

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

**IN RE: DOCKET TO EVALUATE                    )**  
**CHATTANOOGA GAS COMPANY'S            )**       **DOCKET NO. 07-00224**  
**GAS PURCHASES AND RELATED            )**  
**SHARING INCENTIVES                    )**

**SECOND DISCOVERY REQUESTS OF THE CONSUMER ADVOCATE AND  
PROTECTION DIVISION TO CHATTANOOGA GAS COMPANY**

**To:   Chattanooga Gas Company  
      c/o J.W. Luna  
      333 Union Street, Ste. 300  
      Nashville, Tennessee 37219**

This Discovery Request is hereby served upon Chattanooga Gas Company, (“CGC” or “Company”), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg 1220-1-2-.11. The Consumer Advocate and Protection Division (“Consumer Advocate” or “CAPD”) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Timothy Phillips, on or before August 29, 2008.

**PRELIMINARY MATTERS AND DEFINITIONS**

Each discovery request calls for all knowledge, information and material available to Company, as a party, whether it be Company's, in particular, or knowledge, information or material possessed or available to Company's attorney or other representative.

These discovery requests are to be considered continuing in nature, and are to be

supplemented from time to time as information is received by Company which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that the Company supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the facts and substance of the expert's testimony.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. The singular of any discovery request includes the plural and the plural includes the singular. To assist you in providing full and complete discovery, the Attorney General provides the following definitional guidelines.

The terms "and" and "or" shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term "communication" means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

For purposes of these discovery requests, the term "you" shall mean and include: Chattanooga Gas Company and all employees, agents and representatives thereof.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term “identity” and “identify” as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, the title of the document, the reference number (if any) of the document, and the current location of the document, including the identity of the person or entity in possession of the document.

The term “document” as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, workpaper, spreadsheet, note, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document was, but no longer is, in your possession or control, state what disposition was made of it and when. If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each document and identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

## **DISCOVERY REQUESTS**

**1. At page 6, lines 13-19, Mr. Sherwood testifies:**

CGC's LNG peaking facility is located on the distribution system and therefore benefits the system by allowing the LDC to contract for a lower level of firm pipeline transportation. It also protects customer from events that may make traditional sources of supply unavailable. This resource can only provide deliverability for a few days due to storage limitations.

- a. Identify and explain any events in the past 10 years where CGC's LNG peaking facility has been used when CGC's traditional sources of supply have been unavailable.
- b. Identify the number of days for delivery at 60,000 dth per day.
- c. Identify the number of days for delivery at 70,000 dth per day.
- d. Identify the locations of the storage facilities.
- e. Identify each facility's storage capacity in dekatherms.

**Admit:**

- f. East Tennessee Natural Gas Pipeline's (ETNG) firm pipeline transportation to CGC during the peak season is a more reliable source of supply than CGC's LNG peaking facility.
- g. Southern Natural Gas Pipeline's (SONAT) firm pipeline transportation during the peak season is a more reliable source of supply than CGC's LNG peaking facility.

**For the LNG peaking facility's storage sites, identify for each month from August 1, 2005 through July 31, 2008:**

- h. The lowest amount stored in each facility and the day of that lowest amount.
- i. The highest amount stored in each facility and the day of that highest amount.
- j. The average daily amount stored in each facility.
- k. The days when the LNG facility was meeting CGC's load and the amount of the facility's output.

**RESPONSE:**

**2. Admit:**

For each month from August 1, 2005 through July 31, 2008, CGC's LNG storage facilities never contained any natural gas delivered to CGC via the East Tennessee Natural Gas Pipeline (ETNG). If denied, identify by month the amount of natural gas placed into each storage site via the ETNG pipeline, the total cost of the natural gas placed into storage, a description of the individual components of total cost and the amount of each individual component.

**RESPONSE:**

**3. Admit:**

For each month from August 1, 2005 through July 31, 2008, CGC's LNG storage facilities never contained any natural gas delivered to CGC via the Southern Natural Gas Pipeline (SONAT). If denied, identify by month the amount of natural gas placed into each storage site via the SONAT pipeline, the total cost of the natural gas placed into storage, a description of the individual components of total cost and the amount of each individual component.

**RESPONSE:**

**4. At page 7, lines 10-12, Mr. Sherwood testifies:**

Design day usage is the maximum daily firm load for firm customers with firm supply rights on CGC's distribution system.

**At page 8, lines 3-9, Mr. Sherwood testifies:**

The Company does continue to have an obligation to meet the firm supply needs of rate class customer T-2 (Interruptible Transportation Service with Firm Gas Supply Backup) and T-3 (Low Volume Transport Service) Rate Schedules, which have the right to switch between firm supply and self supply and were excluded from Dr. Brown's annual volume analysis. In addition CGC has an obligation to its industrial customers serviced under the F-1 (Large Volume Firm Service) Rate Schedule that were also excluded in the list of customers that Dr. Brown classified as firm customers.

**Admit:**

- a. CGC's revenues per CCF for sales to the T-2,T-3, and F-1 customer classes are only 20 percent of CGC's revenues per CCF for sales to all the other customer classes combined. If denied, provide the revenues per CCF for each customer class for each year for the years ending December 31, 2005, 2006, and 2007.
- b. CGC has no criteria for giving firm supply rights to the T-2,T-3, and F-1 customer classes. If denied, explain the criteria for CGC giving each class firm supply rights.
- c. CGC has no public utility obligation to serve the T-2, T-3, and F-1 customer classes. If denied, fully explain the public utility obligation which CGC has for each class.
- d. CGC's policy is to offer firm supply to the T-2, T-3, and F-1 customer classes because the more firm supply rights are granted, the more year-round capacity CGC needs.

**RESPONSE:**

**5. At page 8, lines 12-16, Mr. Sherwood testifies:**

As outlined in exhibit TSS-2, CGC maintains an amount of firm design day capacity to reliably meet the needs of customers with firm supply rights under certain extreme weather conditions, when the need for reliable natural gas service for space heating is most important to our customers. The only change that has been made to CGC's capacity since its purchase has been to reduce capacity.



**Admit:**

- a. CGC has not reduced storage capacity on the Tennessee Gas Pipeline. If denied, identify the amount of the reduction, the year and month in which the reduction occurred and the contracts involved in the reduction.
- b. CGC has not reduced storage capacity on the Southern Natural Gas Pipeline. If denied, identify the amount of the reduction, the year and month in which the reduction occurred and the contracts involved in the reduction.

**RESPONSE:**

**6. At page 13, lines 7-10, Mr. Sherwood testifies:**

More importantly, neither Southern Natural Gas nor East Tennessee have firm seasonal capacity posted as available on their systems and both have specifically refused to provide such service to CGC, if CGC were not willing to accept interruptions in service in the winter period or pay the same annual price for the service.

- a. Provide all documents supporting Mr. Sherwood's statement and identify the dates when such requests were made and the dates when such requests were refused.
- b. Provide a full explanation of the terms "seasonal capacity" and "same annual price."

**RESPONSE:**

**7. At page 12, lines 3-15, Mr. Sherwood testifies:**

The company originally held a single firm transport contract on ETNG for 46,350 Dth/d. For added contract level flexibility the company negotiated with ETNG to break this single contract down into 3 separate contracts. Contracts 410203 for 13,000 Dth 410204 for 28,350 Dth/d and 410199 for 5,000 Dth/d. In total the contracted capacity matched the single contract being replaced. As a part of the negotiations with the pipeline to disaggregate the capacity contract, the utility elected to move 5,000 Dth receipt capacity off of Ridgetop and move it to Hartsville. This capacity was destined to be turned back to the pipeline. Without breaking the capacity contract into 3 separate contracts any reduction would have to be made on a pro-rata basis across all the receipt and delivery points under contract. CGC did not want to proceed in that manner. The parties agreed to move receipt capacity off of Ridgetop to allow the pipeline to offer that capacity in the marketplace. So the pipeline was able to re-market capacity and the utility was able to reduce its contracted capacity per the pipeline's FERC approved tariff.

- a. Provide all documents identifying the date and time when CGC decided that its contract 33653 with ETNG should be subdivided into new contracts 410203, 410,204 and 410,299.
- b. Provide a full explanation of the facts and considerations which caused CGC to decide that its contract 33653 with ETNG should be subdivided into new contracts 410203, 410,204 and 410,299.

c. Provide a full explanation of the facts and considerations which caused CGC to decide “to move 5,000 Dth/d receipt capacity off of Ridgetop.”

d. Provide a full explanation of the facts and considerations which caused CGC to decide to keep 4,899 Dth/d receipt capacity at Dickenson County Receipt Point In Virginia.

**Admit:**

e. Contract 33653 provided CGC with 4,899 Dth/d of receipt capacity at ETNG’s Dickenson County Receipt Point In Virginia. If denied provide documents to support your reply.

f. Contract 41204 provides CGC with 4,899 Dth/d of receipt capacity at ETNG’s Dickenson County Receipt Point In Virginia. If denied provide documents to support your reply.

**RESPONSE:**

**8. At page 11, lines 9-15, Mr. Sherwood testifies:**

As is illustrated in exhibit TSS-4, Saltville Storage as well as ETNG peaking facility are both located east of CGC’s service territory and not along the path of its existing FT capacity, which is sourced from the west end of the system and provides for firm rights to the CGC system.

**Admit:**

- a. ETNG's Dickenson County Receipt Point In Virginia is east of CGC's service territory and is not along the path of CGC's existing FT capacity. If denied provide documents to support your reply.

**RESPONSE:**

**9. At page 12, line 22 to page 13 line 2, Mr. Sherwood testifies:**

It is CGC's understanding that Sequent had placed a request for a receipt point shift for existing capacity in the pipeline's firm service queue. When the capacity became available it was awarded by the pipeline to the parties in the queue in accordance with the provisions of the pipeline's FERC approved tariff.

- a. Provide a full explanation of the circumstances which led to CGC's understanding, as described by Mr. Sherwood.
- b. Provide copies of any communications to or from CGC where such communications assisted CGC to establish its understanding as described by Mr. Sherwood.

**RESPONSE:**

**10. At page 17, lines 9-12 Mr. Sherwood testifies:**

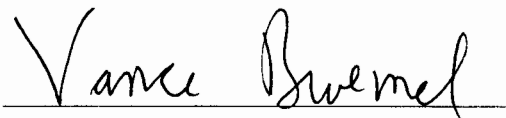
CGC has been very successful in returning very favorable gains to its customers. Over the past thirty-nine months, CGC's customers have received approximately \$7.9 million for the non-jurisdictional sale of gas supply assets that otherwise would have been sitting idle.

**Admit:**

- a. CGC would have fewer idle assets if it reduced the amount of year-round pipeline capacity CGC subscribes to. If denied fully explain your reply.
- b. The \$7.9 million CGC's customers have received does not include any compensation from Sequent for its use of CGC's assets to make non-jurisdictional sale of gas via the Transco pipeline. If denied fully explain your reply.

**RESPONSE:**

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, reading "Vance Broemel". The signature is written in a cursive, flowing style. The first name "Vance" is written above the last name "Broemel". The signature is positioned above a horizontal line.

VANCE BROEMEL, B.P.R. #11421

Assistant Attorney General

Timothy C. Phillips  
TIMOTHY C. PHILLIPS, B.P.R. #22287 *by Vane*  
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Dated: August 6, 2008

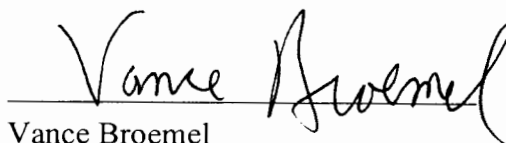
### CERTIFICATE OF SERVICE

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:

J.W. Luna, Esq.  
Jennifer Brundige, Esq.  
Farmer & Luna  
333 Union Street  
Suite 300  
Nashville, TN 37201

Kelly Cashman-Grams  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

This the 6<sup>th</sup> day of August, 2008.



Vance Broemel  
Assistant Attorney General

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