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May 6, 2011

VIA E-MAIL AND HAND DELIVERY

Mary W. Freeman, Chairman
c/o Ms. Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

filed electronically in docket office on
05/06/11

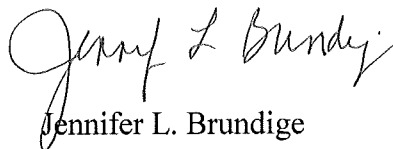
Re: Petition of Chattanooga Gas Company for Approval of Negotiated
Franchise Agreement with the City of Chattanooga, Tennessee Pursuant to
Tennessee Code Annotated § 65-4-107, TRA Docket No. 11-00048

Dear Chairman Freeman:

Enclosed please find the original and four (4) copies of Chattanooga Gas
Company's responses to the Tennessee Regulatory Authority Staff's Data Requests dated
April 28, 2011 and April 29, 2011 in the above referenced docket.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Jennifer L. Brundige

/cb
Enclosures

cc: Elizabeth Wade, Esq.
Archie Hickerson

1. In the current franchise agreement (City Ordinance No. 12480) between the Company and the City, there is a permit fee floor in the amount of \$100,000 annually. Please clarify whether this is a separate fee from the franchise fee and how it works including but not limited to:
 - a. Is \$100,000 the minimum franchise fee to be collected from customers?
 - b. Explain the statement, "Notwithstanding the foregoing, the Franchise Fee payable hereunder shall be reduced, on an annual basis, by the amount of Permit Fees paid by Company to the City up to the Permit Fee Floor," and how that affects the amount of Franchise fee charged to customers.

Response:

- a. **No. It is not the minimum franchise fee to be collected from customers.**
- b. **The Permit Fees (as defined in the franchise agreement) are separate fees that the Company pays the City of Chattanooga for permits when construction or maintenance work within the city limits requires excavation or the opening of a trench. The permits are often referred to as "Street Cut" permits. Under the new ordinance, when the Company applies for such permits, it will pay the standard Permit Fee to the City, but will be allowed to deduct the amount paid for such permits from the franchise fee payment. The amount of such Permit Fees that can be deducted, however, is limited to \$100,000 per year. If the actual amount of Permit Fees paid by the Company to the City in any one year exceeds \$100,000, the amount in excess of the \$100,000 cannot be deducted from the franchise fee payments.**

2. In the current franchise agreement there is a clause stating that if the Company is more than 15 days late on the quarterly franchise fee payment, additional compensation and charges computed from such due date at an annual rate of one percent (1%) per month on any portion thereof of the unpaid amount. In the past, approximately how often has the Company been late on paying the franchise fee? Does the Company propose to pass on to customers any extra fees for late payment of quarterly franchise fee?

Response:

All quarterly payments since January 2001 have been reviewed. During that period there is no record of a late payment or a late payment penalty being incurred.

The Company does not propose to incur and pass on to the customers any late payment fees.

3. The Company has agreed to several request made by the City including: insurance requirements and the provision of service personnel and equipment based in Chattanooga and/or Hamilton County, TN to respond to customer service calls from within the City, and finally the provision of trained personnel to be available 24 hours a day, 365 days per year, who will promptly respond to emergency calls. Will these costs be recovered from customers?

Response:

The referenced franchise requirements will not result in costs that would not otherwise be incurred and included in the utility's cost of service for ratemaking purposes. The insurance requirement will not result in an increase in the cost of insurance. In its normal course of business, CGC has service personnel and equipment based in Chattanooga and/or Hamilton County to respond to service calls within the City and trained personnel who are available 24 hours a day, 365 days per year to promptly respond to emergency calls. The provision in the ordinance commits the Company to continue these current personnel and equipment services and will not require the relocation of employees and/or equipment, or otherwise result in an increase in the cost of service.

4. In docket 09-00183, the TRA included \$365,000 of City of Chattanooga franchise fees for recovery in base rates. Why is the Company proposing to change its methodology of recovering franchise fees as a component of base rates to a pass through charge on customers' bills?

Response:

Tennessee Code §65-4-105(e) provides that any franchise payment or other payments for the use of public streets, alleys, or other public places made by a utility to a municipality "be billed pro rata to the utility customers receiving local service within the municipality or political subdivision receiving such payments, and shall not otherwise be considered by the authority in fixing the rates and charges of the utility." As a result, the fee cannot be considered in setting the rates for customers located outside the city limits of the city of Chattanooga. The recovery methodology adopted under the new franchise agreement provides that the franchise fee paid to the City of Chattanooga will be billed pro rata to only those customers located within the city limits of Chattanooga and is consistent with the current procedure for the collection of the franchise fee from customers located within the city limits of the City of Cleveland by Chattanooga Gas Company that was approved in TRA Docket 04-00234. The methodology is also consistent with the collection of the fees paid by Piedmont Natural Gas to Metropolitan Nashville-Davidson County, and other current franchise agreements approved by the TRA.

5. What were the actual franchise fee payments for the year ending December 31, 2010, and what are the estimated franchise fee payments for the first year under the new franchise agreement?

Response:

Franchise Fees Payment net of Street Permits	\$269,442.98
Street Cut Permits Fees Paid	85,557.00
Prior Period Correction	<u>60.99</u>
Total Franchise Payments for 2010	\$355,060.97

The current franchise agreement includes an escalation provision that provides for an annual increase in the fee.

The estimated total payment for the first 12 months under the new agreement is approximately \$1,200,000.

1. How does the Company propose to recover the incremental difference between the franchise fees that are recovered through base rates and actual franchise fees paid?

Response:

As provided in the franchise agreement, the total franchise fee paid to the City of Chattanooga will be billed to and recovered from customers within the city limits of Chattanooga in accordance with Tennessee Code §65-4-105(e).