Recovery Period shall not exceed 2% of total margin for the corresponding Calculation Period.

**FILING WITH AUTHORITY**

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