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PAID T.R.A.	
Chk #	68828
Amount	25.00
Rcvd By	JR
Date	9-24-01

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(1936 - 1983)

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September 21, 2001

Via FedEx Tracking No. 8161 3412 3988

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

PAID T.R.A.	
Chk #	68829
Amount	25.00
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RE: Petition of Chattanooga Gas Company for Approval of Tariff Establishing
Experimental Fixed Rate PGA Rider - Docket No. 01-00761

Dear Mr. Waddell:

Enclosed for filing please find the original and thirteen copies of the Petition for Intervention of Dynegy Inc. in the referenced proceeding, and a check for \$25.00 for the filing fee. Also enclosed is an original and thirteen copies of a Petition for Admission to Plead and Practice *Pro Hac Vice*, along with the \$25.00 filing fee. I would appreciate you providing me with a date stamped copy of each document in the enclosed self-addressed stamped envelope.

Thank you for your assistance in this matter.

Very truly yours,

WATSON, SPENCE, LOWE AND CHAMBLESS, LLP



Robert J. Middleton, Jr.

RJMjr/afb
Enclosure
cc: All parties

TENNESSEE REGULATORY AUTHORITY
STATE OF TENNESSEE

PETITION FOR ADMISSION TO PLEAD AND PRACTICE *PRO HAC VICE*

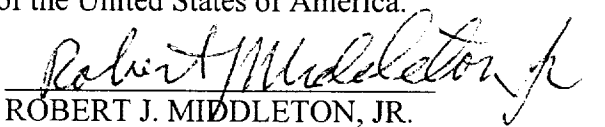
The Petition of Robert J. Middleton, Jr. respectfully shows that petitioner is now a member in good standing of the State Bar of Georgia, as evidenced by State Bar Number 504915 and is admitted to practice before the Georgia Supreme Court.

Wherefore, petitioner, prays that he be admitted as an attorney to plead and practice *pro hac vice* before the Tennessee Regulatory Authority in Chattanooga Gas Company Docket Number 01-00761 to represent Dynergy, Inc.

OATH OF ADMISSION (*PRO HAC VICE*)

I, Robert J. Middleton, Jr., do solemnly swear that as an attorney before the Tennessee Regulatory Authority for the above said case, I will conduct myself uprightly and according to law, and that I will support the Constitution of the United States of America.

DATE: 9/21/01


ROBERT J. MIDDLETON, JR.
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IT IS ORDERED that Petitioner is hereby admitted to plead and practice *pro hac vice* as Attorney for Dynergy, Inc. in the above identified case.

DATE: _____

CHAIRMAN, TENNESSEE
REGULATORY AUTHORITY

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

IN RE:

**Petition of Chattanooga Gas Company for
Approval of Tariff Establishing Experimental
Fixed Rate PGA Rider**

RECEIVED
201 SEP 24 AM 11 40
TENN. REG. AUTH.
EXECUTIVE SECRETARY
Docket No. 01-00761

PETITION TO INTERVENE OF DYNEGY INC.

COMES NOW Dynegy Inc ("Dynegy"), by its counsel and pursuant to Tenn. Code Ann. §65-2-107 and Rule 1220-1-2-.08 of the Tennessee Regulatory Authority (Authority), hereby respectfully submits its Petition to Intervene in the above-captioned docket and respectfully petitions the Authority for leave to so intervene as a full party of record. In support of this petition, Dynegy respectfully states as follows:

1.

Dynegy is one of the leading energy merchants in the United States. Dynegy markets natural gas, natural gas liquids and electricity to customers throughout the U.S., including customers in Tennessee and other nearby states. As will be discussed in more detail below, Dynegy provides natural gas products and services similar to those being proposed to Chattanooga Gas Company (Chattanooga) by its affiliate, Sequent Energy Management, LP (Sequent). Dynegy would welcome the opportunity to compete with Sequent for Chattanooga's business. Dynegy has substantial and vital interests in the outcome of the Authority's action in this docket and desires to intervene in order to protect those interests. Dynegy's rights and interests cannot be adequately represented by another party in this docket.

2.

As an initial matter, Dynegy supports Chattanooga's attempts to provide its customers with certainty regarding natural gas prices. Volatile natural gas prices can create confusion amongst customers and may create financial hardships if the volatility

trends upward in the form of higher prices, as opposed to volatility that trends downward in the form of lower prices. Providing predictable natural gas prices also allows commercial customers to plan and manage their businesses in a more predictable manner. Prudent risk management practices are increasingly being accepted, if not demanded, by regulatory agencies such as the Authority as insurance against undesirable price volatility.

3.

Mr. Larry Buie – General Manager of Chattanooga Gas Company, states in his pre-filed testimony that the Company did not take bids from other suppliers for the Fixed Rate PGA Tariff price offering because the “Company does not know of any suppliers who would be either willing or capable of managing the complete usage risk needs for a distribution company’s residential and commercial customers.”¹ Mr. Buie’s testimony is somewhat surprising from Dynegy’s perspective, because skilled wholesale suppliers such as Dynegy, and others regularly offer and provide these types of structured products. Once Chattanooga determined that the Fixed Rate PGA Tariff was something it wanted to propose for its customers, it would have been reasonable for Chattanooga to verify the information provided by its affiliate by issuing a request for proposals (RFP) to suppliers such as Dynegy to verify whether or not other suppliers would be interested and capable of providing the desired services at prices better than what Sequent offered. The results of the RFP would also have enabled the Authority to determine if the prices, terms and conditions of the Chattanooga-Sequent proposal reflected the best proposal. Furthermore, as the testimony in the recent Georgia case (footnote 2 below) showed, the wholesale suppliers like Dynegy are capable of responding to such RFPs within two weeks.

¹ Pre-filed Testimony of Larry Buie on Behalf of Chattanooga Gas Company, p. 4.

Mr. Buie's statement that the "Company does not know of any suppliers who would be either willing or capable" of providing the services is also surprising in light of testimony and evidence produced by Chattanooga's sister company, Atlanta Gas Light Company (AGLC), in a recently concluded case before the Georgia PSC.² On January 29, 2001, AGLC issued a RFP for "bundled peaking capacity" that produced approximately 35 bids from 10 suppliers including Dynegy. Uncontroverted testimony and evidence developed during the hearings clearly demonstrated that a robust wholesale market for sophisticated natural gas services exists in the southeast US. Admittedly, the "bundled peaking product" that was the subject of AGLC's RFP is different than the fixed rate, full requirements product proposed by Sequent. The difference, however, is one of degree not that of entirely different products. It is very clear, however, that Chattanooga could have at least tested the market by placing a few phone calls to the suppliers that submitted proposals to AGLC to see if those suppliers might be interested and capable of supplying the desired services. The Authority and the Attorney General likely would have been considerably more comfortable with Chattanooga's proposal had Chattanooga surveyed the market before choosing to enter into a non-arm's length agreement with its affiliate.

Circumstances surrounding Chattanooga's decision to pursue an agreement with its affiliate rather than consider market-based alternatives appears to be disturbingly similar to the circumstances surrounding the proposed arrangements between AGLC and Sequent that were soundly rejected by the Georgia PSC only one week ago.³ Mr. Buie's pre-filed testimony stated that the Company's proposed Fixed Rate PGA Tariff was developed by its affiliate, Sequent.⁴ Mr. Buie's statement and other aspects of this case raise the issue of the nature and appropriateness of Sequent's role in developing

² Docket No. 14060-U, In re: Atlanta Gas Light Company's 2001-2004 Capacity Supply Plan, decided September 14, 2001. A copy of the Georgia PSC's Order is attached for the Authority's convenience.

³ Id.

⁴ Buie testimony, p. 2.

Chattanooga's proposal. Sequent's role in developing AGLC's proposal in the Georgia case generated heated protests from every active non-affiliated party that participated in the case. Sequent's role in developing AGLC's proposal and the inherent conflicts of interest resulting from the non-arm's length relationship was one of the primary reasons why the Georgia PSC unanimously rejected AGLC's proposal and in fact, denied an existing "Bailment/Asset Management Contract" between AGLC and Sequent. The Authority and the Attorney General may want to scrutinize Sequent's role in developing Chattanooga's proposal, including any agreements that Chattanooga may have already entered into with Sequent, such as an agreement similar to the AGLC-Sequent Bailment Agreement.⁵

4.

As noted previously, Dynegy supports Chattanooga's efforts to reduce the risk to its customers by proposing the Fixed Rate PGA Tariff. Dynegy, nonetheless, has concerns about whether Chattanooga's proposed "Risk Premium" component reflects the proper balance between revenues the risk premium will produce for Chattanooga and Sequent and the risks that are being assumed by the affiliated companies. Chattanooga did not issue an RFP to solicit proposals for the fixed rate tariff offering, so Dynegy does not have access to the information necessary to determine what level of risk premium Dynegy would require in order to accept the same risks that Chattanooga and Sequent appear willing to accept. However, based upon Dynegy's knowledge of similar distribution companies in the Southeast and the limited information in Chattanooga's testimony, the proposed risk premium of \$1.24 per DT appears to be

⁵ AGLC reached agreement with Sequent on at least three separate deals including: 1) an agency agreement; 2) a bailment/asset management agreement; and 3) the proposed bundled peaking product agreement. Chattanooga's testimony does not reveal whether or not Chattanooga and Sequent have entered into similar agreements. Cross-examination of Sequent's witnesses in the Georgia case did reveal that the "Sequent solution" did involve agreements between Sequent and other AGL Resources affiliates to supply the bundled peaking product. Sequent's testimony clearly raised the inference that Chattanooga Gas may be the unidentified AGL Resources affiliate, because Chattanooga receives service from East Tennessee Pipeline and Southern Natural Gas, two pipelines that also provide service to AGLC.

relatively high considering prevailing market conditions and the cost of risk management tools available on the open market.

5.

Chattanooga's attempt to justify its fixed rate PGA tariff by comparing it to the prices charged by retail marketers in Georgia is flawed in that it attempts to compare "apples to oranges." The Georgia market is very unique having gone through a comprehensive deregulation process with attendant customer switching, meter reading, billing issues, bad debt problems, and numerous other issues. Because of these unique problems, marketers in Georgia are faced with unusually high costs that are totally irrelevant when compared to Chattanooga's cost structure. In addition, a material amount of the marketers' costs are imposed upon retail marketers by Chattanooga's sister company, AGLC, despite the marketers protest before the Georgia PSC.

6.

Chattanooga requested that the Authority act on its proposal at its September 25, 2001 meeting. Dynegy's authorized representative, Mr. David Cruthirds, Vice President and Regulatory Counsel will be unable to attend the Authority meeting due to the recent terrorist attacks on New York City and the Pentagon. Dynegy has indefinitely suspended all employee air travel. Mr. Cruthirds would be available by teleconference should the Authority desire to speak with him during its September 25, 2001 meeting. Mr. Cruthirds, of course, would be available to file written testimony or present oral testimony at a subsequent Authority hearing should this matter be set for hearing.

7.

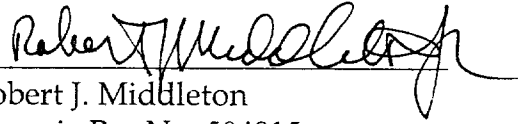
All notices, correspondence and copies of orders and other materials should be addressed as follows, and the following should be placed upon the official service list in this proceeding:

David L. Cruthirds, Esquire
Vice President and Regulatory Counsel
Dynegy Inc.
1000 Louisiana Street, Suite 5800
Houston, Texas 77002
Phone: (713) 507-6785
Fax: (713) 507-6834
e-mail: david.cruthirds@dynegy.com

Robert J. Middleton, Jr., Esquire
Watson, Spence, Lowe and Chambless, L.L.P.
320 Residence Avenue at North Jefferson Street
P.O. Box 2008
Albany, GA 31702-2008
Phone: (229) 436-1545
Fax: (229) 436-6358
e-mail: bmiddleton@wslc-attorneys.com

WHEREFORE, Dynegy Inc. respectfully requests that the Authority enter an Order granting this Petition to Intervene and allowing Dynegy to become a full party of record in these dockets all rights attendant thereto.

Respectfully submitted this 21st day of September 2001.

A handwritten signature in black ink, appearing to read "Robert J. Middleton", written over a horizontal line.

Robert J. Middleton
Georgia Bar No. 504915
Attorney for Dynegy Inc.

Watson, Spence, Lowe and Chambliss, L.L.P.
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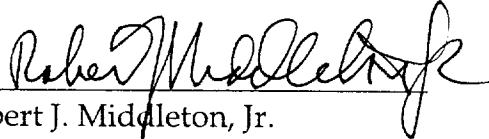
VERIFICATION

STATE OF GEORGIA

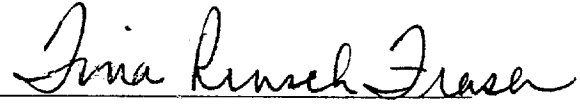
COUNTY OF DOUGHERTY

Personally appeared before the undersigned officer, duly authorized to administer oaths in the State and County aforesaid, Robert J. Middleton, Jr. who, after being duly sworn, deposes and says that he is the attorney for Dynegy and that the facts contained in the foregoing Petition to Intervene are true and correct to the best of his information and belief.

This 21st day of September 2001.


Robert J. Middleton, Jr.

Sworn to and subscribed before me
this 21st day of September, 2001.


Notary Public
My Commission Expires 03/18/02

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

IN RE:

**Petition of Chattanooga Gas Company for
Approval of Tariff Establishing Experimental
Fixed Rate PGA Rider**

Docket No. 01-00761

PETITION TO INTERVENE OF DYNEGY INC.

CERTIFICATE OF SERVICE

I certify that I have this 21st day of September, 2001 served the Foregoing
Petition to Intervene of Dynegy by overnight delivery to all parties of record at their
addresses shown below:

D. Billye Sanders, Esquire
Waller, Lansden, Dortch & Davis
511 Union Street, Suite 2100
P.O. Box 198966
Nashville, TN 37219-8966

Paul G. Summers,
Attorney General and Reporter
Chris Allen
Assistant Attorney General
Consumer Advocate and Protection Division
John Sevier Building, 3rd Floor
425 5th Avenue North
Nashville, TN 37243-0500
(615)-532-2590

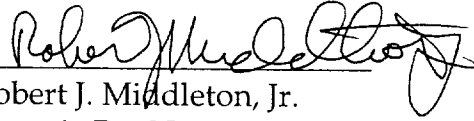
Consumer Advocate Division
Office of the Attorney General
Cordell Hull Building
426 5th Avenue North
Nashville, TN 37243-0500

Earl Burton, Manager
Marketing/Rates
Chattanooga Gas Company
6125 Preservation Drive

Chattanooga, TN 37416

Archie Hickerson, Manager-Rates
AGL Resources
Location 1686
Atlanta, GA 30302-4569

William H. Novak
Vice President of Regulatory Committee
Sequent Energy Management, LP
Location 7500
Atlanta, GA 30302-4569


Robert J. Middleton, Jr.
Georgia Bar No. 504915

TENNESSEE REGULATORY AUTHORITY
STATE OF TENNESSEE

PETITION FOR ADMISSION TO PLEAD AND PRACTICE *PRO HAC VICE*

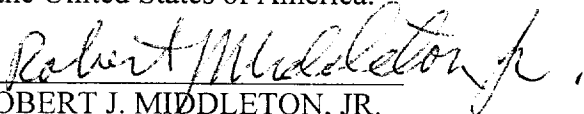
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CHAIRMAN, TENNESSEE
REGULATORY AUTHORITY