

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 17, 2000

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IN RE

CHATTANOOGA GAS COMPANY
ACTUAL COST ADJUSTMENT AUDIT

RECEIVED
TN REGULATORY AUTHORITY
GENERAL COUNSEL'S OFFICE
EXECUTIVE SECRETARY

Dockets No. 99-00759 and 98-00776

MOTION OF CHATTANOOGA GAS COMPANY FOR RELEASE FROM PROBATION

Chattanooga Gas Company ("Company" or "Chattanooga"), by and through its attorney, hereby respectfully moves the Tennessee Regulatory Authority ("Authority" or "TRA") to release and terminate the probation of Chattanooga Gas Company and, as a basis for such motion, would show the following:

I.

The names and addresses of the persons to whom any notices or other communications with respect to this Motion are to be sent are as follows:

William H. Novak, Director
Rates & Regulatory Analysis
Atlanta Gas Light Company
P. O. Box 4569
Atlanta, Georgia 30302
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Spears, Moore, Rebman & Williams
801 Broad Street, 6th Floor
P. O. Box 1749
Chattanooga, Tennessee 37401-1749
Telephone: (423) 756-7000

II.

Chattanooga is incorporated under the laws of the State of Tennessee and is a public utility engaged in the business of transporting, distributing and selling natural gas in Hamilton and Bradley Counties within the State of Tennessee and surrounding environs. Chattanooga as a public utility established under the laws of the State of Tennessee is subject to the jurisdiction of this Authority.

III.

On June 22, 1999, in Docket No. 98-00776, the Directors of the Tennessee Regulatory Authority ("Authority" or "TRA") issued an order approving the Company's audit report by the TRA Staff relating to the Company's Actual Cost Adjustment ("ACA") audit for the period July 1, 1997 through June 30, 1998. However, in approving the ACA Audit Report, the Authority also expressed concern over the serious deficiencies noted by the Authority Staff and by unanimous decision placed Company on probation for a period of one (1) year. In addition, the Company was advised that at the conclusion of the probationary period, the Company must have corrected all of the deficiencies cited in the Audit Report in order to avoid further corrective action and possible sanctions by the Authority.

The Company has taken the Authority's findings in Docket No. 98-00776 with grave seriousness, and has taken steps to ensure that its previous mistakes are not repeated. Specifically, the Company has contracted with an independent CPA firm to review its ACA filings before they are filed with the TRA; devoted a minimum of two individuals full time to ensure that Tennessee operations are properly handled; employed William H. Novak as Director of Rates and Regulatory Analysis; and conducted regular meetings with the TRA Staff to provide information and seek direction.

IV.

On March 13, 2000, in Docket No. 99-00759, the Authority Staff issued its audit report on the Company's ACA for the period July 1, 1998 through June 30, 1999. In this audit, the Authority Staff concluded that "...for the current ACA filing period the Purchased Gas Adjustment mechanism as calculated in the Actual Cost Adjustment is working properly and in accordance with the TRA's rules." In addition, the Authority Staff agreed that the Company had taken the necessary steps to correct the deficiencies cited in the previous audit.

V.

The Company has demonstrated that the TRA's purpose in placing Chattanooga on probation has now been achieved, and that the probationary period should be ended. Specifically, Chattanooga's behavior has intentionally been modified. This modification in behavior not only ensures that the Purchased Gas Adjustment ("PGA") mechanism is working as the TRA Directors intend, but that it will work in accordance therewith for the future. This modification also has facilitated a more timely review by the TRA Staff.

VI.

The Company purports that the Authority will have no additional information to reflect Chattanooga's modification of behavior prior to the one-year anniversary of the Authority's June 22, 1999 order than is currently available. Specifically, the Company's previous performance delayed the Staff's audit report in Docket No. 98-00776. Conversely, the Company's current performance has actually aided the Authority Staff in performing a timely audit. In addition, the Company's internal operations have reflected an intentional spirit of cooperation and compliance. As a result, the Authority's review of the Company's performance has been completed prior to the one-year anniversary. Therefore, with the Authority Staff's review completed and no significant

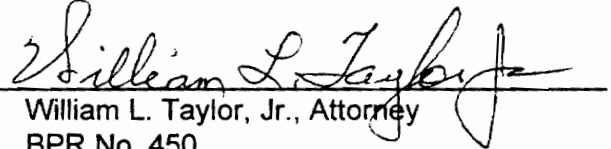
negative findings, the Company respectfully shows that it is now appropriate to be released from probation.

VII.

For the reasons set forth above, Chattanooga respectfully requests the Authority to release it from probation at the time of the Authority's approval of the current ACA Audit by the Authority Staff.

Respectfully submitted, this 17th day of March, 2000.

CHATTANOOGA GAS COMPANY

By: 
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