

**IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

DOCKET TO EVALUATE

CHATTANOOGA GAS COMPANY'S

GAS SUPPLY, PIPELINE CAPACITY

AND ASSET MANAGEMENT

ARRANGEMENTS

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DOCKET NO. 07-00224

PETITION TO INTERVENE

Robert E. Cooper, Jr., the Attorney General and Reporter for the State of Tennessee, through the Consumer Advocate and Protection Division of the Office of Attorney General ("Consumer Advocate"), pursuant to Tenn. Code Ann. § 65-4-118, respectfully petitions to intervene in this docket on behalf of the public interest, because the Consumer Advocate is concerned about the potential that assets at issue in this docket are being sold for less than their fair market value, thereby depriving customers of Chattanooga Gas Company ("CGC") of money that should be used to lower the rates they pay for natural gas service. For cause, the Petitioner would show as follows:

1. The Consumer Advocate is authorized by Tenn. Code Ann. § 65-4-118 to represent the interests of Tennessee consumers by initiating contested cases and by participating or intervening in proceedings in accordance with the Uniform Administrative Procedures Act and Tennessee Regulatory Authority rules.

2. CGC is a public utility regulated by the Tennessee Regulatory Authority. CGC sells and distributes natural gas to consumers in the State of Tennessee. CGC's principal place of business in Tennessee is 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

3. The natural gas pipeline and distribution system used by CGC and paid for by

customers of CGC is specifically designed to be able to provide enough capacity to carry the gas needed to heat homes and buildings and provide for other needs on the coldest day of the year. Because this design is based on the highest expected demand during cold weather, there is generally an unused portion of the pipeline and distribution system available at other times of the year. This unused system capacity is currently being sold by CGC to an affiliated business, Sequent, LLC (“Sequent”). Customers of CGC have the right to receive the fair market value for the sale of any unused space or capacity on the pipeline and distribution system built for and/or paid by them. It is necessary to investigate the sale of such unused space or capacity by CGC to its affiliated business, Sequent, in order to ensure that it is not being sold for less than its fair market value.

4. The Consumer Advocate consistently has sought to address capacity issues in the context of a contested case for a significant period of time. In the latest CGC rate case, on August 23, 2006, the Consumer Advocate stated, “The issues include asset management arrangements, the appropriate level of capacity subscription for which consumers are required to pay, the role of affiliates in managing and profiting from assets paid for by consumers, and the right of consumers to benefit from the assets for which they have paid.” (TRA docket no. 06-00175, Consumer Advocate’s Response to Discovery Objections, page 4). Also in that docket, on February 9, 2007, the Consumer Advocate filed a detailed list of specific issues to be addressed by the Tennessee Regulatory Authority. (TRA docket no.06-00175, Consumer Advocate’s Phase 2 Issues List).

5. In its motion to close the rate case docket, CGC said, “CGC’s current ACA docket (06-00298) has been convened as a contested case, so this docket will afford the parties the same opportunity to discuss and litigate the capacity and asset management issues.” (TRA docket no. 06-00175, CGC’s Request to Close Docket, page 2). In an effort to get beyond the issue of which

docket was most appropriate to address these issues, the Consumer Advocate petitioned to intervene in CGC's Actual Cost Adjustment ("ACA") docket on May 17, 2007. (TRA docket no. 06-00298, Consumer Advocate's Petition to Intervene).

6. At the TRA conference on July 9, 2007, Chairman Roberson said, "With respect to the asset management and capacity release issues proposed by the Consumer Advocate and the CMA, I move that we open a new docket in which the company, the Consumer Advocate, and the CMA may intervene." (Transcript of Authority Conference, July 9, 2007, page 33, lines 9-13). Also at that TRA conference, in voting to close the ACA docket, Director Jones said, "I vote yes and also offer the comment that the Advocate feel free to file its intervention in the new docket." (Transcript of Authority Conference, July 9, 2007, page 36, lines 21-23).

7. The Tennessee Regulatory Authority opened the present TRA docket no. 07-00224 "to consider issues concerning asset management and capacity release raised by the Consumer Advocate and Protection Division of the Office of the Attorney General and the Chattanooga Manufacturers Association." (TRA docket no. 06-00175, Order Closing Phase II of Docket, page 4). The December 17, 2007 TRA order also says, "The Consumer Advocate and Protection Division of the Office of the Attorney General and the Chattanooga Manufacturers Association may file a petition to intervene in the new docket for consideration of the Authority or Hearing Officer as appropriate." (TRA docket no. 06-00175, Order Closing Phase II of Docket, page 4).

8. The Tennessee Regulatory Authority clearly contemplated that the Consumer Advocate would be allowed to intervene in this docket. Also, investigation and discovery will be needed to analyze this case and to determine the appropriate resolution of the issues.

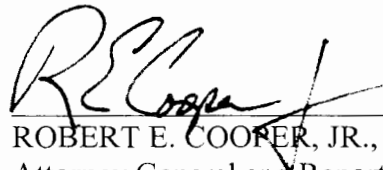
9. The Consumer Advocate has been allowed to intervene in TRA docket no. 07-00225,

which was opened to evaluate similar issues with Atmos Energy Corporation. (TRA docket no. 07-00225, Order Granting Petition to Intervene).

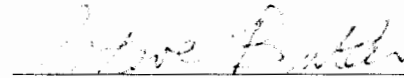
10. Only by intervening and participating in this proceeding can the Consumer Advocate work adequately to protect the interests of consumers.

Wherefore, Petitioner respectfully asks the Authority to grant the Petition to Intervene.

RESPECTFULLY SUBMITTED,



ROBERT E. COOPER, JR., B.P.R. #10934
Attorney General and Reporter
State of Tennessee



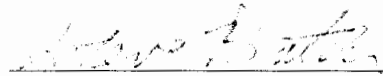
STEPHEN R. BUTLER, B.P.R. #14772
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202
(615) 741-8722

Dated: 12-23-01

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via first-class U.S. Mail, postage prepaid, or electronic mail upon the parties of record in this case.

This the 28th day of December, 2007.



Stephen R. Butler
Assistant Attorney General

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