BEFORE THE TENNESSEE REGULATORY AUTHORITY

AT NASHVILLE, TENNESSEE

IN RE:

UNITED CITIES GAS COMPANY, a Division of ATMOS ENERGY CORPORATION COMPANY, INCENTIVE PLAN ACCOUNT (IPA) AUDIT

DOCKET NO. 01-00704

REBUTTAL TESTIMONY
OF
STEVE BROWN

October 5, 2004

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AFFIDAVIT

I, Steve Brown, Economist for the Consumer Advocate and Protection Division of the Attorney General's Office, hereby certify that my attached Rebuttal Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

STEVE BROWN

Sworn to and subscribed before me
this 5th day of October, 2004.

NOTARY PUBLIC

My commission expires: 7/21/2007

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I. Introduction

Q_1. **Please state your name.**

A_1. Steve Brown.

Q_2. **Where do you work and what is your job title?**

A_2. I am an Economist in the Consumer Advocate and Protection Division, Office of the Attorney General.

Q_3. **Are you the same Steve Brown who gave direct testimony representing the opinion of the CAPD in this proceeding of the Tennessee Regulatory Authority (TRA)?**

A_3. Yes, I am.

Q_4. **What testimony are you giving now?**

A_4. The testimony I am giving now is rebuttal testimony.

Q_5. **Whose testimony are you rebutting?**

A_5. I am rebutting the testimony of several witnesses who have provided direct testimony for Atmos. They are:

John Hack - Atmos's Director of Gas Supply Planning;

Patricia Childers - Atmos's Vice President of Rates and Regulatory Affairs;

Frank H. Creamer of Barrington Associates, who has testified on behalf of Atmos.

Q_6. **What issues in their testimony are you rebutting?**

A_6. I am rebutting their testimony that the Company's contracts of October 1999 with East Tennessee Natural Gas Pipeline (ETNG), as well as the contracts that went into effect in November 2000 with the Tennessee Gas Pipeline (TGP), were wholly or substantially the result of the Performance-Based Ratemaking (PBR) program, and that the lower rates from ETNG and TGP were the result of Atmos's negotiations.

In my opinion, those contracts and the lower rates were not the result of the PBR. In my opinion Atmos's contracts and lower rates with ETNG and TGP are the result of anti-competitive behavior by the pipelines' owner, El Paso Energy, and the Federal Trade Commission's (FTC) regulatory cure, which forced El Paso Energy to sell ETNG in January 2000.

In my opinion the public record in FTC Docket No. C-3915 of January 2000 shows the FTC curing El Paso Energy's anti-competitive pricing behavior regarding the transportation of natural gas, where such behavior was carried out through its twin subsidiaries, ETNG and TGP.

In addition, I am rebutting the Company's testimony that transportation costs were included within the PBR and that excluding such costs would be a material defect in the PBR.

In my opinion transportation costs were not included in the PBR. My further opinion is that they should be excluded, not only in view of the TRA's original orders and efforts to implement the PBR program, but also in view of the FTC's regulatory actions.

II. The Federal Trade Commission's Regulatory Action Against El Paso Energy and Its Subsidiaries, ETNG and TGP

Q_7. **What is the basis of your opinion that ETNG's and TGP's lower transportation rates for Atmos's contracts were not the result of the PBR?**

A_7. In addition to what I previously stated, my opinion is based the regulatory and antitrust action taken by the United States Federal Trade Commission on January 6, 2000 in FTC Docket No. C-3915, "In the Matter of El Paso Energy Corporation." On that date the FTC lodged a complaint against El Paso and on the same date the FTC issued a decision and order forcing El Paso to divest itself of ETNG as a condition of approval for El Paso's takeover of one of its competitors, Sonat, Inc. The details are provided in my Schedules 1 and 2.

My Schedule 1 is a copy of the FTC's complaint against El Paso. My Schedule 2 is copy of the FTC's decision and order regarding El Paso. Both documents were issued by the FTC on January 6, 2000.

The process followed by the FTC is documented in the public record of the FTC, which may be accessed at: http://www.ftc.gov/os/caselist/c3915.htm.

On October 22, 2000, the FTC released information regarding its investigation and negotiations regarding the merger of El Paso Energy Corporation and Sonat Inc. My Schedule 3 is a copy of the news release from the FTC. The Analysis of the Draft Compliant and Proposed Consent Order to Aid Public Comment("Analysis") referenced in the news release may also be accessed from the same FTC website. My Schedule 4 is a copy of the FTC's Analysis. The process the FTC goes through in approving this type of settlement allows for a thirty (30) day comment period after release of the information reflecting the results of its investigation and negotiations with El Paso. After receipt of the public comments, if any, the FTC finalized its settlement, which is reflected in the FTC's action on January 6, 2000. The record at the FTC makes it clear that the reduction in transportation rates was the result of a unilateral decision by El Paso spurred on by threats by Sonat Inc. In pertinent part the Analysis at page 3 summarizes the circumstances as follows:

> *"El Paso offered reduced transportation rates to local gas distribution utilities located in eastern Tennessee in response to a threat by Sonat to by-pass ETNG by extending its own pipeline."*

The complaint also states in part:

> *" Pursuant to the provisions of the Federal Trade Commission Act and the Clayton Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission ("Commission"), having reason to believe that respondent El Paso Energy Corporation has entered into an agreement to acquire all of the outstanding securities of Sonat Inc., all subject to the jurisdiction of the Commission, in violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U S C § 45, that such acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U S.C § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U S C § 45, and that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows· "*

The complaint, shown as my Schedule 1, was composed of three major counts against El Paso. The TRA's current docket is especially affected by the third count of the FTC's compliant, paragraphs 32 to 36:

> *"32 Respondent's subsidiary Tennessee Gas Pipeline Company owns and operates a large natural gas transmission system extending from producing fields in the Gulf of Mexico, Texas, and Louisiana through several States in the southern United States, including Tennessee, and on into the northern United States In the State of Tennessee, Tennessee Gas Pipeline interconnects with, and delivers natural gas to, a pipeline owned and operated by East Tennessee Natural Gas, also an El Paso subsidiary "*

> *"33 East Tennessee Natural Gas transports natural gas received from Tennessee Gas Pipeline Company, and from other sources, to many local gas distribution utilities in eastern Tennessee and northern Georgia "*

"34 Sonat owns Southern Natural Gas Company, which owns and operates a large natural gas transmission system extending from producing fields in the Gulf of Mexico and Louisiana through several States in the southern United States, including Georgia and Tennessee."

"35 Sonat, either directly, or via interconnection with East Tennessee Natural Gas, transports natural gas to many local gas distribution utilities in eastern Tennessee and northern Georgia "

"36 El Paso offered reduced transportation rates to local gas distribution utilities located in eastern Tennessee in response to a threat by Sonat to by-pass East Tennessee Natural Gas by extending its own pipeline "

Therefore, the FTC complaint establishes that El Paso took the initiative through its subsidiaries, ETNG and TGP, to reduce prices for transportation of natural gas to Tennessee. The FTC's record contradicts the claims made by Atmos that transportation prices were lowered because Atmos negotiated with ETNG and TGP because of the PBR program in Tennessee.

The FTC ordered El Paso to sell ETNG.

"The Commission having thereafter considered the matter and having determined that it had reason to believe that the Respondent has violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days... makes the following jurisdictional findings and enters the following Order "

"A Respondent shall divest, absolutely and in good faith, and at no minimum price, within six months from the date Respondent executes the Agreement Containing Consent Order, the Schedule A Properties "

"Schedule A Properties: Properties to be divested ETNG, Destin Interest, Sea Robin "

Thus the PBR was not the cause for Atmos receiving lower rates from ETNG and TGP because El Paso offered lowered rates to its customers in general in Tennessee. Atmos's lowered rates from ETNG and TGP cannot be the result of the PBR, because Atmos is the only gas distributor with a PBR.

Instead, such lower rates were offered by El Paso to many local gas distribution organizations in Tennessee, including Atmos. My Schedule 5 is a copy of a Federal Energy Regulatory Commission (FERC) document, available form the FERC's online data base.

The FERC document consists of four pages. The first two pages are FERC's approval-letter dated November 24, 1999 regarding fifty-two discounted transportation contracts, effective as of October 1, 1999, for several of Tennessee's local gas distribution providers who received their gas supply via TGP and ETNG. The third and fourth pages list the local gas distribution organizations. Clearly Atmos (United Cities in 1999) was just one of several beneficiaries of El Paso preventing Sonat from building a competing pipeline in Tennessee. Atmos did not "beat the market", but merely accepted an offer extended by El Paso which meant to block Sonat's effort to build a pipeline.

Therefore, Atmos's contracts with ETNG and TGP are the result of El Paso's anti-competitive behavior and the FTC's regulatory cure, which forced El Paso to sell ETNG in January 2000.

III. The Federal Trade Commission Judged Tennessee Consumers As Being Captive to ETNG and TGP.

Q_8. **In your opinion what economic factors did the FTC rely on in requiring El Paso to sell ETNG?**

A_8. Rather than disallowing the reduced-price contracts, the FTC let the contracts stand. Therefore, in my opinion the FTC forced El Paso to sell ETNG because a forced sale was the only practical way to prevent El Paso from profiting by its anti-competitive behavior without harming gas distributors and consumers. El Paso conferred economic rewards on the distributors to stymie Sonat's plans to compete with El Paso in Tennessee. The FTC examined the situation and concluded that competition through the development of a new pipeline that would compete with ETNG was not possible because of EL Paso's behavior. Customers using El Paso's subsidiaries, ETNG and TGP, were captive and had no alternative to El Paso, as the FTC judged in the third count against EL Paso, paragraphs 28-30,38 and 39

> *"28 One relevant line of commerce is the transportation of natural gas into gas consuming areas "*

> *"29 One relevant section of the country is eastern Tennessee and northern Georgia and certain portions thereof."*

> *"30 Consumption of natural gas in the relevant section of the country is substantially higher than production, with the result that most natural gas consumed in each portion of the relevant section of the country is transported by pipelines from producing areas in the Gulf of Mexico and elsewhere in the United States. Customers in the relevant section of the country purchase contracts for the transportation and delivery of over 750 million cubic feet of natural gas per day "*

> *"38 The effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas into the relevant section of the country set out "*

> *"39 Entry [of another pipeline] would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant section of the country "*

IV. The Federal Trade Commission's Actions Treated ETNG and TGP as a Single, Unified Gas Transporter.

Q_9. In economic terms, what opinion do you have as a result of your discovery of FTC's regulatory action?

A_9. My discovery of FTC's regulatory action leads me to the opinion to dispute the testimony of Atmos's witnesses who claim that lower prices for the transportation of natural gas were the result of Atmos's response to the PBR.

For example, Patricia Childers testifies at page 2 lines 55-57:

> " *Atmos, motivated by the PBR provisions allowing the Company to share in savings from avoided costs, had actually begun efforts to negotiate discounted transportation rates in late 1999 " [Childers's Testimony]*

And at page 3, lines 72-74 Patricia Childers testifies:

> " *around November of 2000, Atmos had successfully completed negotiated discounted rates in all of the Tennessee Pipeline and East Tennessee Pipeline systems " [Childers's Testimony*

However, it is inaccurate for Atmos to imply that ETNG and TGP were independent of each other. Not only did El Paso own both TGP and ETNG, but in fact ETNG and TGP had the same management.

For example, my Schedule 6 is a copy of the State of Tennessee's Corporation Annual Report completed by ETNG for the due date of April 1, 1999. Blocks 4A and 4B of the report say "See Attached." The reports attachments appear as pages two and three of my Schedule 6. Those two pages list the directors and officers of ETNG. I compared the Corporation Annual Report to my Schedule 7, the signature section of TGP's Securities and Exchange Form 10-K405 for the year 2000. Clearly, ETNG and TGP were managed by the same people.

Therefore, my opinion is that Atmos's "negotiated" contracts with ETNG and TGP are not evidence of the PBR motivating Atmos to negotiate with pipelines. The lower priced contracts were a part of El Paso's organized and coordinated effort to impede competition and the FTC's cure for that behavior.

For example, the FTC's "Schedule B," a part of the FTC's Decision and Order in FTC Docket C-3915, appears as my Schedule 8. It is five pages long and lists many contracts of ETNG and TGP that were affected by the FTC's regulatory cure.

Page 5 is the last page of the schedule and lists seven line items regarding United Cities, which is under the "Customer" column. Three lines show ETNG as the pipeline and four show TGP as the pipeline. Two of the TGP contracts, numbered as 2032 and 3981, and one of ETNG contracts, 4272 which has an "MDQ" of 84588, are also referenced in the attachments to Mr. Hack's testimony. I refer to his attachment that begins with "EXHIBIT 1 CONFIDENTIAL FILED UNDER SEAL" the heading "Meeting Agenda," and to the page titled "SUMMARY -TENNESSEE PBR SAVINGS."

I note for the record that these testimonies and their attachments are a public record available on the TRA's web site, even though the attachments have the word "confidential" on them. I also note that the "Meeting Agenda" was produced by Atmos for its January 31, 2001 meeting with the TRA staff.

Certain numbers on Mr. Hack's attachment of January 2001 match certain numbers on the FTC's Schedule B of January 2000, shown as my Schedule 8. In Mr. Hack's attachment the statement, "Storage Service with AES1 (Replaces TGP contract numbers FS-PA 2032 and FS-PA 3981)," establishes a match to two of United Cities's contracts with TGP, as shown at page 5 in the FTC's Schedule B. Also, in Mr. Hack's attachment the number 84,588 under the "MDQ" column matches the number 84,588 under the "MDQ" column of the FTC's Schedule B, the ETNG contract 4272, also shown at shown at page 5 in the FTC's Schedule B statement. Thus at least three contracts shown to the TRA Staff by United Cities in January 2001 can be traced back to the FTC's Schedule B of January 2000 and the FTC's regulatory action. Therefore, it would be no surprise and should be expected that all the ETNG and TGP contracts shown to the TRA Staff by United Cities in January 2001 are the products of the FTC's regulatory action.

Q_10. **To the best of your knowledge has Atmos or United Cities ever informed the TRA or its staff of the FTC's actions and El Paso's actions?**

A_10. No. To the best of my knowledge Atmos has never informed the TRA or its staff of the FTC's actions and El Paso's actions.

Q_11. **In addition to disputing Patricia Childer's testimony on this issue, what other testimony do you dispute?**

A_11. Bedsides Patricia Childers' testimony, I also dispute John Hack's and Frank Creamer's testimony regarding the PBR as a motivation for Atmos's "negotiations" with El Paso. The following are examples of testimony that contradict the FTC's Decision and Order, and Complaint.

I dispute John Hack's statements in his testimony at page 2 lines 16-20:

> *"In late 1999 Atmos was successful in negotiating shorter term discounted transportation contracts for the first time ..because of the incentives contained within Atmos's . PBR tariff that allow the Company to share in savings from avoided costs, Atmos began to aggressively pursue pipeline discounts "*

I dispute John Hack's statements, in his testimony at page 2 lines 41-43:

> *"One reason Atmos invested so much time and effort into negotiating the discounted transportation contracts was because of the incentives provided under the PBR tariff If Atmos did not think it would be able to share in the savings it obtained through negotiations, it would not have expanded so much effort into negotiating the contracts. "*

I dispute John Hack's statements, in his testimony at page 4 lines 87-91:

> *" Atmos informed the TRA staff, that due to an oversight, Atmos had neglected to report the savings resulting from the discounted contracts .. for the 1999-2000 PBR .Atmos agreed it would not seek recovery of its share of the savings for the 1999-2000 plan year "*

I dispute Frank Creamer's statements in his testimony at page 9 lines 187-192:

> *"Subsequent to the experimental PBR timeframe, Atmos began extensive negotiations with pipeline companies seeking to obtain discounted transportation contracts...the prospects of sharing through the PBR plan were clearly a positive incentive for Atmos to actively and aggressively pursue these opportunities "*

I dispute Frank Creamer's statements in his testimony at page 9 lines 197-199:

> *"Atmos, based on the incentive of the PBR plan, actively pursued those discounts Those discounts were not available merely for the asking, but had to be actively pursued "*

I dispute Frank Creamer's statements in his testimony at page 9 line 210 to page 10 line 212:

> *"This magnitude of undiscounted contracts demonstrates that discounts were not routinely and easily granted, and that Atmos had to actively seek and negotiate those discounts. "*

I dispute Frank Creamer's statements in his testimony at page 12 lines 270 to 272:

> *"Atmos currently holds some discounted firm transportation contracts which are the result of successfully negotiating discounts "*

All of their claims that the PBR motivated negotiations with pipelines are contradicted by the FTC's public records.

IV. Federal Trade Commission's Regulatory Actions And The Inadequacy Of Atmos's Response to CAPD Discovery Requests.

Q_12. In reviewing Atmos's responses to CAPD's discovery requests, what, if anything, did you discover about the completeness of the economic and regulatory information that Atmos provided?

A_12. I discovered that Atmos failed to include relevant economic and regulatory information, specifically the FTC's Complaint and Decision and Order.

Q_13. In your opinion, what impact did Atmos's failure to report this information have?

A_13. In my opinion Atmos's failure to include this material presented an incomplete and misleading picture of the economic factors which led to the contracts.

Consider, for example, several of CAPD's "Requests For Admission." In request 15 CAPD asked Atmos to admit or deny the following statement:

> *"AEC is unable to identify any financial incentive for the pipelines to provide transportation services to AEC at prices below the FERC maximum rate "*

Atmos responded:

"Denied The financial incentive for the pipelines is keeping Atmos as a customer "

Atmos's response assumes that in 1999 and 2000 a pipeline other than ETNG or TGP could transport natural gas to east Tennessee. However, the FTC's complaint says there was no alternative to ETNG and TGP:

"28 One relevant line of commerce is the transportation of natural gas into gas consuming areas "

"29 One relevant section of the country is eastern Tennessee and northern Georgia and certain portions thereof."

"39 Entry [of another pipeline] would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant section of the country "

In fact, the only way for Atmos not to be a transportation customer of El Paso via the ETNG pipeline was for El Paso to be removed as ETNG's owner, a situation which occurred only through the FTC's regulatory action, not through Atmos's so-called negotiations with El Paso.

In request 21 CAPD asked Atmos to admit or deny the following statement:

"21 AEC took no risk to get pipelines to discount their prices for transportation services provided to AEC "

Atmos responded:

> *"Denied Atmos risked losing any return on its expenditures of resources necessary to procure the discounted contracts."*

However, the FTC's complaint, the third count, paragraph 36 demonstrates that no procurement efforts were required to get reduced transportation rates:

> *"36 El Paso offered reduced transportation rates to local gas distribution utilities located in eastern Tennessee in response to a threat by Sonat to by-pass East Tennessee Natural Gas by extending its own pipeline "*

In addition, consider the CAPD's "Requests For The Production Of Documents And Things." In request for production 6, the CAPD asked:

> *"Produce all documents and things used by AEC or affiliates to make prudent purchasing and transportation decisions for 1999 through 2003 "*

Atmos responded in part:

> *" Atmos objects Without waiving that objection . see the discounted contracts at issue in this matter, and the Company's PBR and quarterly and annual filings "*

However, the FTC's Decision and Order, Section VI, Paragraph A states:

"Within ten (10) days from the date that the Commission accepts the Agreement Containing Consent Order in this matter, Respondent shall provide to each customer who has signed a Schedule B Agreement a written notification (i) extending the period during which such customer may give notice of its election to terminate, extend, or roll over such Agreement(s) to 60 days after the date of the divestiture of ETNG, and (ii) extending, at the customer's option, the termination date of the Schedule B Agreement(s) Such termination date may be extended, <u>without penalty, at the customer's option,[CAPD emphasis]</u> to either October 31 of the year in which ETNG is divested or October 31 of the year after the year in which ETNG is divested The customer's option concerning the termination date of the Schedule B Agreement must be exercised at the time the customer provides its notice of election to terminate, extend, or roll over its Schedule B Agreement(s)

As I have already shown, Atmos (United Cities) was listed in the FTC's Schedule B, which is shown as my Schedule 8. Surely El Paso's written notice to Atmos was a foundational document in Atmos's prudent transportation decisions from 1999 to 2003. However, Atmos has not provided a copy of that notice to CAPD and has made no reference to the FTC's actions, of which Atmos was surely aware.

V. The PBR Does Not Include Transportation Prices and Should Not Because There Is No Index of Transportation Prices.

Q_14. What is the opinion of Mr. Frank Creamer regarding the inclusion of transportation prices in the PBR?

A_14. Mr. Creamer's opinion is that such costs are a part of the PBR and that if they are not a part, then the PBR plan has a defect.

Q_15. Do you agree with Mr. Creamer's opinion?

A_15. No. I disagree for two reasons:

1. There are no Company employees who have been rewarded for their efforts to negotiate such discounted contracts, despite the TRA's order that employees who are responsible for the PBR's results receive compensation tied directly to such results.

2. There is no index to serve as a market proxy for transportation prices.

The Company's financial treatment of its own employees who supposedly "negotiated" the contracts contradicts the testimony that "negotiated discounts" are included in the PBR.

Consider Atmos's response to CAPD's Discovery Request, interrogatory 9, where CAPD asked Atmos to "identify all employees and affiliates who have received or will receive compensation associated with PBR plan results..."

Atmos responded:

> *"No Atmos employees receive compensation associated with the PBR plan."*

However, in its Phase Two Order the TRA told Atmos to have such a compensation plan in place as an integral part of the PBR:

> *"Contrary to the Company's statement in its Post-Hearing Brief that 'UCG has sufficient feedback and reward systems in place to accomplish department performance goals and disagrees with the reward system that focuses merely on each individual employee,' Mr. Creamer found, during his review of the second year of the experimental plan, 'no evidence of a feedback and reward system that directly shares company rewards and penalties with the staff responsible.' Mr. Creamer further found that UCG's existing incentive practices may not be sustainable in the absence of a feedback and reward system that prompts individuals to adopt desired behaviors that support business goals and objectives. The Authority concludes that a feedback and reward system <u>for those employees involved in the activities detailed in the plan [CAPD emphasis]</u> must be in place as long as the Company is operating under the PBR mechanism." [Phase Two Order, page 25]*

That no employees were rewarded for their negotiating efforts, that no employees have received specific compensation for their negotiating efforts, despite the TRA's order, can only mean that there were no such PBR-motivated "negotiations."

The TRA's order gave Atmos a directive that, if PBR-motivated negotiations actually took place, would have laid-down a trail of economic evidence substantiating the claim that PBR-motivated negotiations actually took place. Because Atmos admits it has no record of employee compensation being tied to the PBR, the only reasonable conclusion is that the PBR was not the motivator for such negotiations.

More importantly, there is no index I am aware of which serves as a proxy for market prices in gas transportation. Absent such a proxy there is no way to determine if the "savings" claimed by Atmos are real or that Atmos has beaten the market, which the PBR has always represented through published data.

The PBR is founded on "widely published indices," as Mr. Creamer has already testified:

> *"Based on the original order that was attached to -- or, excuse me, the rate tariff that was attached to the order, during the first year of the program the effectiveness of United Cities Gas gas [sic] purchasing decisions were measured against a basket of widely followed published indices " [TRA Docket No 9701364, Transcript, Thursday, March 26, 1998 Volume I, page 61, line 24-page 62, line 4 Creamer]*

And

> *"Also during the second year of the program, the effectiveness of gas -- of United Cities Gas' purchasing decisions were again measured against a basket of widely purchased or published indices " [TRA Docket No 9701364, Transcript, Friday, March 27, 1998 Volume II, page 445, lines 11 - 14 Creamer]*

Atmos has always known that there is no published index for transportation prices. Consider again several of CAPD's "Request For Admission." In request 8 CAPD asked Atmos to admit or deny the following statement:

> *" AEC knew in 1995 that a published index for transportation costs did not exist "*

Atmos responded:

> *"Admitted "*

CAPD posed the same statement for the years 1996 through 2001 and Atmos responded "Admitted" for each year.

Mr. Creamer's own testimony in 1998 proves the PBR is grounded in published indices. The Company's admissions prove there are no published indices for transportation costs and prove that the company has always known that there are no such indices.

Because Atmos has not offered any published data for transportation indices, negotiated transportation activities are not and could never have been in the PBR's scope.

Therefore, Mr. Creamer's opinion is inconsistent with the workings of the PBR as currently tariffed. The Phase Two Order, the PBR Tariff, and the testimony at the March 1998 hearing all indicate that the method chosen for the PBR was a comparison to a benchmark based on published market indices, and not a comparison with Atmos's own prior performance.

Mr. Creamer's statement in his testimony at page 21 lines 448 to 450, that the "TIF savings would then be calculated by subtracting the Company's actual discounted transportation costs from the FERC rate for each pipeline" ignores the Authority's efforts to create a deadband. The Authority intended the deadband to be a hurdle that Atmos would overcome as the result of significant effort. The deadband is meant to prevent Atmos from getting PBR rewards by accident. Atmos's arbitrary use of the maximum FERC rate bypasses the Authority's essential determination that a deadband is necessary. Atmos presupposes that the maximum FERC rate serves both as a deadband and as a market indicator, when in fact the FERC maximum rate is neither a deadband nor an indicator.

The FERC maximum price is central to Atmos's argument because the anti-competitive practices of El Paso created a market where the transportation price was and is below FERC maximum price. The market for transportation of natural gas was leveraged downward as a result of actions of El Paso and the FTC. The result was a new market standard, although limited in scope, for transportation of natural gas to Tennessee. Under the circumstances, it would have been imprudent for Atmos to fail to take advantage of the lower transportation price.

Despite these facts, Mr. Creamer insists that "transportation costs were...within the intent and scope of the original PBR and to exclude them ... would result in a material defect."[Creamer, Direct, page 3, lines 60-62].

Q_16. **Do you agree the PBR has a material defect?**

A_16. No. I disagree. The exclusion of transportation costs has protected consumers from the gaming of the PBR, which Atmos has clearly attempted by remaining silent on the FTC's regulatory action. In fact, if there is a defect in the PBR, such defect is that it allows Atmos to mask regulatory actions outside of the TRA's jurisdiction as if they were the result of the TRA's own regulation. A prudence review may have brought the FTC's actions to light years ago, and spared the TRA and consumers from the nearly four years of effort that have gone into examining Atmos's claims.

This concludes my testimony at this time.

9910178

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of	)	
	)	
El PASO ENERGY CORPORATION,	)	Docket No. C-3915
	)	
a corporation.	)	
	)	

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Clayton Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission ("Commission"), having reason to believe that respondent El Paso Energy Corporation has entered into an agreement to acquire all of the outstanding securities of Sonat Inc., all subject to the jurisdiction of the Commission, in violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, that such acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

Definitions

1. For purposes of this complaint, the following definitions shall apply:

a. "Respondent" or "El Paso" means El Paso Energy Corporation, its subsidiaries, divisions, groups, affiliate entities, and each of their directors, officers, employees, agents and representatives; and each partnership, joint venture, joint stock company or concession in which El Paso is a participant.

b. "Sonat" means Sonat Inc., its subsidiaries, divisions, groups, affiliate entities, and each of their directors, officers, employees, agents and representatives; and each partnership, joint venture, joint stock company or concession in which Sonat Inc. is a participant.

c. "The acquisition" means the transaction described, in whole or in part, in Paragraph 9 of this Complaint.

El Paso

2. Respondent El Paso is a corporation organized and doing business under the laws of the State of Delaware with its executive offices at 1001 Louisiana Street, Houston, Texas 77002.

3. Respondent El Paso operates through six business units: Tennessee Gas Pipeline Company, East Tennessee Natural Gas, El Paso Natural Gas Company, El Paso Field Services Company, El Paso Energy Marketing Company, and El Paso Energy International Company. The company owns the nation's only integrated coast-to-coast natural gas pipeline system and has operations in natural gas transmission, gas gathering and processing, energy marketing, power generation and international energy infrastructure development.

4. Respondent's 1998 revenues were over $5.5 billion and its total assets exceeded $10 billion.

5. At all times relevant herein, Respondent El Paso has been and is now engaged in commerce as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and is a corporation whose business is in or affecting commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

Sonat

6. Sonat is a corporation organized and doing business under the laws of the State of Delaware with its headquarters at 1900 Fifth Avenue

North, Birmingham, Alabama 35203.

7. Sonat Inc. is an integrated energy company engaged in exploration and production of oil and natural gas, interstate transmission of natural gas, and energy services. Sonat has assets of nearly $4.4 billion. Its 1998 revenue was $3.7 billion. Through its natural gas transmission segment, Sonat owns interests in more than 14,000 miles of natural gas pipelines. Southern Natural Gas Company is the major pipeline in the Southeast, with customers in seven states, while Sonat's 50 percent-owned Florida Gas Transmission Company is the principal pipeline serving Florida.

8. At all times relevant herein, Sonat has been and is now engaged in commerce as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. 12, and is a corporation whose business is in or affecting commerce as "commerce" is defined in Section 4 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 44.

The Acquisition

9. Pursuant to the Agreement and Plan of Merger dated March 13, 1999, by and between El Paso and Sonat, El Paso Energy Corporation intends to acquire 100% of the voting securities of Sonat.

Count One

10. One relevant line of commerce is the transportation of natural gas out of producing fields.

11. One relevant section of the country is the area of the Gulf of Mexico off the coast of the State of Louisiana that contains portions of the areas known as the West Cameron Area, West Cameron South Addition Area, East Cameron Area, East Cameron South Addition Area, Vermillion Area and Vermillion Area South Addition, and the Garden Banks Area.

12. Consumption of natural gas in the relevant section of the country is substantially below production, with the result that most production in each portion of the relevant section of the country is transported by

pipelines to consuming areas along the Gulf Coast and elsewhere in the United States. Pipeline capacity for transporting natural gas out of this section of the country is approximately 2900 million cubic feet per day.

13. The business of transporting natural gas by pipeline out of producing fields in the relevant section of the country is highly concentrated. The acquisition would substantially increase concentration in each portion of the relevant section of the country. In the relevant section of the country as a whole, the acquisition would increase the Herfindahl-Hirschman Index (commonly referred to as "HHI") by over 1000 points to over 4400.

14. Respondent El Paso holds a 34.5 percent effective ownership interest in, and is the general partner of, Leviathan Gas Pipeline Partners, L.P., a publicly held Delaware limited partnership. Leviathan Gas Pipeline Partners, L.P. is a 50 percent owner of Stingray Pipeline Company, which owns a large natural gas transmission system extending more than 120 miles into the Gulf of Mexico off the coast of Louisiana. It gathers gas from various areas in the Gulf of Mexico, including the West Cameron and East Cameron areas, and delivers the gas to shore.

15. Sonat owns and operates Sea Robin Pipeline Company, which starts from shore a few miles to the east of Stingray. Sea Robin Pipeline Company gathers gas from various areas in the Gulf of Mexico, including the West Cameron and East Cameron areas, and transports the gas to shore.

16. Respondent El Paso, through its general partnership in Leviathan Gas Pipeline Partners, L.P., and Sonat, through its ownership interests in the Sea Robin Pipeline Company, are direct and substantial competitors in the business of transporting natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 11.

17. The effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of

natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 11, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways, among others:

a. the acquisition will eliminate actual and potential competition between El Paso and Sonat;

b. the acquisition will eliminate actual and potential competition among competitors generally; and

c. the acquisition will increase concentration in the transportation of natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 11, therefore increasing the likelihood of collusion.

18. Entry would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant section of the country.

Count Two

19. One relevant line of commerce is the transportation of natural gas out of producing fields.

20. One relevant section of the country is the area of the Gulf of Mexico off the coast of the State of Louisiana that contains portions of the areas known as the Main Pass including its additions and extensions, South Pass, South Pass East Addition, Viosca Knoll, and Mississippi Canyon.

21. Consumption of natural gas in the relevant section of the country is substantially below production, with the result that most production in each portion of the relevant section of the country is transported by pipelines to consuming areas along the Gulf Coast and elsewhere in the United States. Pipeline capacity for transporting natural gas out of this section of the country is approximately 3050 million cubic feet per day.

22. The business of transporting natural gas by pipeline out of producing fields in the relevant section of the country is highly concentrated. The acquisition would substantially increase concentration in each portion of the relevant section of the country. In the relevant section of the country as a whole, the acquisition would increase the HHI by over 1000 points to over 4300.

23. Respondent El Paso holds a 34.5 percent effective ownership interest in, and is the general partner of, Leviathan Gas Pipeline Partners, L.P., a publicly held Delaware limited partnership. Leviathan Gas Pipeline Partners, L.P. owns a 99 percent interest in Viosca Knoll Gathering Company, a Delaware Joint Venture ("VKGC"). VKGC operates a large natural gas gathering system extending more than 100 miles into the Gulf of Mexico off the coast of Louisiana. It transports gas primarily from wells in the Mississippi Canyon and Viosca Knoll areas.

24. Destin Pipeline Company, L.L.C. ("Destin") owns a large natural gas gathering system extending approximately 75 miles into the Gulf of Mexico off the coast of Louisiana. Sonat is the owner of a one-third membership interest in Destin and the operator of the pipeline owned by Destin. Destin transports gas primarily from wells in the Mississippi Canyon and Viosca Knoll areas.

25. Respondent El Paso, through its general partnership in Leviathan Gas Pipeline Partners, L.P., and Sonat, through its ownership interests in Destin, and in other ways, are direct and substantial competitors in the business of transporting natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 20.

26. The effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 20, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, in the following ways among others:

a. the acquisition will eliminate actual and potential competition between El Paso and Sonat;

b. the acquisition will eliminate actual and potential competition among competitors generally; and

c. the acquisition will increase concentration in the transportation of natural gas out of producing fields in the relevant section of the country set out in Complaint Paragraph 20, therefore increasing the likelihood of collusion.

27. Entry would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant section of the country.

Count Three

28. One relevant line of commerce is the transportation of natural gas into gas consuming areas.

29. One relevant section of the country is eastern Tennessee and northern Georgia and certain portions thereof.

30. Consumption of natural gas in the relevant section of the country is substantially higher than production, with the result that most natural gas consumed in each portion of the relevant section of the country is transported by pipelines from producing areas in the Gulf of Mexico and elsewhere in the United States. Customers in the relevant section of the country purchase contracts for the transportation and delivery of over 750 million cubic feet of natural gas per day.

31. The business of transporting natural gas by pipeline into the relevant section of the country is highly concentrated. The acquisition would substantially increase concentration in each portion of the relevant section of the country. In the least concentrated portion of the relevant section of the country, the acquisition would increase the HHI by over 1000 points to over 5700. In certain other portions, the acquisition would increase the HHI by over 4500 points to 10000.

32. Respondent's subsidiary Tennessee Gas Pipeline Company owns and operates a large natural gas transmission system extending from producing fields in the Gulf of Mexico, Texas, and Louisiana through several States in the southern United States, including Tennessee, and on into the northern United States. In the State of Tennessee, Tennessee Gas Pipeline interconnects with, and delivers natural gas to, a pipeline owned and operated by East Tennessee Natural Gas, also an El Paso subsidiary.

33. East Tennessee Natural Gas transports natural gas received from Tennessee Gas Pipeline Company, and from other sources, to many local gas distribution utilities in eastern Tennessee and northern Georgia.

34. Sonat owns Southern Natural Gas Company, which owns and operates a large natural gas transmission system extending from producing fields in the Gulf of Mexico and Louisiana through several States in the southern United States, including Georgia and Tennessee.

35. Sonat, either directly, or via interconnection with East Tennessee Natural Gas, transports natural gas to many local gas distribution utilities in eastern Tennessee and northern Georgia.

36. El Paso offered reduced transportation rates to local gas distribution utilities located in eastern Tennessee in response to a threat by Sonat to by-pass East Tennessee Natural Gas by extending its own pipeline.

37. Respondent El Paso and Sonat are direct and substantial competitors in the business of transporting natural gas into the relevant section of the country set out in Complaint Paragraph 29.

38. The effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas into the relevant section of the country set out in Complaint Paragraph 29, in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade

Commission Act, as amended, 15 U.S.C. § 45, in the following ways among others:

a. the acquisition will eliminate actual and potential competition between El Paso and Sonat;

b. the acquisition will eliminate actual and potential competition among competitors generally; and

c. the acquisition will increase concentration in the transportation of natural gas into the relevant section of the country set out in Complaint Paragraph 29, therefore increasing the likelihood of collusion.

39. Entry would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant section of the country.

Violation Charged

40. The proposed acquisition of the stock or assets of Sonat by El Paso, as set forth in Complaint Paragraph 9 herein, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this sixth day of January, 2000, issues its complaint against said respondent.

By the Commission, Commissioner Leary not participating.

Donald S. Clark
Secretary

SEAL:

9910178

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

COMMISSIONERS:
Robert Pitofsky, Chairman
Sheila F. Anthony
Mozelle W. Thompson
Orson Swindle
Thomas B. Leary

In the Matter of

El Paso Energy Corporation, a corporation.

DOCKET NO. C-3915

DECISION AND ORDER

The Federal Trade Commission ("Commission"), having initiated an investigation of the proposed acquisition of all the outstanding securities of Sonat Inc., by El Paso Energy Corporation and it now appearing that El Paso, hereinafter sometimes referred to as "Respondent," having been furnished with a copy of a draft complaint that the Bureau of Competition proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge Respondent with violations of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18; and

Respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by Respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by Respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and

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The Commission having thereafter considered the matter and having determined that it had reason to believe that the Respondent has violated the said Acts, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of thirty (30) days, and having duly considered the comment received pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following Order:

1. Respondent El Paso Energy Corporation is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware with its office and principal place of business located at 1001 Louisiana Street, Houston, Texas 77002.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the Respondent, and the proceeding is in the public interest.

ORDER

I.

IT IS ORDERED that, as used in this Order, the following definitions shall apply:

A. "Respondent" means El Paso Energy Corporation, its directors, officers, employees, agents, representatives, successors, and assigns; its subsidiaries, divisions, groups, and affiliates controlled by El Paso Energy Corporation, and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

B. "Acquisition" means the acquisition by El Paso Energy Corporation of 100 percent of the voting securities of Sonat, pursuant to the Agreement and Plan of Merger dated March 13, 1999 by and between El Paso and Sonat.

C. "Commission" means the Federal Trade Commission.

D. "Competing Pipeline" means any existing, planned or proposed pipeline owned or operated by anyone other than El Paso or Sonat that transports, or is intended to transport, natural gas produced in the Gulf of Mexico Outer Continental Shelf.

E. "Connection Agreement" means any agreement between natural gas pipelines that provides for, among other things, (i) the connection of a pipeline and the associated installation of valves, measurement apparatus, flanges and other devices necessary to deliver or receive natural gas and (ii) the measurement, nomination, scheduling, or balancing of the volume of natural gas received or delivered.

F. "Destin Interest" means Sonat's ownership interest in Destin Pipeline Company, L.L.C. Sonat owns 33 and 1/3 percent of the membership interests of Destin.

G. "Divestiture Period" means the period of time beginning on August 1, 1999, and ending on the date Respondent divests ETNG.

H. "ETNG" means the East Tennessee Natural Gas Company, a wholly-owned subsidiary of El Paso.

I. "Exhibit A" means the arbitration provisions attached to and made part of this Order.

J. "Gulf Offshore Area A" means a quadrilateral shaped area of the Gulf of Mexico cornered by and including the following blocks (as those areas and blocks are defined by the Mineral Management Service of the United States Department of Interior): Vermilion Area Block 148, Garden Banks Area Block 122, Garden Banks Area Block 278, and West Cameron West Addition Block 407.

K. "Gulf Offshore Area B" means a quadrilateral shaped area of the Gulf of Mexico cornered by and including the following blocks (as those areas and blocks are defined by the Mineral Management Service of the United States Department of Interior): Viosca Knoll

Area Block 38, Viosca Knoll Area Block 1006, Mississippi Canyon Area Block 441, and Grand Isle Area Block 25.

L. "Leviathan" means Leviathan Gas Pipeline Partners, L.P., a publicly held Delaware limited partnership, in which El Paso owns a 34.5 percent effective ownership interest and of which El Paso is the General Partner.

M. "Open and Non-Discriminatory Access Obligations" means the obligations (i) to permit any shipper requesting access to Viosca Knoll to obtain such access, at the shipper's expense if any construction of pipe is required; (ii) to permit any other pipeline to interconnect with Viosca Knoll, at the expense of the pipeline requesting the connection, and (iii) not to engage in discrimination in scheduling, rates and terms and conditions of service on Viosca Knoll.

N. "Schedule A Properties" means "ETNG", "Destin Interest", and "Sea Robin," also set forth in Schedule A attached to and made part of this Order.

O. "Schedule B Agreement" means those transportation and storage agreements listed in Schedule B attached to and made part of this Order.

P. "Sea Robin" means the Sea Robin Pipeline Co., a wholly-owned subsidiary of Sonat.

Q. "Sonat" means Sonat Inc. as it was constituted prior to the acquisition, its predecessors, subsidiaries, divisions, groups and affiliates controlled by Sonat Inc. and the respective directors, officers, employees, agents, representatives, successors, and assigns of each.

R. "TGP" means Tennessee Gas Pipeline Company, a wholly-owned subsidiary of El Paso.

S. "Viosca Knoll" means the Viosca Knoll Gathering Company, a Delaware joint venture, which is 99 percent owned by Leviathan, or the natural gas gathering system it owns in Gulf Offshore Area B.

II.

IT IS FURTHER ORDERED that:

A. Respondent shall divest, absolutely and in good faith, and at no minimum price, within six months from the date Respondent executes the Agreement Containing Consent Order, the Schedule A Properties.

B. Respondent shall divest the Schedule A Properties only to an acquirer or acquirers that receive the prior approval of the Commission and only in a manner that receives the prior approval of the Commission.

C. The purpose of the divestiture of the Schedule A Properties is to ensure the continued use of the Schedule A Properties in the same business in which the Schedule A Properties are engaged at the time of the acquisition, and to remedy the lessening of competition resulting from the acquisition as alleged in the Commission's complaint.

D. Pending divestiture of the Schedule A Properties, Respondent shall take such actions as are necessary to maintain the viability and marketability of the Schedule A Properties and to prevent the destruction, removal, wasting, deterioration, or impairment of any of the Schedule A Properties except for ordinary wear and tear.

III.

IT IS FURTHER ORDERED that:

A. If Respondent has not divested, absolutely and in good faith and with the Commission's prior approval, the Schedule A Properties within the time set forth in Paragraph II, the Commission may appoint a trustee to divest the Schedule A Properties. In the event that the Commission or the Attorney General brings an action pursuant to § 5(*l*) of the Federal Trade Commission Act, 15 U.S.C.

§ 45(*l*), or any other statute enforced by the Commission, Respondent shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this Paragraph shall preclude the Commission or the Attorney General from seeking civil penalties or any other relief available to it, including a court-appointed trustee, pursuant to § 5(*l*) of the Federal Trade Commission Act, or any other statute enforced by the Commission, for any failure by the Respondent to comply with this Order.

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B. If a trustee is appointed by the Commission or a court pursuant to Paragraph III. A. of this Order, Respondent shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Commission shall select the trustee, subject to the consent of Respondent, which consent shall not be unreasonably withheld. The trustee shall be a person with experience and expertise in acquisitions and divestitures involving natural gas pipelines. If Respondent has not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten (10) days after notice by the staff of the Commission to Respondent of the identity of any proposed trustee, Respondent shall be deemed to have consented to the selection of the proposed trustee.

2. Subject to the prior approval of the Commission, the trustee shall have the exclusive power and authority to divest the Schedule A Properties.

3. Within ten (10) days after appointment of the trustee, Respondent shall execute a trust agreement that, subject to the prior approval of the Commission and, in the case of a court-appointed trustee, of the court, transfers to the trustee all rights and powers necessary to permit the trustee to effect the divestiture required by this Order.

4. The trustee shall have twelve (12) months from the date the

Commission approves the trust agreement described in Paragraph III. B. 3. to accomplish the divestiture, which shall be subject to the prior approval of the Commission. If, however, at the end of the twelve-month period, the trustee has submitted a plan of divestiture or believes that divestiture can be achieved within a reasonable time, the divestiture period may be extended by the Commission, or, in the case of a court-appointed trustee, by the court; provided, however, the Commission may extend this period only two (2) times.

5. The trustee shall have full and complete access to the personnel, books, records and facilities related to the Schedule A Properties or to any other relevant information, as the trustee may request. Respondent shall develop such financial or other information as such trustee may request and shall cooperate with the trustee. Respondent shall take no action to interfere with or impede the trustee's accomplishment of the divestiture. Any delays in divestiture caused by Respondent shall extend the time for divestiture under this Paragraph in an amount equal to the delay, as determined by the Commission or, for a court-appointed trustee, by the court.

6. The trustee shall use his or her best efforts to negotiate the most favorable price and terms available in each contract that is submitted to the Commission, subject to Respondent's absolute and unconditional obligation to divest expeditiously at no minimum price. The divestiture shall be made in a manner and to an acquirer or acquirers as set out in Paragraph II of this Order; provided, however, if the trustee receives bona fide offers from more than one acquiring entity, and if the Commission determines to approve more than one such acquiring entity, the trustee shall divest to the acquiring entity or entities selected by Respondent from among those approved by the Commission, provided, however, that Respondent shall select such entity within five (5) days of receiving notification of the Commission's approval.

7. The trustee shall serve, without bond or other security, at the

cost and expense of Respondent, on such reasonable and customary terms and conditions as the Commission or a court may set. The trustee shall have the authority to employ, at the cost and expense of Respondent, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by the Commission and, in the case of a court-appointed trustee, by the court, of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of the Respondent, and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement contingent on the trustee's divesting the Schedule A Properties.

8. Respondent shall indemnify the trustee and hold the trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the trustee.

9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in Paragraph III. A. of this Order.

10. The Commission or, in the case of a court-appointed trustee, the court, may on its own initiative or at the request of the trustee issue such additional orders or directions as may be necessary or appropriate to accomplish the divestiture required by this Order.

11. In the event that the trustee determines that he or she is

Continental Shelf of the Gulf of Mexico. Provided, that Respondent need not enter into a Connection Agreement that would require Viosca Knoll to receive natural gas from a "natural gas company" or otherwise cause it to become a "natural gas company" as defined by 15 U.S.C. § 717a(6).

D. If the Respondent and a Competing Pipeline are unable to agree on the terms and conditions of a Connection Agreement under Paragraph V. C., and if the Competing Pipeline elects to cause the issue to be submitted to binding arbitration, Respondent shall cause Viosca Knoll to submit to such arbitration.

E. Respondent shall cause Leviathan to publish Paragraph V. of the Order and related definitions on Leviathan's electronic website and incorporate Paragraph V into future contracts with shippers and connecting pipelines and shall notify all shippers and connecting pipelines with whom it has existing contracts of this obligation.

F. Respondent shall immediately notify the Commission of the initiation of any arbitration proceedings under this Paragraph. Arbitration under this Paragraph shall be pursuant to the terms of the alternative dispute resolution procedures of the Federal Energy Regulatory Commission ("FERC") set forth at 18 C.F.R. § 385.605 (Rule 605), or if the Rule 605 procedures are unavailable (for reasons other than the refusal of the other party to the arbitration to agree to a FERC arbitration), in accordance with the procedures in Exhibit A. Failure of Respondent thereafter to abide by the arbitrator's decision shall be a violation of this Order. Provided, however, Viosca Knoll will not be required to abide by an arbitration decision if the decision is vacated by the FERC.

G. The provisions of Paragraph V. shall be suspended upon a showing by Respondent by means of affidavit that at least one-third of the membership interests in Destin Pipeline Company, L.L.C. is controlled by a person who does not have an interest in wells or leases in the Viosca Knoll, Mississippi Canyon, Destin Dome, or De Soto Canyon areas of the Gulf of Mexico Outer Continental Shelf. The suspension shall be effective for periods of six months each, beginning 30 days following the submission of Respondent's affidavit, unless the Assistant Director of the Compliance Division of the Bureau of Competition determines that the affidavit is incorrect. Arbitrations under Paragraph V. that were begun during the time the provisions of Paragraph V. were in effect, and the validity of arbitration decisions made thereunder, shall not be affected by the suspension permitted by this subparagraph.

H. The provisions of Paragraph V. shall be terminated upon a showing by Respondent by means of affidavit that (a) Respondent is not the operator of Viosca Knoll, (b) Respondent is not the general partner of Leviathan, and (c) El Paso's effective ownership interest in Viosca Knoll and in Leviathan falls below 15 percent or (d) neither Leviathan nor El Paso owns a majority interest in Viosca Knoll.

I. The purpose of this Paragraph is to remedy the anticompetitive effects of the acquisition as alleged in the Complaint, if Sonat's interest in Destin Pipeline Company, L.L.C., is sold to a firm with interests in wells or leases in the area in which VKGC or Destin Pipeline Company, L.L.C., are likely to compete.

VI.

IT IS FURTHER ORDERED that:

A. Within ten (10) days from the date that the Commission accepts the Agreement Containing Consent Order in this matter, Respondent shall provide to each customer who has signed a Schedule B Agreement a written notification (i) extending the period during which such customer may give notice of its election to terminate, extend, or roll over such Agreement(s) to 60 days after the date of the divestiture of ETNG, and (ii) extending, at the customer's option, the termination date of the Schedule B Agreement(s). Such termination date may be extended, without penalty, at the customer's option, to either October 31 of the year in which ETNG is divested or October 31 of the year after the year in which ETNG is divested. The customer's option concerning the termination date of the Schedule B Agreement must be exercised at the time the customer provides its

manner and form in which it intends to comply, is complying, and has complied with this Order. Respondent shall include in its compliance reports, among other things that are required from time to

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SCH 3-FTC News Release
Page 1 of 3___

Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

For Release: October 22, 1999

FTC Clears Merger of El Paso Energy and Sonat

Major Divestitures Required to Ensure Competition in Natural Gas Transportation

The Federal Trade Commission has accepted a proposed consent agreement that would allow the $6 billion merger of El Paso Energy Corporation and Sonat Inc., while ensuring that competition is maintained in markets for natural gas transportation out of the Gulf of Mexico and into the southeastern United States.

Under the terms of the proposed consent, El Paso would be required to divest Sea Robin Pipeline Company, a wholly-owned subsidiary of Sonat, and Sonat's one-third ownership interest in Destin Pipeline Company, L.L.C. Sea Robin and Destin are large natural gas pipelines operating in the Gulf of Mexico off the coast of Louisiana El Paso would also be required to sell its East Tennessee Natural Gas Company (ETNG), which owns a natural gas pipeline system serving customers in eastern Tennessee and northern Georgia.

"The consent order would require substantial divestitures which will ensure continued competition among natural gas transporters in these parts of the country," said FTC's Bureau of Competition Director Richard G Parker. "El Paso and Sonat are major players in these markets and the customers they serve will benefit from the divestitures and from the other provisions of the order."

According to the Commission's complaint, both El Paso and Sonat are involved in the transportation of natural gas in the east-central Gulf of Mexico, west-central Gulf of Mexico, and eastern Tennessee and northern Georgia. Natural gas pipeline capacity out of the west-central Gulf of Mexico, an area off the western Louisiana coast, is approximately 2,900 million cubic feet per day El Paso and Sonat each has substantial pipeline interests in this area. El Paso owns a 50 percent share of Stingray Pipeline, a large natural gas transmission system extending more than 100 miles into the eastern Louisiana Gulf, where it competes with Sonat's Sea Robin Pipeline. Both Stingray and Sea Robin transport natural gas from wells in this area of the Gulf to shore.

Pipeline capacity out of the east-central Gulf of Mexico, an area off the eastern Louisiana coast, is approximately 3,050 million cubic feet per day. El Paso and Sonat each has substantial pipeline interests in this area, as well Sonat's Southern Natural pipeline, Destin Pipeline, which is operated and one-third controlled by Sonat; El Paso's Tennessee Gas Pipeline; and El Paso-controlled Viosca Knoll Gathering Company (VKGC), are direct and substantial competitors transporting natural gas out of the eastern Louisiana Gulf of Mexico to shore.

El Paso and Sonat are also direct and substantial competitors in transporting natural gas into unable to divest the Schedule A Properties in a manner consistent with the Commission's purpose as described in Paragraph II, the trustee may divest additional assets of Respondent that are ancillary to the operation of the Schedule A properties, but shall not include additional pipelines, and effect such arrangements as are necessary to satisfy the requirements of this Order.

12 The trustee shall have no obligation or authority to operate or maintain the Schedule A Properties.

13. The trustee shall report in writing to Respondent and the Commission every sixty (60) days concerning the trustee's efforts to accomplish divestiture.

IV.

IT IS FURTHER ORDERED that, for a period of ten (10) years from the date this Order becomes final, Respondent shall not, without providing advance written notification to the Commission, directly or indirectly:

A. Acquire any stock, share capital, equity or other interest in any concern, corporate or non-corporate, engaged in at the time of such acquisition, or within the two years preceding such acquisition, the transportation of natural gas by pipeline in Gulf Offshore Area A or Gulf Offshore Area B, or in the area north of latitude 34 degrees North within the States of Georgia or Alabama. B. B. Acquire any assets used or previously used (and still suitable for use) in the transportation of natural gas by pipeline in Gulf Offshore Area A or Gulf Offshore Area B, or in the area north of latitude 34 degrees North within the States of Georgia or Alabama.

Said notification shall be given on the Notification and Report Form set forth in the Appendix to Part 803 of Title 16 of the Code of Federal Regulations as amended (hereinafter referred to as "the Notification"), and shall be prepared and transmitted in accordance with the requirements of that part, except that no filing fee will be required for any such notification, notification shall be filed with the

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Secretary of the Commission, notification need not be made to the United States Department of Justice, and notification is required only of Respondent and not of any other party to the transaction. Respondent shall provide the Notification to the Commission at least thirty days prior to consummating the transaction (hereinafter referred to as the "first waiting period"). If, within the first waiting period, representatives of the Commission make a written request for additional information or documentary material (within the meaning of 16 C.F.R § 803 20), Respondent shall not consummate the transaction until twenty days after submitting such additional information or documentary material. Early termination of the waiting periods in this paragraph may be requested and, where appropriate, granted by letter from the Bureau of Competition. Provided, however, that prior notification shall not be required by this paragraph for a transaction for which notification is required to be made, and has been made, pursuant to Section 7A of the Clayton Act, 15 U.S.C. § 18a. Provided, however, nothing in this Order shall require prior notification to the Federal Trade Commission of the acquisition of stocks, assets or other interests if the total consideration does not exceed nine million dollars ($9,000,000)

V.

IT IS FURTHER ORDERED that:

A. Respondent shall cause Viosca Knoll to adhere to the Open and Non-Discriminatory Access Obligations.

B. Respondent shall cause Viosca Knoll to submit to binding arbitration at the request of any shipper, producer, or pipeline owner who alleges that Respondent is not adhering to the Open and Non-Discriminatory Access Obligations.

C. Within thirty (30) days of receipt of a written request from a Competing Pipeline to interconnect with Viosca Knoll, Respondent shall cause Viosca Knoll to enter into a Connection Agreement with such pipeline. Such Connection Agreements shall be on terms that are usual and customary for pipeline connection on the Outer

Continental Shelf of the Gulf of Mexico. Provided, that Respondent need not enter into a Connection Agreement that would require Viosca Knoll to receive natural gas from a "natural gas company" or otherwise cause it to become a "natural gas company" as defined by 15 U.S.C. § 717a(6).

D. If the Respondent and a Competing Pipeline are unable to agree on the terms and conditions of a Connection Agreement under Paragraph V. C., and if the Competing Pipeline elects to cause the issue to be submitted to binding arbitration, Respondent shall cause Viosca Knoll to submit to such arbitration.

E. Respondent shall cause Leviathan to publish Paragraph V. of the Order and related definitions on Leviathan's electronic website and incorporate Paragraph V into future contracts with shippers and connecting pipelines and shall notify all shippers and connecting pipelines with whom it has existing contracts of this obligation.

F. Respondent shall immediately notify the Commission of the initiation of any arbitration proceedings under this Paragraph. Arbitration under this Paragraph shall be pursuant to the terms of the alternative dispute resolution procedures of the Federal Energy Regulatory Commission ("FERC") set forth at 18 C.F.R. § 385.605 (Rule 605), or if the Rule 605 procedures are unavailable (for reasons other than the refusal of the other party to the arbitration to agree to a FERC arbitration), in accordance with the procedures in Exhibit A. Failure of Respondent thereafter to abide by the arbitrator's decision shall be a violation of this Order. Provided, however, Viosca Knoll will not be required to abide by an arbitration decision if the decision is vacated by the FERC.

G. The provisions of Paragraph V. shall be suspended upon a showing by Respondent by means of affidavit that at least one-third of the membership interests in Destin Pipeline Company, L.L C. is controlled by a person who does not have an interest in wells or leases in the Viosca Knoll, Mississippi Canyon, Destin Dome, or De Soto Canyon areas of the Gulf of Mexico Outer Continental Shelf. The suspension shall be effective for periods of six months each, beginning 30 days following the submission of Respondent's affidavit, unless the Assistant Director of the Compliance Division of the Bureau of Competition determines that the affidavit is incorrect. Arbitrations under Paragraph V that were begun during the time the provisions of Paragraph V. were in effect, and the validity of arbitration decisions made thereunder, shall not be affected by the suspension permitted by this subparagraph.

H. The provisions of Paragraph V shall be terminated upon a showing by Respondent by means of affidavit that (a) Respondent is not the operator of Viosca Knoll, (b) Respondent is not the general partner of Leviathan, and (c) El Paso's effective ownership interest in Viosca Knoll and in Leviathan falls below 15 percent or (d) neither Leviathan nor El Paso owns a majority interest in Viosca Knoll.

I. The purpose of this Paragraph is to remedy the anticompetitive effects of the acquisition as alleged in the Complaint, if Sonat's interest in Destin Pipeline Company, L.L C., is sold to a firm with interests in wells or leases in the area in which VKGC or Destin Pipeline Company, L.L C., are likely to compete

VI.

IT IS FURTHER ORDERED that:

A. Within ten (10) days from the date that the Commission accepts the Agreement Containing Consent Order in this matter, Respondent shall provide to each customer who has signed a Schedule B Agreement a written notification (i) extending the period during which such customer may give notice of its election to terminate, extend, or roll over such Agreement(s) to 60 days after the date of the divestiture of ETNG, and (ii) extending, at the customer's option, the termination date of the Schedule B Agreement(s). Such termination date may be extended, without penalty, at the customer's option, to either October 31 of the year in which ETNG is divested or October 31 of the year after the year in which ETNG is divested. The customer's option concerning the termination date of the Schedule B Agreement must be exercised at the time the customer provides its notice of election to terminate, extend, or roll over its Schedule B Agreement(s).

B. Any Schedule B Agreements and the following agreements entered into, or extended, by an ETNG customer during the Divestiture Period may be terminated, without penalty, if the customer gives notice to ETNG and TGP within 60 days after the date ETNG is divested: 1) firm transportation agreements on ETNG, 2) firm transportation agreements on TGP for Primary Deliveries into ETNG; or 3) firm storage agreements on TGP that utilize a firm transportation agreement on TGP for Primary Deliveries into ETNG. Termination shall be effective on October 31 of the year the customer gives notice or October 31 of the following year at the customer's option.

C. Respondent, for at least three years from the date of the ETNG divestiture, shall refrain from taking any action that causes the TGP/ETNG interconnects at Lobelville, Tennessee, and at Ridgetop, Tennessee, to cease having swing capability within the meaning of Section 7.1 of ETNG's FERC Tariff Rate Schedule LMS-MA ("Section 7.1") and, thereafter, until the tenth anniversary of the divestiture of ETNG, to provide at least 60 days' written notice to each TGP customer that receives Primary Deliveries at either Lobelville or Ridgetop of Respondent's change in operation which would cause such interconnect to no longer have swing capability within the meaning of Section 7.1.

VII.

IT IS FURTHER ORDERED that:

A. Within thirty (30) days after the date this Order becomes final and every thirty (30) days thereafter until Respondent has fully complied with the provisions of this Order, Respondent shall submit to the Commission a verified written report setting forth in detail the manner and form in which it intends to comply, is complying, and has complied with this Order. Respondent shall include in its compliance reports, among other things that are required from time to

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time, a full description of the efforts being made to comply with the Order, including a description of all substantive contacts or negotiations for the divestiture and the identity of all parties contacted. Respondent shall include in its compliance reports copies of all written communications to and from such parties, all internal memoranda, and all reports and recommendations concerning divestiture. The final compliance report shall include a statement that the divestiture has been accomplished in the manner approved by the Commission and shall include the date the divestiture was accomplished.

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B. One year (1) from the date this Order becomes final, annually for the next nine (9) years on the anniversary of the date this Order becomes final, and at other times as the Commission may require, Respondent shall file a verified written report with the Commission setting forth in detail the manner and form in which it has complied and is complying with this Order.

VIII.

IT IS FURTHER ORDERED that Respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate Respondent that may affect compliance obligations arising out of the Order, such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or any other change in the corporation.

IX.

IT IS FURTHER ORDERED that, for the purpose of determining or securing compliance with this Order, upon written request, Respondent shall permit any duly authorized representative of the Commission:

A. Access, during office hours and in the presence of counsel, to all facilities and access to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of Respondent relating to any matters contained in this Order; and

B. Upon five days' notice to Respondent and without restraint or interference from it, to interview officers, directors, employees, agents or independent contractors of Respondent.

X.

IT IS FURTHER ORDERED that this Order will terminate on January 6, 2020.

By the Commission, Commissioner Leary not participating.

Donald S. Clark
Secretary

SEAL:

ISSUED: January 6, 2000

Attachments:

Schedule A

Schedule B

Exhibit A

Schedule A
Properties

Properties to be divested:

ETNG

Destin Interest

Sea Robin

Schedule B
Agreements

1. Each TGP firm transportation agreements that has (i) a Primary Delivery Point at an TGP/ETNG interconnect, (ii) an initial term of twelve months or longer, and (iii) a currently effective election deadline in the Divestiture Period:

Designated as TGP FT agreements on the attached spreadsheet.

2. Each ETNG firm transportation or storage agreement with an initial term of twelve months or longer that has a currently effective election deadline in the Divestiture Period:

Designated as ETNG FT or ETNG FS Agreements on the attached spreadsheet.

3. Each TGP storage agreement with an initial term of twelve months or longer that has a currently effective election deadline in the Divestiture Period and was entered into with a person who also has a firm transportation agreement with ETNG:

Designated as TGP FS agreements on the attached spreadsheet.

Exhibit A
Arbitration Provisions

(a) A person desiring arbitration under the Order will give at least ten days notice in writing of the subject it wishes to discuss, provide a written statement of the dispute, and designate an officer or other representative of such party with complete power to resolve the dispute to attend the meeting. Within ten days after receipt of such request, the Respondent will provide a responsive written statement and will designate an officer or other representative of such party who will attend the meeting with complete power to resolve the dispute.

(b) If the meeting fails to resolve the dispute among the officers or other representatives of the parties, the dispute shall be submitted for nonappealable, binding determination through arbitration.

(c) An officer or other representative with complete authority to resolve the dispute for each party shall attend the arbitration. Three arbitrators shall be chosen from the arbitrators available through the Houston, Texas office, of the American Arbitration Association ("AAA") (or any successor thereto, or if there is no successor thereto, the Judicial Arbitration and Mediation Services, Inc.).

(d) The arbitrators shall be appointed by the AAA in accordance with the AAA's rules for selection of arbitrators. Unless otherwise agreed by the parties, the arbitrators shall be individuals with a minimum of ten years experience in the pipeline and energy industry and who are not, and have not previously been, employed by either party (or an affiliate thereof), and do not have a direct or indirect interest in either party (or an affiliate thereof) or the subject matter of the arbitration.

(e) The parties shall make discovery and disclosure of all matters relevant to the dispute to the extent and in the manner provided by AAA. The arbitrators will rule on all requests for discovery and disclosure and discovery shall be completed within 30 days of the date of first notice pursuant to (a) above. The arbitrators may consider any matter relevant to the subject of the dispute and shall follow the statutes and decisions of the substantive law of Texas. The arbitrators shall issue a final ruling within 60 days of the date of the first notice pursuant to (a) above.

(f) The ruling of the arbitrators shall be in writing and signed and shall be final and binding upon the Parties. The fees and expenses of counsel, witnesses and employees of the Parties and all other costs and expenses incurred in connection with arbitration shall be allocated as determined by the arbitrators. All meetings and arbitration help pursuant to this Section shall take place in Houston, Texas.

Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

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For Release: October 22, 1999

FTC Clears Merger of El Paso Energy and Sonat

Major Divestitures Required to Ensure Competition in Natural Gas Transportation

The Federal Trade Commission has accepted a proposed consent agreement that would allow the $6 billion merger of El Paso Energy Corporation and Sonat Inc., while ensuring that competition is maintained in markets for natural gas transportation out of the Gulf of Mexico and into the southeastern United States.

Under the terms of the proposed consent, El Paso would be required to divest Sea Robin Pipeline Company, a wholly-owned subsidiary of Sonat, and Sonat's one-third ownership interest in Destin Pipeline Company, L.L.C. Sea Robin and Destin are large natural gas pipelines operating in the Gulf of Mexico off the coast of Louisiana. El Paso would also be required to sell its East Tennessee Natural Gas Company (ETNG), which owns a natural gas pipeline system serving customers in eastern Tennessee and northern Georgia

"The consent order would require substantial divestitures which will ensure continued competition among natural gas transporters in these parts of the country," said FTC's Bureau of Competition Director Richard G. Parker. "El Paso and Sonat are major players in these markets and the customers they serve will benefit from the divestitures and from the other provisions of the order."

According to the Commission's complaint, both El Paso and Sonat are involved in the transportation of natural gas in the east-central Gulf of Mexico, west-central Gulf of Mexico, and eastern Tennessee and northern Georgia. Natural gas pipeline capacity out of the west-central Gulf of Mexico, an area off the western Louisiana coast, is approximately 2,900 million cubic feet per day El Paso and Sonat each has substantial pipeline interests in this area. El Paso owns a 50 percent share of Stingray Pipeline, a large natural gas transmission system extending more than 100 miles into the eastern Louisiana Gulf, where it competes with Sonat's Sea Robin Pipeline Both Stingray and Sea Robin transport natural gas from wells in this area of the Gulf to shore.

Pipeline capacity out of the east-central Gulf of Mexico, an area off the eastern Louisiana coast, is approximately 3,050 million cubic feet per day. El Paso and Sonat each has substantial pipeline interests in this area, as well. Sonat's Southern Natural pipeline, Destin Pipeline, which is operated and one-third controlled by Sonat; El Paso's Tennessee Gas Pipeline; and El Paso-controlled Viosca Knoll Gathering Company (VKGC), are direct and substantial competitors transporting natural gas out of the eastern Louisiana Gulf of Mexico to shore.

El Paso and Sonat are also direct and substantial competitors in transporting natural gas into

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eastern Tennessee and northern Georgia, including transporting gas for local delivery companies serving Atlanta, Chattanooga and Knoxville. Customers in eastern Tennessee and northern Georgia purchase contracts for the transportation and delivery of more than 750 million cubic feet of natural gas per day.

The FTC's complaint alleges that the post-merger market in these three areas would be highly concentrated and that the acquisition would substantially reduce competition or tend to create a monopoly in the transportation of natural gas by eliminating both actual and potential competition between El Paso and Sonat. In addition, the complaint alleges that, due to the cost of developing and placing natural gas pipelines, entry into the marketplace by additional competitors would not be timely or sufficient to prevent the anticipated anti-competitive effects of the merger.

To address concerns regarding the potential for reduced competition offshore, the proposed consent order would require El Paso to divest Sea Robin, a wholly-owned subsidiary of Sonat, and to divest Sonat's one-third ownership interest in Destin. To address concern on the southeastern onshore consuming areas, the proposed order would require El Paso to divest ETNG, the El Paso pipeline system that serves customers in eastern Tennessee and northern Georgia.

The proposed consent order would require the divestiture of these assets within six months of the date on which the consent is signed, at no minimum price to a buyer, and in a manner, that is approved by the Commission. If the divestiture has not occurred within this time, the Commission may appoint a trustee to divest the assets. The proposed order would not require that El Paso present the Commission with the buyer before the acceptance of the consent agreement for public comment (an "up-front" buyer), because El Paso has satisfied the Commission that consumers would not be harmed by a post-order divestiture.

The proposed order also would contain ancillary provisions related to both the onshore and offshore markets. Customers on the ETNG system have transportation and/or storage contracts with ETNG and Tennessee Gas Pipeline Co , another El Paso subsidiary. Many of these contracts have renewal election deadlines which will run in the midst of the ETNG divestiture process. The proposed order would extend the renewal deadline for these contracts until 60 days after the divestiture of ETNG. The purpose of this extension is to allow customers to know the identity of the acquirer of ETNG before they commit to new contracts for natural gas transportation and storage.

The proposed order would contain additional ancillary provisions which would apply to El Paso's operation of VKGC in the event that Sonat's Destin interest is sold to a natural gas producer Such a sale could result in Destin's being less than fully competitive in certain instances in which the producer elected to serve its own producing interests by reserving one part of the Destin system at the expense of independent producers seeking access to certain other parts of the Destin system To avoid this anticompetitive result, the proposed consent order would require El Paso to cause VKGC to adhere to benchmarks established by competition between VKGC and Destin. Specifically, the proposed order would require El Paso to cause VKGC to allow any shipper to obtain access to VKGC, which would be at the shipper's expense if any construction of pipe is required, and to allow any other pipeline to interconnect with VKGC, at the expense of the pipeline requesting the connection. The proposed consent would prohibit El Paso from engaging in discrimination in scheduling,

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rates and terms and conditions of service on VKGC. The connecting pipeline can elect to submit a dispute regarding the terms and conditions of a connection to binding arbitration. El Paso would be required to publish the order's arbitration clause on Leviathan's electronic web site and to incorporate it into further contracts with shippers and connecting pipelines. El Paso also would be required to notify the Commission of arbitration proceedings initiated under the proposed order. The requirement to provide open and non-discriminatory access to VKGC may be suspended upon a showing by El Paso that at least one-third of the membership interest in Destin is controlled by a person who does not have an interest in wells or leases in certain areas of the Gulf of Mexico.

A summary of the proposed consent agreement will be published in the Federal Register shortly. The agreement will be subject to public comment for 30 days, after which the Commission will decide whether to make it final. Comments should be addressed to the FTC, Office of the Secretary, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580.

The Commission vote to accept the proposed consent agreement was 4-0.

NOTE: A consent agreement is for settlement purposes only and does not constitute an admission of a law violation When the Commission issues a consent order on a final basis, it carries the force of law with respect to future actions. Each violation of such an order may result in a civil penalty of $11,000

Copies of the complaint, proposed consent agreement, and an analysis of the proposed consent order to aid public comment, are available from the FTC's web site at *http://www.ftc.gov* and also from the FTC's Consumer Response Center, Room 130, 600 Pennsylvania Avenue, N W , Washington, D C 20580, 877-FTC-HELP (877-382-4357), TDD for the hearing impaired 1-866-653-4261 To find out the latest news as it is announced, call the FTC NewsPhone recording at 202-326-2710

MEDIA CONTACT:

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(FTC File No 991-0178)
(sonat)

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Analysis of the Draft Complaint and Proposed Consent Order to Aid Public Comment

I. Introduction

The Federal Trade Commission ("Commission") has accepted for public comment from El Paso Energy Corporation ("El Paso") an Agreement Containing Consent Order ("the proposed consent order"). El Paso has also reviewed a draft complaint that the Commission contemplates issuing. The proposed consent order is designed to remedy likely anticompetitive effects arising from El Paso's proposed acquisition of all of the voting securities of Sonat Inc

II. Description of the Parties and the Proposed Acquisition

El Paso, a Delaware corporation headquartered in Houston, Texas, owns and operates natural gas transmission, gas gathering and processing, energy marketing, power generation and international energy infrastructure development companies. It operates through the following business units: Tennessee Gas Pipeline Company, East Tennessee Natural Gas Company, El Paso Natural Gas Company, El Paso Field Services Company, El Paso Energy Marketing Company, and El Paso Energy International Company

In addition to its wholly-owned interests, El Paso also controls offshore pipelines through its interest in Leviathan Gas Pipeline Partners, L.P. ("Leviathan"), a publicly held Delaware limited partnership. El Paso holds a 34 5 percent effective ownership interest in, and is the general partner of, Leviathan. Leviathan owns interests in pipelines across the Gulf of Mexico, including Stingray and Viosca Knoll Gathering Company ("VKGC"), the two pipelines relevant to this matter. El Paso operates both of these pipelines

Sonat, a Delaware corporation headquartered in Birmingham, Alabama, is an integrated energy company engaged in exploration and production of oil and natural gas, interstate transmission of natural gas and energy services. Through its natural gas transmission segment, Sonat owns interests in more than 14,000 miles of natural gas pipelines. Sonat's Southern Natural Gas Company is the major pipeline in the Southeast, with customers in seven states Sonat's 50 percent-owned Florida Gas Transmission Company is the principal pipeline serving Florida Sonat's revenues for the year ending 1998 were $3.7 billion. It has assets of nearly $4 4 billion.

On March 13, 1999, El Paso and Sonat entered into an Agreement and Plan of Merger pursuant to which El Paso intended to acquire 100 percent of the voting securities of Sonat

III. The Draft Complaint

The draft complaint alleges two relevant lines of commerce· the transportation of natural gas out of producing fields and the transportation of natural gas into gas consuming areas

A. Transportation of Natural Gas out of the Producing Fields

The draft complaint alleges two relevant sections of the country in which to analyze the acquisition by El Paso of Sonat's natural gas pipelines out of the producing fields. The first is the area of the Gulf of Mexico off the coast of the State of Louisiana that contains portions of the areas known as the West Cameron Area, West Cameron South Addition Area, East Cameron Area, East Cameron South Addition Area, Vermillion Area and Vermillion Area South Addition, and the Garden Banks Area. Pipeline capacity for transporting natural gas out of this section of the country is approximately 2900 million cubic feet per day.

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El Paso and Sonat are direct and substantial horizontal competitors in this relevant market. El Paso, through its interests in Leviathan, controls a 50 percent share of Stingray Pipeline Company, which owns a large natural gas transmission system extending more than 100 miles into the Gulf of Mexico off the coast of Louisiana. It gathers gas from these areas and delivers the gas to shore. Sonat owns and operates Sea Robin Pipeline Company which starts from shore a few miles east of Stingray. Sea Robin also gathers gas from these areas and delivers it to shore.

The draft complaint alleges that the post-merger market would be highly concentrated and that the acquisition would substantially increase concentration in the market. The acquisition would increase the Herfindahl-Hirschman Index (commonly referred to as "HHI")[(1)] in the geographic market by over 1000 points to over 4400.

The draft complaint further alleges that the effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas out of producing fields in the relevant section of the country by eliminating actual and potential competition between El Paso and Sonat, by eliminating actual and potential competition among competitors generally; and by increasing concentration in the transportation of natural gas out of producing fields in the relevant section of the country, therefore increasing the likelihood of collusion.

The draft complaint alleges that entry would not be timely, likely or sufficient to prevent anticompetitive effects in the relevant markets.

The second relevant offshore geographic market consists of portions the offshore Gulf of Mexico areas known as the Main Pass, including its additions and extensions; South Pass; South Pass East Addition; Viosca Knoll; and Mississippi Canyon. Pipeline capacity for transporting natural gas out of this section of the country is approximately 3050 million cubic feet per day

El Paso, through its control of VKGC, and Sonat, through its ownership interests in Destin Pipeline Company, L.L C. ("Destin"), and in other ways, are direct and substantial competitors in the business of transporting natural gas out of producing fields in the relevant sections of the country listed above. VKGC operates a large natural gas gathering system extending more than 100 miles into the Gulf of Mexico off the coast of Louisiana Destin owns a large natural gas gathering system extending more than 100 miles into the Gulf of Mexico off the coast of Louisiana. Sonat owns a one-third membership interest in Destin and operates the pipeline owned by Destin.

The draft complaint alleges that the post-merger market would be highly concentrated, and that the acquisition would substantially increase concentration in the market. The acquisition would increase the HHI in the geographic market by over 1000 points to over 4300.

The draft complaint alleges that the effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas out of producing fields in the relevant section of the country by eliminating actual and potential competition between El Paso and Sonat; by eliminating actual and potential competition among competitors generally; and by increasing concentration in the transportation of natural gas out of producing fields in the relevant section of the country, therefore increasing the likelihood of collusion.

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The draft complaint further alleges that entry would not be timely, likely, or sufficient to prevent anticompetitive effects in the relevant market.

B. Transportation of Natural Gas into Gas Consuming Areas

The draft complaint alleges that a relevant line of commerce is the transportation of natural gas into gas consuming areas and a relevant section of the country is eastern Tennessee and northern Georgia and submarkets thereof. This region includes the metropolitan areas of Atlanta, Georgia and Chattanooga and Knoxville, Tennessee. Customers in this area of the country purchase contracts for the transportation and delivery of over 750 million cubic feet of natural gas per day.

El Paso and Sonat are direct and substantial competitors in the business of transporting natural gas into this section of the country. El Paso's Tennessee Gas Pipeline Company owns and operates a large natural gas transmission system extending from producing fields in the Gulf of Mexico, Texas, and Louisiana through several states in the southern United States, including Tennessee, and on into the northern United States. In the State of Tennessee, Tennessee Gas Pipeline interconnects with, and delivers natural gas to, a pipeline owned and operated by East Tennessee Natural Gas Company ("ETNG"), also an El Paso subsidiary ETNG transports natural gas received from Tennessee Gas Pipeline Company, and from other sources, to many local gas distribution utilities in eastern Tennessee and northern Georgia. Sonat owns Southern Natural Gas Company, which owns and operates a large natural gas transmission system extending from producing fields in the Gulf of Mexico and Louisiana through several states in the southern United States, including Georgia and Tennessee. Sonat, either directly, or via interconnection with East Tennessee Natural Gas, transports natural gas for many local gas distribution utilities in eastern Tennessee and northern Georgia El Paso offered reduced transportation rates to local gas distribution utilities located in eastern Tennessee in response to a threat by Sonat to by-pass ETNG by extending its own pipeline.

The draft complaint alleges that the post-merger market would be highly concentrated, and that the acquisition would substantially increase concentration in the market. In the least concentrated submarket of the geographic market, the acquisition would increase the HHI by over 1000 points to over 5700. In certain other submarkets, the acquisition would increase the HHI by over 4500 points to 10000.

The draft complaint alleges that the effect of the acquisition may be substantially to lessen competition or tend to create a monopoly in the transportation of natural gas into the relevant section of the country by eliminating actual and potential competition between El

Paso and Sonat, by eliminating actual and potential competition among competitors generally; and by increasing concentration in the transportation of natural gas into the relevant section of the country, therefore increasing the likelihood of collusion.

The draft complaint further alleges that entry would not be timely, likely or sufficient to prevent anticompetitive effects in the relevant markets.

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IV. Terms of the Proposed Consent Order

The proposed consent order is designed to remedy the Commission's competitive concerns about the proposed acquisition. To solve the competitive concerns in the onshore markets, the proposed consent order requires El Paso to divest ETNG, the owner of the El Paso system that serves cities in east Tennessee and northern Georgia. To solve the competitive concerns offshore, the proposed order requires El Paso to divest Sea Robin (a wholly-owned subsidiary of Sonat) and Sonat's 33 percent interest in Destin.

The proposed consent order requires divestiture of the relevant assets within six months of the date on which the consent agreement was signed at no minimum price to a buyer and in a manner that are approved by the Commission. In the event divestiture has not occurred within six months, the proposed order provides that the Commission may appoint a trustee to divest the assets. The proposed order does not require that El Paso present the Commission with a buyer of the assets to be divested before acceptance of the proposed consent agreement for public comment (an "up-front buyer") because El Paso has satisfied the Commission that, in this instance, consumers will not be harmed by a post-order divestiture.

In some cases the Commission has required a respondent to divest "crown jewel" assets in the event the respondent fails to divest a narrower package of assets promptly. Such a crown jewel is unnecessary in this case El Paso has agreed to divest a package of assets that includes ETNG and Sea Robin in their entirety, which should help ensure that the divestiture will convey a saleable and competitively viable set of assets. This will increase the likelihood of finding a buyer acceptable to the Commission in a timely manner. Therefore, the proposed divestiture should readily suffice to remedy consumer harm.

The proposed order contains ancillary provisions in both the onshore and offshore markets. Many customers on the ETNG system have ETNG and Tennessee Gas Pipeline transportation and/or storage contracts with renewal elections to be made in the midst of the proposed ETNG divestiture process The proposed order extends the renewal deadline for these contracts until 60 days following the divestiture of ETNG, provides customers the option of extending the expiration dates of these contracts, and allows customers to terminate certain other ETNG and Tennessee Gas Pipeline contracts entered into as the proposed divestiture process is underway. The purpose of these provisions is to permit the customer to know the identity of the acquirer of ETNG before having to commit to new contracts for transportation or storage either on ETNG or, more significantly, on the trunklines that transport the gas from the Gulf of Mexico into ETNG The Commission anticipates that the acquirer of ETNG will open additional interconnections with trunklines that currently intersect with the ETNG system so as to provide customers with alternative routes for gas supply. The tolling provision will give customers the option of using these new sources if they so choose.

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The proposed order also contains ancillary provisions regarding VKGC which are in effect in the event Sonat's Destin interest is sold to a natural gas producer. The sale of Sonat's interest to a producer could result in Destin's being less than fully competitive in certain instances in which the producer elected to serve its own producing interests by reserving one part of the Destin system at the expense of independent producers seeking access to certain other parts of the Destin system To remedy the potential for the divestiture to have this anticompetitive result, the proposed consent order requires El Paso to cause VKGC to adhere to benchmarks established by competition between VKGC and Destin Specifically, the proposed order requires El Paso to cause VKGC to allow any shipper to obtain access to VKGC, which would be at the shipper's expense if any construction of pipe is required, and to allow any other pipeline to interconnect with VKGC, at the expense of the pipeline requesting the connection. The proposed consent prohibits El Paso from engaging in discrimination in scheduling, rates and terms and conditions of service on VKGC. The connecting pipeline can elect to submit a dispute regarding the terms and conditions of a connection to binding arbitration. El Paso is required to publish the arbitration clause in the order on Leviathan's electronic web site and to incorporate it into further contracts with shippers and connecting pipelines. El Paso is also required to notify the Commission of arbitration proceedings initiated under the proposed order. The requirement to provide open and non-discriminatory access to VKGC may be suspended upon a showing by El Paso that at least one-third of the membership interest in Destin is controlled by a person who does not have an interest in wells or leases in certain areas of the Gulf of Mexico.

V. Opportunity for Public Comment

The proposed consent order has been placed on the public record for 30 days for receipt of comments by interested persons. Comments received during this period will become part of the public record After 30 days, the Commission will again review the proposed consent order and the comments received and will decide whether it should withdraw from the agreement or make the proposed consent order final

By accepting the proposed consent order subject to final approval, the Commission anticipates that the competitive problems alleged in the complaint will be resolved. The purpose of this analysis is to invite public comment on the proposed consent order in order to aid the Commission in its determination of whether to make the proposed consent order final. This analysis is not intended to constitute an official interpretation of the proposed consent order nor is it intended to modify the terms of the proposed consent order in any way.

Endnotes:

1 The HHI is a measurement of market concentration calculated by summing the squares of the individual market shares of all the participants

89 FERC ¶ 61,221

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FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 24, 1999

In Reply Refer To
OPR - Rate Analysis Branch III
East Tennessee Natural Gas Company
Docket No RP97-13-002

East Tennessee Natural Gas Company
P.O Box 2511
Houston, Texas 77252-2511

Attention. Marguerite Woung-Chapman, General Counsel

Reference· Negotiated Rate Service Agreements Identified in Appendices A and B

Ladies and Gentlemen

On October 25, 1999, East Tennessee Natural Gas Company (East Tennessee) filed fifty-two transportation service agreements and fifty-two corresponding letter agreements to disclose negotiated rate transactions with East Tennessee's shippers The letter agreements reflect either (1) a negotiated monthly reservation rate and daily commodity rate applicable to each of the transportation service agreements under Rate Schedule FT-A, or (2) a daily commodity rate applicable to each of the transportation service agreements under Rate Schedule FT-GS, or (3) a monthly demand rate applicable to each of the LNGS service under Rate Schedule LNGS. The rates for transportation service under Rate Schedules FT-A and FT-GS are inclusive of surcharges In addition, the shippers will pay applicable fuel. East Tennessee requests waiver of Section 4 1 of its FT-A Rate Schedule so that the fixed rates can be stated in the letter agreements as opposed to the FT-A service agreements.

Based on a review of the filing, East Tennessee's waiver request is granted and the transportation service agreements and negotiated rate letter agreements identified in the Appendices are accepted effective November 1, 1999, as proposed. Additionally, in order to eliminate the need for East Tennessee to seek waiver of its tariff every time it files a negotiated rate agreement for FT-A service, East Tennessee is directed to file, within 15 days of the order, a revised Section 4 1 of Rate Schedule FT-A, so that negotiated fixed rates can be stated in a letter agreement to a corresponding FT-A agreement.

FERC - DOCKETED
NOV 24 1999

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Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 CFR 385 214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

By direction of the Commission

David P. Boergers
David P. Boergers,
Secretary.

cc All Parties

Peggy A Heeg, Vice President and
Associate General Counsel
East Tennessee Natural Gas Company
P.O. Box 2511
Houston, TX 77252

Docket No 01-00704
Exhibit CAPD-SB___
Rebuttal Testimony___
SCH 5-FERC Document

APPENDIX A

FIRM SERVICE TRANSPORTATION AND STORAGE AGREEMENTS

Customer	Type of Contract	Type of Service	Contract Number
AFG Industnes, Inc	Gas Transportation Agreement	FT-A	31095
Alcoa Inc	Gas Transportation Agreement	FT-A	30758
City of Athens, Tennessee	Firm Transportation Agreement	FT-A	4234
City of Athens, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4366
Citizens Gas Utility District	Firm Transportation Agreement	FT-A	6035
City of Cookeville, Tennessee	Firm Transportation Agreement	FT-A	4238
City of Cookeville, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4386
Eastman Chemical Company	Gas Transportation Agreement	FT-A	31096
Elk River Public Utility District	Firm Transportation Agreement	FT-A	4239
Elk River Public Utility District	Gas Transportation Agreement	FT-A	20217
Elk River Public Utility District	Liquifed Natural Gas Storage Agreement	LNGS	4387
City of Etowah, Tennessee	Firm Transportation Agreement	FT-A	4251
City of Etowah, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4404
Fayetteville Gas System	Gas Transportation Agreement	FT-A	20588
City of Fayetteville, Tennessee	Firm Transportation Agreement	FT-A	4243
City of Fayetteville, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4388
City of Gallatin, Tennessee	Firm Transportation Agreement	FT-A	4245
City of Gallatin, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4389
Town of Gainesboro, Tennessee	Firm Transportation Agreement	FT-GS	4244
City of Harriman, Tennessee	Firm Transportation Agreement	FT-GS	4246
Hawkins County Utility District	Gas Transportation Agreement	FT-A	28455
Natural Gas Utility District of Hawkins County	Liquifed Natural Gas Storage Agreement	LNGS	4390
Natural Gas Utility District of Hawkins County	Firm Transportation Agreement	FT-A	4247
City of Jamestown, Tennessee	Firm Transportation Agreement	FT-GS	4248
City of Jamestown, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4395
Jefferson-Cocke County Utility District	Firm Transportation Agreement	FT-A	4249
Knoxville Utilities Board	Liquifed Natural Gas Storage Agreement	LNGS	4405
City of Lenoir City, Tennessee	Firm Transportation Agreement	FT-GS	4257
City of Lenoir City, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4394
Lewisburg Gas Department	Gas Transportation Agreement	FT-A	20223
City of Lewisburg, Tennessee	Firm Transportation Agreement	FT-A	4258
City of Lewisburg, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4396
Town of Livingston, Tennessee	Firm Transportation Agreement	FT-GS	4259
City of Loudon, Tennessee	Firm Transportation Agreement	FT-A	4260
City of Loudon, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4397
Town of Madisonville, Tennessee	Firm Transportation Agreement	FT-GS	7771
Middle Tennessee Utility District	Firm Transportation Agreement	FT-A	4262
Middle Tennessee Utility District	Liquifed Natural Gas Storage Agreement	LNGS	4398
City of Mt. Pleasant, Tennessee	Firm Transportation Agreement	FT-GS	4264
Oak Ridge Utility District	Firm Transportation Agreement	FT-A	4265
Powell Clinch Utility District	Liquifed Natural Gas Storage Agreement	LNGS	4399
City of Rockwood, Tennessee	Firm Transportation Agreement	FT-A	4268
Sevier County Utility District	Firm Transportation Agreement	FT-A	4300
Sevier County Utility District	Liquifed Natural Gas Storage Agreement	LNGS	4400
City of South Pittsburg	Gas Transportation Agreement	FT-A	20220
City of South Pittsburg, Tennessee	Firm Transportation Agreement	FT-A	4261
City of South Pittsburg, Tennessee	Liquifed Natural Gas Storage Agreement	LNGS	4402
City of Sweetwater, Tennessee	Firm Transportation Agreement	FT-GS	7772
Unicoi County Utility District	Gas Transportation Agreement	FT-A	23103
United Cities Gas Company	Gas Transportation Agreement	FT-A	30774
United Cities Gas Company	Liquifed Natural Gas Storage Agreement	LNGS	30776
United States Gypsum Company	Gas Transportation Agreement	FT-A	20242

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APPENDIX B
RATE ADJUSTMENT LETTER AGREEMENTS

Customer	Type of Service	Contract Number
AFG Industries, Inc	FT-A	31095
Alcoa Inc	FT-A	30758
City of Athens, Tennessee	FT-A	4234
City of Athens, Tennessee	LNGS	4366
Citizens Gas Utility District	FT-A	6035
City of Cookeville, Tennessee	FT-A	4238
City of Cookeville, Tennessee	LNGS	4386
Eastman Chemical Company	FT-A	31096
Elk River Public Utility District	FT-A	4239
Elk River Public Utility District	FT-A	20217
Elk River Public Utility District	LNGS	4387
City of Etowah, Tennessee	FT-A	4251
City of Etowah	LNGS	4404
City of Fayetteville	FT-A	20588
City of Fayetteville	FT-A	4243
City of Fayetteville	LNGS	4388
City of Gallatin	FT-A	4245
City of Gallatin	LNGS	4389
Town of Gainesboro, Tennessee	FT-GS	4244
City of Harriman, Tennessee	FT-GS	4246
Hawkins County Utility District	FT-A	28455
Hawkins County Utility District	LNGS	4390
Hawkins County Utility District	FT-A	4247
City of Jamestown, Tennessee	FT-GS	4248
City of Jamestown, Tennessee	LNGS	4395
Jefferson-Cocke County Utility District	FT-A	4249
Knoxville Utilities Board	LNGS	4405
Lenoir City Utilities Board	FT-GS	4257
Lenoir City Utilities Board	LNGS	4394
City of Lewisburg	FT-A	20223
City of Lewisburg	FT-A	4258
City of Lewisburg	LNGS	4396
Town of Livingston, Tennessee	FT-GS	4259
City of Loudon	FT-A	4260
City of Loudon	LNGS	4397
Town of Madisonville, Tennessee	FT-GS	7771
Middle Tennessee Natural Gas Utility District	FT-A	4262
Middle Tennessee Natural Gas Utility District	LNGS	4398
City of Mount Pleasant, Tennessee	FT-GS	4264
Oak Ridge Utility District	FT-A	4265
Powell-Clinch Utility District	LNGS	4399
City of Rockwood	FT-A	4268
Sevier County Utility District	FT-A	4300
Sevier County Utility District	LNGS	4400
City of South Pittsburg	FT-A	20220
City of South Pittsburg	FT-A	4261
City of South Pittsburg	LNGS	4402
City of Sweetwater, Tennessee	FT-GS	7772
Unicoi County Utility District	FT-A	23103
United Cities Gas Company	FT-A	30774
United Cities Gas Company	LNGS	30776
United States Gypsum Company	FT-A	20242

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SCH 6-ETNG Annual Report
Page 1 of 3

CORPORATION ANNUAL REPORT
STATE OF TENNESSEE
SECRETARY OF STATE
SUITE 1800, JAMES K. POLK BUILDING
NASHVILLE, TN. 37243-0306

AMOUNT DUE - $20.00

CURRENT FISCAL YEAR CLOSING MONTH 12 IF DIFFERENT, CORRECT MONTH IS ________

THIS REPORT IS DUE ON OR BEFORE 04/01/99

1) SECRETARY OF STATE CONTROL NUMBER 0009887 OR FEDERAL EMPLOYER IDENTIFICATION NUMBER 74-1363997

2A.) NAME AND MAILING ADDRESS OF CORPORATION

EAST TENNESSEE NATURAL GAS COMPANY
PO BOX 2511
HOUSTON, TX 77252-2511

DEC 18 1998

D 04/01/1947 FOR PROFIT

(2B.) STATE OR COUNTRY OF INCORPORATION
TENNESSEE

(2C.) ADD OR CHANGE MAILING ADDRESS:

3) A. PRINCIPAL ADDRESS INCLUDING CITY STATE ZIP CODE
1001 LOUISIANA, HOUSTON, TX 77002
B. CHANGE OF PRINCIPAL ADDRESS

STREET	CITY	STATE	ZIP CODE + 4

*** * BLOCKS 4A AND 4B MUST BE COMPLETED OR THE ANNUAL REPORT WILL BE RETURNED * ***

4) A. NAME AND BUSINESS ADDRESS INCLUDING ZIP CODE OF THE PRESIDENT SECRETARY AND OTHER PRINCIPAL OFFICERS (ATTACH ADDITIONAL SHEET IF NECESSARY)

TITLE	NAME	BUSINESS ADDRESS	CITY, STATE, ZIP CODE + 4
PRESIDENT			
SECRETARY	See		

B. BOARD OF DIRECTORS (NAMES BUSINESS ADDRESS INCLUDING ZIP CODE) (ATTACH ADDITIONAL SHEET IF NECESSARY) ☐ SAME AS ABOVE ☐ NONE

OR LISTED BELOW	NAME	BUSINESS ADDRESS	CITY STATE, ZIP CODE + 4
	ATTACHED		

5) A. NAME OF REGISTERED AGENT AS APPEARS ON SECRETARY OF STATE RECORDS
C T CORPORATION SYSTEM
B. REGISTERED ADDRESS AS APPEARS ON SECRETARY OF STATE RECORDS
530 GAY STREET, KNOXVILLE, TN 37902

6) INDICATE BELOW ANY CHANGES TO THE REGISTERED AGENT NAME AND/OR REGISTERED OFFICE (BLOCK 5A AND/OR 5B) THERE IS AN ADDITIONAL $20.00 REQUIRED FOR CHANGES MADE TO THIS INFORMATION

A. CHANGE OF REGISTERED AGENT

B. CHANGE OF REGISTERED OFFICE

STREET	CITY	STATE	ZIP CODE + 4	COUNTY
		TN		

7) A. THIS BOX APPLIES **ONLY** TO NONPROFIT CORPORATIONS. OUR RECORDS REFLECT THAT YOUR NONPROFIT CORPORATION IS A PUBLIC BENEFIT OR A MUTUAL BENEFIT CORPORATION AS INDICATED **IF BLANK OR CHANGE, PLEASE CHECK APPROPRIATE BOX:** ☐ **PUBLIC** ☐ **MUTUAL**

B. IF A TENNESSEE RELIGIOUS CORPORATION PLEASE CHECK BOX UNLESS OTHERWISE INDICATED ☐ **RELIGIOUS**

8) SIGNATURE [signature]

(9) DATE 3/31/99

10) TYPE PRINT NAME OF SIGNER Norbert R. Grijalva

(11) TITLE OF SIGNER ASST SECRETARY

Docket No 01-00704
Exhibit CAPD-SB___
Rebuttal Testimony___
SCH 6-ETNG Annual Report
Page 2 of 3

EAST TENNESSEE NATURAL GAS COMPANY

Corporate Street Address: 1001 Louisiana, Houston, Texas 77002
Corporate Mailing Address: P. O. Box 2511. Houston, Texas 77252-2511

All Directors' & Officers' business addresses are the same as corporate address.

CAPD notations

DIRECTORS

	NAME	Address	Social Security No.
TGP CFO	H. Brent Austin	9 Long Timbers Trail Houston, TX 77024	459-80-3336
	John W. Somerhalder II	22 Half Moon Court The Woodlands, TX 77380	526-90-0786
	William A Wise	2121 Kirby Dr. #50 Houston, TX 77019	337-36-5861

OFFICERS

	Name	Position	Address	Social Security No
	William A. Wise	Chairman of the Board	2121 Kirby Dr. # 50 Houston, TX 77019	337-36-5861
TGP Chairman	John W. Somerhalder	President	22 Half Moon Court The Woodlands, TX 77380	526-90-0786
	H. Brent Austin	Executive Vice President	9 Long Timbers Trail Houston, TX 77024	459-80-3336
	Alvin W. Clark	Vice President	1101 Baltimore Dr El Paso, TX 79902	441-52-3674
TGP Controller	Jeffrey I. Beason	Vice President and Controller	1300 Lamar Houston, TX 77002	585-34-1053
TGP President	Steve C. Beasley	Vice President	2 Eaton Court Houston, TX 77024	455-94-3407
	Greg G Gruber	Vice President	15003 Inverray Drive Houston, TX 77095	492-50-1252

Name	Position	Address	Social Security No.
Daniel B. Martin	Vice President	12502 Pavilion Court Tomball, TX 77375	004-56-5022
C. Dana Rice	Vice President and Treasurer	2703 Newman Houston, TX 77098	466-08-2879
V. Larry Smith	[illegible]e President	17210 Klee Circle Spring, TX 77379	415-84-0308
Judy A. Vandagriff	Vice President	14919 Tallow Forest Houston, Texas 77062	459-21-7144
David L. Siddall	Corporate Secretary	17826 English Ivy Lane Spring, TX 77379	480-90-1171
Alan D. Bishop	Assistant Secretary	822 Sierra Lake Katy, TX 77045	585-60-0645
Norbert R. Grijalva	Assistant Secretary	17007 Kilrenny Court Spring, TX 77379	465-02-8298
Kelly J. Jameson	Assistant Secretary	434 Gretel Lane Houston, TX 77062	452-19-2245
Katherine A. Murray	Assistant Secretary	10006 Briar Forest Houston, TX 77062	460-43-7416
Margaret E. Roark	Assistant Secretary	777 Dunlavy, #8106 Houston, TX 77019	232-74-3030

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SCH 7-TGP SEC Form 10-K 1999
Page 1 of 2___

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D C 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 1-4101

TENNESSEE GAS PIPELINE COMPANY
(Exact name of registrant as specified in its charter)

<TABLE>

<S>	<C>
DELAWARE (State or other jurisdiction of incorporation or organization)	74-1056569 (I R S Employer Identification No)
EL PASO ENERGY BUILDING 1001 LOUISIANA STREET HOUSTON, TEXAS (Address of principal executive offices)	77002

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Tennessee Gas Pipeline Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 10th day of March 2000

TENNESSEE GAS PIPELINE COMPANY
Registrant

By /s/ JOHN W SOMERHALDER II

John W Somerhalder II
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of Tennessee Gas Pipeline Company and in the capacities and on the dates indicated

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ JOHN W SOMERHALDER II (John W Somerhalder II)	Chairman of the Board and Director	March 10, 2000
/s/ STEPHEN C BEASLEY (Stephen C Beasley)	President and Director	March 10, 2000
/s/ H BRENT AUSTIN (H Brent Austin)	Executive Vice President, Chief Financial Officer and Director	March 10, 2000
/s/ JEFFREY I BEASON (Jeffrey I Beason)	Senior Vice President and Controller (Chief Accounting Officer)	March 10, 2000

Docket No. 01-00704
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SCH 8-FTC List of Contracts
Page 1 of 5___

Schedule B

Agreement Type	Agreement Number	Customer	Delivery Point(s) / Storage Withdrawal	MDQ	Current Election Deadline Date	Current Contract Expiration date
ETNG FT	4276	AFG INDUSTRIES INC	AFG BLUERIDGE & GREENLAND	7,300	10/31/1999	11/1/2000
TGP FT	3263	AFG INDUSTRIES INC	GREENBRIER TENNESSEE #2 (Dual 753101)	7,480	10/31/1999	11/1/2000
TGP FT	346	ALCOA, INC	GREENBRIER TENNESSEE #2 (Dual 753101)	18,367	10/31/1999	11/1/2000
TGPFS	19538	ALCOA, INC	TGP - BEAR CREEK STOR WITHDRAWAL	1,000	10/30/1999	10/31/2000
TGP FT	29542	ATHENS TENNESSEE UTILITIES BOARD	GREENBRIER TENNESSEE #2 (Dual 753101)	5,429	10/31/1999	11/1/2000
#NAME?	4234	ATHENS TENNESSEE UTILITIES BOARD	ATHENS & RICEVILLE	5,779	10/31/1999	11/1/2000
ETNG FT	4331	ATHENS TENNESSEE UTILITIES BOARD	ATHENS	1,122	10/31/1999	11/1/2000
ETNGFS	4366	ATHENS TENNESSEE UTILITIES BOARD	LNG - 410 STORAGE WITHDRAWL	1,122	10/31/1999	11/1/2000
TGPFS	3922	ATHENS TENNESSEE UTILITIES BOARD	TGP - PORTLAND STORAGE WITHDRAWAL	1,455	10/31/1999	11/1/2000
TGPFS	3997	ATHENS TENNESSEE UTILITIES BOARD	TGP - PORTLAND STORAGE WITHDRAWAL	314	10/31/1999	11/1/2000
TGPFS	19454	ATHENS TENNESSEE UTILITIES BOARD	TGP - BEAR CREEK STOR WITHDRAWAL	600	10/30/1999	10/31/2000
TGP FT	5049	ATLANTA GAS LIGHT CO	EAST LOBELVILLE TENNESSEE (75-3201)	54,825	10/31/1999	11/1/2000
ETNG FT	4235	ATLANTA GAS LIGHT CO	ATLANTA	61,160	10/31/1999	11/1/2000
TGPFS	3923	ATLANTA GAS LIGHT CO	TGP - PORTLAND STORAGE WITHDRAWAL	8,699	10/31/1999	11/1/2000
TGPFS	22924	ATLANTA GAS LIGHT CO	TGP - BEAR CREEK STOR WITHDRAWAL	21,873	10/30/1999	10/31/2000
TGP FT	4220	BOWATER INC	GREENBRIER TENNESSEE #2 (Dual 753101)	4,079	10/31/1999	11/1/2000
ETNG FT	4277	BOWATER INC	BOWATERS	4,000	10/31/1999	11/1/2000
TGPFS	19497	BOWATER INC	TGP - BEAR CREEK STOR WITHDRAWAL	1,200	10/30/1999	10/31/2000
TGP FT	5051	CHATTANOOGA GAS CO	EAST LOBELVILLE & GREENBRIER TN	39,792	10/31/1999	11/1/2000
ETNG FT	4236	CHATTANOOGA GAS CO	VARIOUS (8 DELIVERY POINTS ON ETNG)	46,350	10/31/1999	11/1/2000
TGPFS	3947	CHATTANOOGA GAS CO	TGP - PORTLAND STORAGE WITHDRAWAL	7,741	10/31/1999	11/1/2000
TGPFS	22923	CHATTANOOGA GAS CO	TGP - BEAR CREEK STOR WITHDRAWAL	13,659	10/30/1999	10/31/2000
ETNG FT	16729	CITIZENS GAS UTILITY DISTRICT	WARTBURG	300	10/30/1999	10/31/2000
TGPFS	19455	CITIZENS GAS UTILITY DISTRICT	TGP - BEAR CREEK STOR WITHDRAWAL	175	10/30/1999	10/31/2000
TGP FT	5530	COOKEVILLE GAS DEPT, CITY OF	GREENBRIER TENNESSEE #2 (Dual 753101)	6,665	10/31/1999	11/1/2000
ETNG FT	4238	COOKEVILLE GAS DEPT, CITY OF	COOKEVILLE	7,260	10/31/1999	11/1/2000
ETNG FT	4335	COOKEVILLE GAS DEPT, CITY OF	COOKEVILLE	1,341	10/31/1999	11/1/2000
ETNGFS	4386	COOKEVILLE GAS DEPT, CITY OF	LNG - 410 STORAGE WITHDRAWL	1,341	10/31/1999	11/1/2000
TGPFS	3949	COOKEVILLE GAS DEPT, CITY OF	TGP-PORTLAND STORAGE W/DRAWAL - MA	1,559	10/31/1999	11/1/2000
TGPFS	4001	COOKEVILLE GAS DEPT, CITY OF	TGP - PORTLAND STORAGE WITHDRAWAL	335	10/31/1999	11/1/2000
TGP FT	4185	DUNLAP GAS SYSTEM	EAST LOBELVILLE TENNESSEE (75-3201)	3,032	10/31/1999	11/1/2000
ETNG FT	4302	DUNLAP GAS SYSTEM	DUNLAP NATURAL GAS	3,090	10/31/1999	11/1/2000
TGPFS	3950	DUNLAP GAS SYSTEM	TGP-PORTLAND STORAGE W/DRAWAL - MA	849	10/31/1999	11/1/2000
TGPFS	4002	DUNLAP GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	183	10/31/1999	11/1/2000
TGPFS	19516	DUNLAP GAS SYSTEM	TGP - BEAR CREEK STOR WITHDRAWAL	600	10/30/1999	10/31/2000
TGP FT	4192	ENGLEWOOD NATURAL GAS SYSTEM	GREENBRIER TENNESSEE #2 (Dual 753101)	615	10/31/1999	11/1/2000
ETNG FT	4240	ENGLEWOOD NATURAL GAS SYSTEM	ENGLEWOOD	618	10/31/1999	11/1/2000
TGPFS	3940	ENGLEWOOD NATURAL GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	224	10/31/1999	11/1/2000

Schedule B

Agreement Type	Agreement Number	Customer	Delivery Point(s) / Storage Withdrawal	MDQ	Current Election Deadline Date	Current Contract Expiration date
TGPFS	4005	ENGLEWOOD NATURAL GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	49	10/31/1999	11/1/2000
TGPFS	19457	ENGLEWOOD NATURAL GAS SYSTEM	TGP - BEAR CREEK STOR WITHDRAWAL	93	10/30/1999	10/31/2000
TGPFS	4007	FAYETTEVILLE GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	238	10/31/1999	11/1/2000
TGPFS	19532	FAYETTEVILLE GAS SYSTEM	TGP - BEAR CREEK STOR WITHDRAWAL	450	10/30/1999	10/31/2000
TGP FT	4194	GAINESBORO GAS SYSTEMS	GREENBRIER TENNESSEE #2 (Dual 753101)	1,027	10/31/1999	11/1/2000
ETNG FT	4244	GAINESBORO GAS SYSTEMS	GAINESBORO	1,030	10/31/1999	11/1/2000
TGPFS	3943	GAINESBORO GAS SYSTEMS	TGP-PORTLAND STORAGE W/DRAWAL - MA	280	10/31/1999	11/1/2000
TGPFS	4008	GAINESBORO GAS SYSTEMS	TGP - PORTLAND STORAGE WITHDRAWAL	60	10/31/1999	11/1/2000
TGPFS	19518	GAINESBORO GAS SYSTEMS	TGP - BEAR CREEK STOR WITHDRAWAL	105	10/30/1999	10/31/2000
TGPFS	19483	GALLATIN NATURAL GAS SYSTEM	TGP - BEAR CREEK STOR WITHDRAWAL	500	10/30/1999	10/31/2000
TGP FT	4222	GENERAL SHALE PRODUCTS CORP	GREENBRIER TENNESSEE #2 (Dual 753101)	356	10/31/1999	11/1/2000
ETNG FT	4281	GENERAL SHALE PRODUCTS CORP	GENERAL SHALE	350	10/31/1999	11/1/2000
TGPFS	19572	GENERAL SHALE PRODUCTS CORP	TGP - BEAR CREEK STOR WITHDRAWAL	75	10/30/1999	10/31/2000
TGP FT	4196	HARRIMAN UTILITY BOARD	GREENBRIER TENNESSEE #2 (Dual 753101)	3,804	10/31/1999	11/1/2000
ETNG FT	4246	HARRIMAN UTILITY BOARD	HARRIMAN	3,815	10/31/1999	11/1/2000
TGPFS	3945	HARRIMAN UTILITY BOARD	TGP-PORTLAND STORAGE W/DRAWAL - MA	1,059	10/31/1999	11/1/2000
TGPFS	4010	HARRIMAN UTILITY BOARD	TGP - PORTLAND STORAGE WITHDRAWAL	228	10/31/1999	11/1/2000
TGPFS	19521	HARRIMAN UTILITY BOARD	TGP - BEAR CREEK STOR WITHDRAWAL	380	10/30/1999	10/31/2000
TGPFS	19570	HAWKINS COUNTY UTILITY DISTRICT	TGP - BEAR CREEK STOR WITHDRAWAL	500	10/30/1999	10/31/2000
TGP FT	4198	JAMESTOWN NATURAL GAS SYSTEM	GREENBRIER TENNESSEE #2 (Dual 753101)	2,790	10/31/1999	11/1/2000
ETNG FT	4248	JAMESTOWN NATURAL GAS SYSTEM	JAMESTOWN	3,278	10/31/1999	11/1/2000
ETNG FT	4358	JAMESTOWN NATURAL GAS SYSTEM	JAMESTOWN	309	10/31/1999	11/1/2000
ETNGFS	4395	JAMESTOWN NATURAL GAS SYSTEM	LNG - 410 STORAGE WITHDRAWL	309	10/31/1999	11/1/2000
TGPFS	3986	JAMESTOWN NATURAL GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	760	10/31/1999	11/1/2000
TGPFS	4012	JAMESTOWN NATURAL GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	164	10/31/1999	11/1/2000
ETNG FT	16718	JEFFERSON/COCKE CO PUBLIC UTILITY DIST	JCCUD NEWPORT & JEFFERSON CITY	350	10/30/1999	10/31/2000
TGPFS	19485	JEFFERSON/COCKE CO PUBLIC UTILITY DIST	TGP - BEAR CREEK STOR WITHDRAWAL	850	10/30/1999	10/31/2000
TGP FT	5042	KNOXVILLE UTILITIES BOARD	GREENBRIER TENNESSEE #2 (Dual 753101)	43,261	10/31/1999	11/1/2000
ETNG FT	15209	KNOXVILLE UTILITIES BOARD	KUB EAST & WEST	4,237	3/30/2000	3/31/2001
ETNG FT	17343	KNOXVILLE UTILITIES BOARD	KUB EAST & WEST	8,800	11/29/1999	11/30/2000
TGPFS	2014	KNOXVILLE UTILITIES BOARD	TGP - BEAR CREEK STOR WITHDRAWAL	20,960	10/31/1999	11/1/2000
TGPFS	3953	KNOXVILLE UTILITIES BOARD	TGP-PORTLAND STORAGE W/DRAWAL - MA	18,398	10/31/1999	11/1/2000
TGP FT	4462	LAWRENCEBURG CITY OF	EAST LOBELVILLE TENNESSEE (75-3201)	2,271	10/31/1999	11/1/2000
ETNG FT	4256	LAWRENCEBURG CITY OF	LAWRENCEBURG	2,575	10/31/1999	11/1/2000
TGPFS	19523	LAWRENCEBURG CITY OF	TGP - BEAR CREEK STOR WITHDRAWAL	400	10/30/1999	10/31/2000
TGP FT	4200	LENOIR CITY UTILITIES BOARD	GREENBRIER TENNESSEE #2 (Dual 753101)	4,268	10/31/1999	11/1/2000
ETNG FT	4257	LENOIR CITY UTILITIES BOARD	LENOIR CITY	4,285	10/31/1999	11/1/2000
ETNG FT	4343	LENOIR CITY UTILITIES BOARD	LENOIR CITY	397	10/31/1999	11/1/2000

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ETNGFS	4394	LENOIR CITY UTILITIES BOARD	LNG - 410 STORAGE WITHDRAWL	397	10/31/1999	11/1/2000
TGPFS	3955	LENOIR CITY UTILITIES BOARD	TGP-PORTLAND STORAGE W/DRAWAL - MA	684	10/31/1999	11/1/2000
TGPFS	4015	LENOIR CITY UTILITIES BOARD	TGP - PORTLAND STORAGE WITHDRAWAL	148	10/31/1999	11/1/2000
TGPFS	19522	LENOIR CITY UTILITIES BOARD	TGP - BEAR CREEK STOR WITHDRAWAL	664	10/30/1999	10/31/2000
TGP FT	7279	LEWISBURG GAS DEPARTMENT	EAST LOBELVILLE TENNESSEE (75-3201)	3,996	10/31/1999	11/1/2000
ETNG FT	4258	LEWISBURG GAS DEPARTMENT	LEWISBURG	5,069	10/31/1999	11/1/2000
ETNG FT	4344	LEWISBURG GAS DEPARTMENT	LEWISBURG	699	10/31/1999	11/1/2000
ETNGFS	4396	LEWISBURG GAS DEPARTMENT	LNG - 410 STORAGE WITHDRAWL	699	10/31/1999	11/1/2000
TGPFS	3956	LEWISBURG GAS DEPARTMENT	TGP - PORTLAND STORAGE WITHDRAWAL	1,291	10/31/1999	11/1/2000
TGPFS	4016	LEWISBURG GAS DEPARTMENT	TGP - PORTLAND STORAGE WITHDRAWAL	279	10/31/1999	11/1/2000
TGPFS	19535	LEWISBURG GAS DEPARTMENT	TGP - BEAR CREEK STOR WITHDRAWAL	506	10/30/1999	10/31/2000
TGP FT	4202	LIVINGSTON GAS SYSTEM	GREENBRIER TENNESSEE #2 (Dual 753101)	2,673	10/31/1999	11/1/2000
ETNG FT	4259	LIVINGSTON GAS SYSTEM	LIVINGSTON	2,678	10/31/1999	11/1/2000
TGPFS	3957	LIVINGSTON GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	514	10/31/1999	11/1/2000
TGPFS	4017	LIVINGSTON GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	111	10/31/1999	11/1/2000
TGPFS	19486	LIVINGSTON GAS SYSTEM	TGP - BEAR CREEK STOR WITHDRAWAL	300	10/30/1999	10/31/2000
TGP FT	4204	MADISONVILLE GAS SYSTEM	GREENBRIER TENNESSEE #2 (Dual 753101)	1,387	10/31/1999	11/1/2000
ETNG FT	7771	MADISONVILLE GAS SYSTEM	MADISONVILLE	1,391	10/31/1999	11/1/2000
TGPFS	3958	MADISONVILLE GAS SYSTEM	TGP-PORTLAND STORAGE W/DRAWAL - MA	386	10/31/1999	11/1/2000
TGPFS	4051	MADISONVILLE GAS SYSTEM	TGP - PORTLAND STORAGE WITHDRAWAL	83	10/31/1999	11/1/2000
TGPFS	19525	MADISONVILLE GAS SYSTEM	TGP - BEAR CREEK STOR WITHDRAWAL	208	10/30/1999	10/31/2000
TGPFS	19537	MIDDLE TENNESSEE NATURAL GAS UTIL DIST	TGP - BEAR CREEK STOR WITHDRAWAL	3,000	10/30/1999	10/31/2000
TGP FT	4217	MONTEAGLE PUBLIC UTILITY BOARD	EAST LOBELVILLE TENNESSEE (75-3201)	539	10/31/1999	11/1/2000
ETNG FT	4273	MONTEAGLE PUBLIC UTILITY BOARD	MONTEAGLE	541	10/31/1999	11/1/2000
TGPFS	3978	MONTEAGLE PUBLIC UTILITY BOARD	TGP - PORTLAND STORAGE WITHDRAWAL	149	10/31/1999	11/1/2000
TGPFS	4029	MONTEAGLE PUBLIC UTILITY BOARD	TGP - PORTLAND STORAGE WITHDRAWAL	32	10/31/1999	11/1/2000
TGPFS	19496	MONTEAGLE PUBLIC UTILITY BOARD	TGP - BEAR CREEK STOR WITHDRAWAL	108	10/30/1999	10/31/2000
TGPFS	19487	MT PLEASANT GAS SYSTEM	TGP - BEAR CREEK STOR WITHDRAWAL	260	10/30/1999	10/31/2000
TGP FT	5533	OAK RIDGE UTILITY DISTRICT	GREENBRIER TENNESSEE #2 (Dual 753101)	7,283	10/31/1999	11/1/2000
ETNG FT	4265	OAK RIDGE UTILITY DISTRICT	ORUD	7,622	10/31/1999	11/1/2000
TGPFS	3972	OAK RIDGE UTILITY DISTRICT	TGP-PORTLAND STORAGE W/DRAWAL - MA	1,542	10/31/1999	11/1/2000
TGPFS	4055	OAK RIDGE UTILITY DISTRICT	TGP - PORTLAND STORAGE WITHDRAWAL	332	10/31/1999	11/1/2000
TGP FT	4226	OCCIDENTAL CHEMICAL CORPORATION	EAST LOBELVILLE TENNESSEE (75-3201)	470	10/31/1999	11/1/2000
ETNG FT	4285	OCCIDENTAL CHEMICAL CORPORATION	OCCIDENTAL	460	10/31/1999	11/1/2000
TGP FT	4581	OLIN CORPORATION	GREENBRIER TENNESSEE #2 (Dual 753101)	152	10/31/1999	11/1/2000
ETNG FT	4287	OLIN CORPORATION	OLIN	150	10/31/1999	11/1/2000
TGPFS	19499	OLIN CORPORATION	TGP - BEAR CREEK STOR WITHDRAWAL	150	10/30/1999	10/31/2000
TGPFS	3973	POWELL CLINCH UTILITY DISTRICT	TGP - PORTLAND STORAGE WITHDRAWAL	1,658	10/31/1999	11/1/2000

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TGPFS	19494	POWELL CLINCH UTILITY DISTRICT	TGP - BEAR CREEK STOR WITHDRAWAL	600	10/30/1999	10/31/2000
TGP FT	7277	PULASKI CITY OF	EAST LOBELVILLE TENNESSEE (75-3201)	405	10/31/1999	11/1/2000
ETNG FT	4275	PULASKI CITY OF	PULASKI - TN	515	10/31/1999	11/1/2000
TGP FT	7311	PYRON METAL POWDERS, INC	GREENBRIER TENNESSEE #2 (Dual 753101)	394	10/31/1999	11/1/2000
ETNG FT	4282	PYRON METAL POWDERS, INC	PYRON METAL POWDER CO	500	10/31/1999	11/1/2000
TGPFS	3988	PYRON METAL POWDERS, INC	TGP-PORTLAND STORAGE W/DRAWAL - MA	114	10/31/1999	11/1/2000
TGPFS	4035	PYRON METAL POWDERS, INC	TGP - PORTLAND STORAGE WITHDRAWAL	25	10/31/1999	11/1/2000
TGPFS	19587	PYRON METAL POWDERS, INC	TGP - BEAR CREEK STOR WITHDRAWAL	42	10/30/1999	10/31/2000
TGP FT	4228	RHONE-POULENC AG COMPANY	EAST LOBELVILLE TENNESSEE (75-3201)	300	10/31/1999	11/1/2000
ETNG FT	4289	RHONE-POULENC AG COMPANY	RHONE - POULENC	294	10/31/1999	11/1/2000
TGPFS	19816	RHONE-POULENC AG COMPANY	TGP - BEAR CREEK STOR WITHDRAWAL	100	10/30/1999	10/31/2000
TGP FT	4227	RHONE-POULENC BASIC CHEMICALS	EAST LOBELVILLE TENNESSEE (75-3201)	295	10/31/1999	11/1/2000
ETNG FT	4288	RHONE-POULENC BASIC CHEMICALS	RHONE - POULENC BASIC CHEM	289	10/31/1999	11/1/2000
TGPFS	19506	RHONE-POULENC BASIC CHEMICALS	TGP - BEAR CREEK STOR WITHDRAWAL	250	10/30/1999	10/31/2000
TGP FT	4214	ROCKWOOD WATER SEWER & GAS	GREENBRIER TENNESSEE #2 (Dual 753101)	3,302	10/31/1999	11/1/2000
TGPFS	3982	ROCKWOOD WATER SEWER & GAS	TGP-PORTLAND STORAGE W/DRAWAL - MA	795	10/31/1999	11/1/2000
TGPFS	4025	ROCKWOOD WATER SEWER & GAS	TGP - PORTLAND STORAGE WITHDRAWAL	171	10/31/1999	11/1/2000
TGPFS	19527	ROCKWOOD WATER SEWER & GAS	TGP - BEAR CREEK STOR WITHDRAWAL	417	10/30/1999	10/31/2000
TGPFS	19495	SEVIER COUNTY UTILITY DISTRICT	TGP - BEAR CREEK STOR WITHDRAWAL	800	10/30/1999	10/31/2000
TGP FT	16167	SOUTH PITTSBURG, CITY OF	EAST LOBELVILLE TENNESSEE (75-3201)	3,161	10/31/1999	11/1/2000
ETNG FT	4261	SOUTH PITTSBURG, CITY OF	SOUTH PITTSBURG	4,009	10/31/1999	11/1/2000
ETNG FT	4348	SOUTH PITTSBURG, CITY OF	SOUTH PITTSBURG	580	10/31/1999	11/1/2000
ETNGFS	4402	SOUTH PITTSBURG, CITY OF	LNG - 410 STORAGE WITHDRAWL	580	10/31/1999	11/1/2000
TGPFS	3959	SOUTH PITTSBURG, CITY OF	TGP - PORTLAND STORAGE WITHDRAWAL	991	10/31/1999	11/1/2000
TGPFS	4020	SOUTH PITTSBURG, CITY OF	TGP - PORTLAND STORAGE WITHDRAWAL	214	10/31/1999	11/1/2000
TGPFS	19536	SOUTH PITTSBURG, CITY OF	TGP - BEAR CREEK STOR WITHDRAWAL	400	10/30/1999	10/31/2000
TGPFS	19528	SWEETWATER UTILITIES BOARD	TGP - BEAR CREEK STOR WITHDRAWAL	495	10/30/1999	10/31/2000
TGP FT	7274	TENNESSEE AIR NATIONAL GUARD	GREENBRIER TENNESSEE #2 (Dual 753101)	296	10/31/1999	11/1/2000
ETNG FT	4291	TENNESSEE AIR NATIONAL GUARD	TANG	375	10/31/1999	11/1/2000
TGPFS	3985	TENNESSEE AIR NATIONAL GUARD	TGP - PORTLAND STORAGE WITHDRAWAL	107	10/31/1999	11/1/2000
TGPFS	4038	TENNESSEE AIR NATIONAL GUARD	TGP - PORTLAND STORAGE WITHDRAWAL	23	10/31/1999	11/1/2000
TGPFS	19509	TENNESSEE AIR NATIONAL GUARD	TGP - BEAR CREEK STOR WITHDRAWAL	56	10/30/1999	10/31/2000
TGP FT	209	UCAR CARBON COMPANY INC	EAST LOBELVILLE TENNESSEE (75-3201)	3,265	10/31/1999	11/1/2000
ETNG FT	4294	UCAR CARBON COMPANY INC	UNION CARBIDE	3,200	10/31/1999	11/1/2000
TGPFS	19531	UCAR CARBON COMPANY INC	TGP - BEAR CREEK STOR WITHDRAWAL	750	10/30/1999	10/31/2000
TGP FT	4218	UNICOI COUNTY UTILITY DISTRICT	GREENBRIER TENNESSEE #2 (Dual 753101)	4,117	10/31/1999	11/1/2000
ETNG FT	23103	UNICOI COUNTY UTILITY DISTRICT	UNICOI ERWIN	4,120	10/31/1999	11/1/2000
TGPFS	3979	UNICOI COUNTY UTILITY DISTRICT	TGP-PORTLAND STORAGE W/DRAWAL - MA	1,054	10/31/1999	11/1/2000

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TGPFS	4030	UNICOI COUNTY UTILITY DISTRICT	TGP - PORTLAND STORAGE WITHDRAWAL	227	10/31/1999	11/1/2000
TGPFS	19571	UNICOI COUNTY UTILITY DISTRICT	TGP - BEAR CREEK STOR WITHDRAWAL	618	10/30/1999	10/31/2000
TGP FT	4219	UNITED CITIES GAS COMPANY	LOBELVILLE, GREENBRIER, BARTON, ETC	80,064	10/31/1999	11/1/2000
ETNG FT	4272	UNITED CITIES GAS COMPANY	VARIOUS (41 DELIVERY POINTS ON ETNG)	84,588	10/31/1999	11/1/2000
ETNG FT	4352	UNITED CITIES GAS COMPANY	VARIOUS (42 DELIVERY POINTS ON ETNG)	36,547	10/31/1999	11/1/2000
ETNGFS	4403	UNITED CITIES GAS COMPANY	LNG - 410 STORAGE WITHDRAWL	36,547	10/31/1999	11/1/2000
TGPFS	2032	UNITED CITIES GAS COMPANY	TGP - BEAR CREEK STOR WITHDRAWAL	15,000	10/31/1999	11/1/2000
TGPFS	3981	UNITED CITIES GAS COMPANY	TGP-PORTLAND STORAGE W/DRAWAL - MA	20,000	10/31/1999	11/1/2000
TGPFS	4033	UNITED CITIES GAS COMPANY	TGP - PORTLAND STORAGE WITHDRAWAL	1,634	10/31/1999	11/1/2000
TGP FT	5050	UNITED STATES DEPARTMENT OF ENERGY	GREENBRIER TENNESSEE #2 (Dual 753101)	6,294	10/31/1999	11/1/2000
ETNG FT	4280	UNITED STATES DEPARTMENT OF ENERGY	DOE A STATION, B STATION, & C STATION	7,600	10/31/1999	11/1/2000
TGPFS	3983	UNITED STATES DEPARTMENT OF ENERGY	TGP - PORTLAND STORAGE WITHDRAWAL	1,715	10/31/1999	11/1/2000
TGPFS	4034	UNITED STATES DEPARTMENT OF ENERGY	TGP - PORTLAND STORAGE WITHDRAWAL	285	10/31/1999	11/1/2000
TGPFS	19539	UNITED STATES DEPARTMENT OF ENERGY	TGP - BEAR CREEK STOR WITHDRAWAL	1,000	10/30/1999	10/31/2000
TGP FT	11046	WILLAMETTE INDUSTRIES, INC	GREENBRIER TENNESSEE #2 (Dual 753101)	82	10/31/1999	11/1/2000
ETNG FT	11041	WILLAMETTE INDUSTRIES, INC	MEAD	100	10/31/1999	11/1/2000
TGPFS	19540	WILLAMETTE INDUSTRIES, INC	TGP - BEAR CREEK STOR WITHDRAWAL	75	10/30/1999	10/31/2000
TGP FT	4230	ZENECA INC	EAST LOBELVILLE TENNESSEE (75-3201)	560	10/31/1999	11/1/2000
TGP FT	16770	ZENECA INC	EAST LOBELVILLE TENNESSEE (75-3201)	818	10/30/1999	10/31/2000
ETNG FT	4293	ZENECA INC	ICI AMERICAS	550	10/31/1999	11/1/2000
TGPFS	19541	ZENECA INC	TGP - BEAR CREEK STOR WITHDRAWAL	50	10/30/1999	10/31/2000