

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

October 10, 2016

IN RE:)	
)	
CHATTANOOGA GAS COMPANY)	Docket No.
ANNUAL INCENTIVE PLAN FILING)	16-00098
FOR THE TWELVE MONTHS)	
ENDED JUNE 30, 2016)	

**CHATTANOOGA GAS COMPANY MOTION TO WAIVE RULE
TO APPROVE AN EXPANSION OF THE SCOPE OF WORK WITH
EXETER TO INCLUDE A PRUDENCY REVIEW**

Chattanooga Gas Company (“CGC”), pursuant to Tenn. Comp. R. & Regs. 1220-01-1-.05 and 1220-1-2-.06, hereby requests that the Tennessee Regulatory Authority (“Authority” or “TRA”) waive Tenn. Comp. R. & Regs. 1220-04-07-.05(1)(a), and authorize CGC to expand the scope of its triennial review to permit the currently engaged auditor, Exeter Associates, Inc., to also conduct a prudence review of its annual cost of gas without seeking new bids for an auditor. In support of this request, CGC states as follows;

1. On August 26, 2016, CGC filed its annual report for the actual cost of gas and applicable indices for each month of the Performance Based Ratemaking Mechanism plan year that ended June 30, 2016 (“PBR Report”). As is reflected on Attachment A of the PBR Report, the commodity cost of gas purchased by CGC during the plan year was approximately 3.3% above the benchmark. Because the plan year cost of gas exceeds the 1% threshold for prudence established by the CGC Tariff,¹ pursuant to Tenn. Comp. R. & Regs. 1220-04-07-.05, CGC must perform a prudence review through an independent auditor. Tenn. Comp. R. & Regs. 1220-04-

¹ CGC Gas Tariff, TRA No. 1, Second Revised Sheet No. 56A (effective February 1, 2006).

07-.05(1)(a) further provides that CGC shall prepare and issue a request for proposals unless otherwise ordered by the Authority.

2. Working in cooperation with both the TRA Staff (“Staff”) and the Consumer Advocate and Protection Division (“CAPD”), CGC recently completed a request for proposal process for the triennial review of its gas purchases and the related sharing that is to be conducted pursuant to the September 23, 2009, Order of this Authority in Docket No. 07-00224 . The triennial review competitive bid process resulted in an award of an audit contract to Exeter Associates, Inc., for the period of time from April 1, 2013 through March 30, 2016.

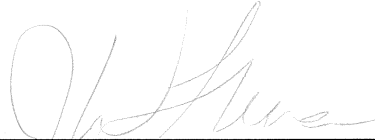
3. The PBR prudency review necessary in this docket will mostly overlap the triennial review period except that the PBR prudency review would include three additional months, through June 30, 2016. Since the both audits will review CGC’s gas purchases and related activities, CGC believes that the most efficient and cost effective means to accomplish this independent review would be to expand the scope of work with Exeter Associates, Inc. awarded through the recent RFP process and to lengthen the period of time through June 30, 2016 to address the entire PBR plan year.

4. CGC has discussed this request with TRA Staff and the CAPD, and both the Staff and CAPD are in agreement with this request. In order to most efficiently and effectively implement the full intent of the rules, CGC will work cooperatively to reach an agreement with the Staff for the appropriate amendment to the written scope of work and the maximum amount to be paid for the combined audit, pursuant to Tenn. Comp. R. & Regs. 1220-04-07-.05 (1)(a)2.

WHEREFORE, Chattanooga Gas Company respectfully requests that the TRA issue an order granting CGC a waiver of Tenn. Comp. R. & Regs. 1220-04-07-.05 (1)(a) so that the triennial review auditor be authorized to conduct the PBR prudence review, and that CGC and

the TRA Staff be authorized to develop an amendment to the written scope of work and the maximum amount to be paid for the combined audit. To the extent necessary, CGC or the Staff would take up any unresolved issues with the hearing officer in this docket.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been served on the persons below on this the 10th day of October, 2016, by electronic mail:

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