BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

August 26, 2008

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

CHATTANOOGA GAS COMPANY'S RESPONSES AND OBJECTIONS TO CAPD'S SECOND DISCOVERY REQUESTS

Pursuant to the February 19, 2008 Order on the February 11, 2008 Status Conference, Chattanooga Gas Company ("CGC" or "Company") files these Responses and Objections to the Second Discovery Requests of the Consumer Advocate and Protection Division ("CAPD") of the Office of the Attorney General.

CGC is setting forth its general objections below. Any specific objection to an individual question is contained within the response to that question.

GENERAL OBJECTIONS

CGC objects generally to any definitions or instructions to the extent that they are inconsistent with and request information that is beyond the scope of the Tennessee Rules of Civil Procedure, and CGC will respond consistent therewith. CGC further objects to these discovery requests to the extent they seek information that is beyond the scope of legitimate discovery in this proceeding or subject to the attorney-client privilege or attorney work product doctrine. These objections are continuing and are incorporated by reference in response to all discovery requests to the extent applicable. Any additional objections to specific discovery requests shall not constitute a waiver of these General Objections.

CGC'S RESPONSES AND OBJECTIONS TO 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.

QUESTION:

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.

RESPONSE:

a. CGC does not track pipeline supply disruptions associated with SNG and ETNG that would require gas to be dispatched from CGC's LNG plant. However, an event categorized as a "force majeure" may require CGC to dispatch gas from its LNG plant to serve customer demand.

QUESTION:

b. Identify the number of days for delivery at 60,000 dth per day.

RESPONSE:

b. Filled to capacity the CGC LNG plant can deliver 60,000 dth per day for 20 days.

QUESTION:

c. Identify the number of days for delivery at 70,000 dth per day.

RESPONSE:

c. Filled to capacity the CGC LNG plant can deliver 70,000 dth per day for 17 days.

QUESTION:

d. Identify the locations of the storage facilities.

RESPONSE:

d. The facility is located at:
3401 N Hawthorne St
Chattanooga, TN 37421

QUESTION:

e. Identify each facility's storage capacity in dekatherms.

RESPONSE:

e. The CGC LNG plant has one storage tank which holds 1,207,574 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.

RESPONSE:

f. Deny. In a circumstance where there is a loss of supply entering the pipeline system or the failure of the pipeline compressor station or a malfunction in the facilities interconnecting the pipeline to the CGC system, CGC's LNG peaking facility would be more reliable than the pipeline. This is why CGC plans its portfolio to utilize a mix of supply resources that would not all be impacted by the same circumstance, thus increasing overall system reliability.

ADMIT:

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.

RESPONSE:

g. Deny. In a circumstance where there is a loss of supply entering the pipeline system or the failure of the pipeline compressor station or a malfunction in the facilities interconnecting the pipeline to the CGC system, CGC's LNG peaking facility would be more reliable than the pipeline. This is why CGC plans its portfolio to utilize a mix of supply resources that would not all be impacted by the same circumstance, thus increasing overall system reliability.

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

QUESTION:

h. The lowest amount stored in each facility and the day of that lowest amount.

RESPONSE:

h. The lowest amount of LNG stored was 441,290 dth on May 21, 2008.

QUESTION:

i. The highest amount stored in each facility and the day of that highest amount.

RESPONSE:

i. The highest amount of LNG stored was 982,443 dth on November 30, 2005.

QUESTION:

j. The average daily amount stored in each facility.

RESPONSE:

j. The average daily amount stored from August 1, 2005 through July 31, 2008 was 727,658 dth.

QUESTION:

k. The days when the LNG facility was meeting CGC's load and the amount of the facility's output.

RESPONSE:

k.

LNG Vaporization for CGC Customer Demand

Date	LNG WDs
24-Dec-05	-2,040
01-Jan-06	-6,970
30-Jan-06	-2,556
01-Feb-06	-2,978
06-Feb-06	-4,929
07-Feb-06	-8,587
01-Mar-06	-2,367
01-Aug-06	-2,970
02-Aug-06	-2,840
29-Sep-06	-2,354
30-Sep-06	-2,478
02-Oct-06	-2,361
03-Oct-06	-2,561
04-Oct-06	-2,887
05-Oct-06	-3,103
15-Nov-06	-2,056
16-Nov-06	-9,042
07-Dec-06	-10,968
08-Dec-06	-14,315
01-Jan-07	-14,483
25-Jan-07	-8,765
29-Jan-07	-13,019

30-Jan-07	-6,969
01-Feb-07	-3,853
02-Feb-07	-6,879
03-Feb-07	-6,639
04-Feb-07	-8,149
05-Feb-07	-26,270
08-Feb-07	-2,273
09-Feb-07	-18,785
10-Feb-07	-5,240
14-Feb-07	-28,520
15-Feb-07	-28,197
16-Feb-07	-21,516
17-Feb-07	-17,144
18-Feb-07	-15,575
01-Apr-07	-2,665
01-May-07	-2,780
06-Oct-07	-7,826
16-Nov-07	-2,406
02-Jan-08	-49,687
03-Jan-08	-37,604
04-Jan-08	-1,597
15-Jan-08	-14,079
17-Jan-08	-3,111
19-Jan-08	-16,649
20-Jan-08	-30,354
21-Jan-08	-22,399
22-Jan-08	-10,632
23-Jan-08	-6,616
24-Jan-08	-41,453
25-Jan-08	-15,924
13-Feb-08	-8,115
27-Feb-08	-21,934
01-Mar-08	-2,806
01-Apr-08	-5,020
01-May-08	-1,940

All volumes are in dth

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:

Deny. Gas used for liquefaction into the LNG storage tank at the CGC peaking facility is not separately tracked by pipeline. However, due to the nature of system operations, the Company can confirm that some gas delivered via East Tennessee Natural Gas pipeline was delivered, liquefied and stored in the LNG tank. See the table below for the cost.

LNG Liquefaction Volumes and Cost

Date	Volume	Cost	Cost of Liquefaction	Turbine Fuel	Cost of Turbine Fuel	Use Tax on Turbine Fuel
Oct-05	122,837	$ 2,114,243	$ 1,700,546	27,928	$ 386,633	$ 27,064
Nov-05	264,638	$ 4,423,919	$ 3,662,156	51,446	$ 711,928	$ 49,835
Dec-05	8,247	$ 157,008	$ 102,742	4,071	$ 50,717	$ 3,550
Jul-06	7,470	$ 74,143	$ 49,071	3,567	$ 23,432	$ 1,640
Aug-06	171,748	$ 1,135,817	$ 954,576	30,476	$ 169,383	$ 11,857
Sep-06	31,493	$ 244,405	$ 209,137	4,963	$ 32,961	$ 2,307
May-07	128,210	$ 1,253,858	$ 1,034,468	25,412	$ 205,038	$ 14,353
Jun-07	267,982	$ 2,592,353	$ 2,152,710	51,149	$ 410,882	$ 28,762
Jul-07	43,042	$ 326,875	$ 271,155	8,266	$ 52,074	$ 3,645
May-08	78,764	$ 1,060,463	$ 864,529	16,683	$ 183,116	$ 12,818
Jun-08	285,748	$ 4,074,092	$ 3,410,602	51,952	$ 620,083	$ 43,406
Jul-08	298,265	$ 4,461,906	$ 3,751,547	52,782	$ 663,887	$ 46,472

All volumes are in mcf

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:

Deny. Gas used for liquefaction into the LNG storage tank at the CGC peaking facility is not separately tracked by pipeline. However, due to the nature of system operations, the Company can confirm that some gas delivered via Southern Natural Gas pipeline was delivered, liquefied and stored in the LNG tank. See the table below for the cost.

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Jul-08	298,265	$ 4,461,906	$ 3,751,547	52,782	$ 663,887	$ 46,472

All volumes are in mcf

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.

RESPONSE:

a. Deny. The revenue per CCF for gas sold to customers served under the T-2, T-3, and F-1 Rate schedules is greater than 20% of the revenues per CCF for sales to other customer classes on an individual class or a combined basis. Average revenue per CCF for gas sold to the various classes is as follows:

		2007 Per CCF	2006 Per CCF	2005 Per CCF
Sales				
R-1 (RESIDENTIAL GENERAL SERVICE)	Sales	$ 1.35	$ 1.17	$ 1.26
R-4 (Multi-Family Housing Svc.)	Sales	$ 1.10	$ 1.17	$ 1.32
C-1 (Commercial & Industrial Svc.)	Sales	$ 1.81	$ 1.28	$ 1.23
C-2 (Medium Commercial & Industrial General Svc.)	Sales	$ 1.11	NA	NA
I-1 (Interruptible Service)[Includes interruptible sales to T-1 customers 2005 and 2006]	Sales	$ 0.80	$ 0.76	$ 0.74
F-1 (Large Volume Firm Service) [Including backup service provided under the T-2 Rate Schedule]	Sales	$ 1.06	$ 0.98	$ 0.98
T-3 (Low Volume Firm Service & Transportation)	Sales	$ 0.99	NA	NA

ADMIT:

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.

RESPONSE:

b. Deny. The criteria for providing firm supply rights to the T-2, T-3, and F-1 customers classes is the same as the criteria for providing firm supply rights to customers served under the R-1, R-4, C-1 and C-2 Rate Schedules, CGC's tariff as approved by the TRA.

ADMIT:

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.

RESPONSE:

c. CGC objects to the use of the term "public utility obligation" in this question as being vague and ambiguous and not defined in the statute or rules governing public utilities or in these discovery requests. Not

waiving said objection, CGC responds as follows: Deny. As the natural gas utility operating under a Certificate of Public Convenience and Necessity granted by the Tennessee Public Service Commission, [the predecessor to the TRA], CGC has an obligation to provide service to its customers in accordance with the tariff approved by the TRA. In accordance with its approved tariff, CGC has an obligation to provide firm sales service to customers served under Rate Schedule F-1. In accordance with its approved tariff, CGC has an obligation to provide transportation service on an interruptible basis, and to provide firm backup sales service equal to the customers' billed demand level for customers served under Rate Schedule T-2. Similarly, under its approved tariff, CGC has an obligation to provide transport service to customers, and supply firm sales service at C-2 rates for customers served under the T-3 Rate Schedule.

ADMIT:

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:

d. Deny. Customers served under these rate classes are provided firm supply rights in accordance with the tariffs filed with and approved by the TRA.

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.

RESPONSE:

a. The Company has not found it beneficial to the customers of CGC to reduce the level of storage capacity on Tennessee Gas Pipeline needed to meet seasonal load, enhance supply reliability, and service weather swing requirement.

ADMIT:

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:

b. The Company has not found it beneficial to the customers of CGC to reduce the level of storage capacity on Southern Natural Gas Pipeline needed to meet seasonal load, enhance supply reliability, and service weather swing requirement.

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.

QUESTION:

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.

RESPONSE:

a. CGC reviews information posted on Southern Natural Gas and East Tennessee Natural Gas's electronic bulletin board ("EBB") for available capacity. During any number of discussions with pipeline representatives questions regarding available capacity may also be discussed. Neither has resulted in the Company identifying available seasonal capacity at this point. The EBBs for the pipelines can be accessed using the following links:

Southern Natural Gas

http://ixsnp.sonetpremier.com/ebbSNG/AvailCap/AvailCapUnSub.asp?sPipelineCode=SNG

East Tennessee Natural Gas

http://infopost.spectraenergy.com/infopost/default.asp?pipe=ET

QUESTION:

b. Provide a full explanation of the terms "seasonal capacity" and "same annual price."

RESPONSE:

b. The term "seasonal capacity" as first introduced in Dr. Brown's testimony on page 4 of 80 and again in Mr. Sherwood's testimony as noted is meant to convey the idea of contracting for firm transport capacity on a pipeline offering delivery service to CGC throughout a service period of less than 12 months per year. Since CGC's load is driven largely by weather the service period would need to reflect that fact. The term "same annual price" is used in Mr. Sherwood's testimony to say that even if the pipelines could offer seasonal capacity they are not willing to forgo revenues as a result. Both pipelines have stated that any such capacity offering would result in CGC paying the amount of money as if the Company held the firm capacity year round.

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.

QUESTION:

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.

RESPONSE:

a. The Company does not have date specific documents to provide that relates to its decision regarding contract 33653 with ETNG and its subdivision into contracts 410203, 410204, and 410199. The Company's decision to proceed in this way was the result of routine internal business planning meetings.

QUESTION:

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.

RESPONSE:

b. Mr. Sherwood's original testimony explained the facts and considerations which caused CGC to subdivide contract 33653 into contracts 410203, 410204, and 410199. That testimony is shown here:

"For added contract level flexibility the Company negotiated with ETNG to break this single contract down into 3 separate. Contracts 410203 for 13,000 Dth/d, 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 negotiations with the pipeline to disaggregate the capacity contract, the utility elected to move 5,000 Dth of 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."

QUESTION:

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."

RESPONSE:

c. East Tennessee Natural Gas agreed to subdivide the contracts as previously described knowing CGC planned on turning the capacity back to them. To facilitate this potential loss of revenue the parties agreed to shift 5,000 Dth/d of Ridgetop receipt entitlements to an alternative point. By moving off of Ridgetop it freed up capacity that ETNG knew it could re-sell to other shippers. It is in both party's best interest for the pipeline to contract for as much firm transport capacity as possible across its system to spread the cost of service as completely as possible.

QUESTION:

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.

RESPONSE:

d. CGC elected to retain the 4,899 Dth/d of receipt capacity from Dickenson County Receipt Point in Virginia to provide a level of geographic supply diversity. Supply diversity was introduced and discussed in the Company's response to Data Request # 1 herein.

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.

RESPONSE:

e. Admit. Contract 33653 did include firm receipt capacity in the amount of 4,899 Dth/d at ETNG's Dickenson County Receipt Point in Virginia.

ADMIT:

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:

f. Admit. Contract 410204 does include firm receipt capacity in the amount of 4,899 Dth/d at ETNG's Dickenson County Receipt Point in Virginia.

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:

a. Admit. ETNG's Dickenson County Receipt Point in Virginia is east of CGC's service territory. It is incorrect to say it is not along the path of CGC's existing firm transport capacity since this point specifically defines the origin of a firm delivery path as part of the entitlements under contract 410204. Receipt of gas at points that lay between Dickenson County and CGC's system would be considered secondary and subject to interruption based on the operating conditions of ETNG's pipeline system.

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.

QUESTION:

a. Provide a full explanation of the circumstances which led to CGC's understanding, as described by Mr. Sherwood.

RESPONSE:

a. Mr. Sherwood asked Sequent and they explained the process they went through to make the receipt point change.

QUESTION:

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:

b. A note to Mr. Sherwood from Sequent is attached.

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.

RESPONSE:

a. Deny. CGC must contract for adequate firm delivery capacity to meet the peak or "design day" needs of its customers. Depending upon the resource acquired to meet the design day capacity needs of the customers, assets could be more or less idle.

ADMIT:

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:

b. Deny. CGC has no assets on the Transco pipeline. There would be no direct non-jurisdictional sales of gas via the Transco pipeline. When SEM uses fallow CGC ETNG transportation to make a delivered sale into Transco at the ETNG/Transco pipeline interconnect (Cascade Creek), that activity is captured on CGC's ETNG transport contract(s) and documented accordingly in the CGC's third party transportation book. Revenue is captured under the ETNG pipeline and cost is captured under the TGP

pipeline (or ETNG pipeline if supply was bought on ETNG). Similarly, if SEM uses fallow CGC SNG transportation to make a delivered sale into Transco at the SNG/Transco market area pipeline interconnect (Jonesboro), that activity is captured on CGC's SNG transport contract and documented accordingly in the CGC third-party transportation book. Revenue and cost is captured under the SNG pipeline. The gain from any such transaction would be shared with CGC's customers.

Respectfully submitted,

FARMER & LUNA, PLLC

By: _____

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Nashville, TN 37201
(615) 254-9146

Attorneys for Chattanooga Gas Company

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forwarded by hand delivery on this the 26th day of August, 2008, to the following:

Kelly Cashman-Grams, Hearing Officer
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-00505

Cynthia E. Kinser (Mills), Deputy
Timothy C. Phillips
Stephen R. Butler
Consumer Advocate and Protection Division
Office of Attorney General
2nd Floor
425 5th Avenue North
Nashville, TN 37243-0491

Corey Hines

From: Brad Freeman
Sent: Friday, July 18, 2008 2:30 PM
To: Tim Sherwood; Corey Hines
Cc: Lance Roth; Scott Goodell; Alfonso Trabulsi
Subject: Question about ET capacity at Ridgetop

As you requested, I have summarized some of the changes on our patriot capacity, particularly about the 8526 of receipt rights Sequent Energy Management (SEM) has at Ridgetop.

SEM originally acquired capacity from NUI Energy Brokers in May, 2003. I am not concerned with the Saltville related pieces just the long haul piece of 25,000 with 13,000 receipts at Hartsville and 12,000 receipts at Mt. Pleasant and 25,000 delivery rights at Cascade Creek.

CGC decided to turn back 5000 of East Tennessee capacity to reduce demand costs for CGC customers. In early 2005, CGC worked with East Tennessee to prepare to turn back this capacity. Effective May 1, 2005, CGC split out their one contract into 3 pieces to coincide with the 3 different expiration pieces. In this splitout, the 5000 dth that CGC was planning to turn back was on a separate contract and expired 10/31/2006. CGC had some East Tennessee capacity with Ridgetop receipts that they did not have upstream firm capacity to match up. Part of this East Tennessee capacity was associated with some CNG storage that expired several years prior. CGC shifted 5000 of their receipts from Ridgetop to Hartsville for the one winter period (5/1/2005 to 10/31/2006 when it would expire). CGC never had to buy Hartsville (TETCO receipts) to fill this capacity.

Some time after CGC made the changes noted above, effective May 1, 2005, SEM requested two point change requests both for 5000 of the SEM existing Patriot capacity. SEM requested two point changes to SEM capacity: 1) SEM requested a delivery point shift of 5000 from Cascade Creek to Atlanta delivery point and on the receipt side SEM requested 5000 of primary receipt rights get shifted from Hartsville to Ridgetop. East Tennessee indicated that our request was possible and approved the receipt point amendment and the delivery point amendment for 5000 of the capacity on our patriot contract effective 5/1/2005. These requests were granted since the primary receipt rights and delivery rights were available upon request (no rate change). Please note that the SEM point change amendments were on SEM contracts, were not incremental contracts, and completely followed the FERC processes to request such changes. Any shipper could have made the same request that SEM made. SEM did not pick up the capacity that was turned back to East Tennessee by CGC.

Effective on 4/1/2006, East Tennessee had an open season for incremental 25,000 of capacity with receipt rights at Ridgetop due to some pipeline/compressor improvements. SEM requested the remaining 8,000 of Hartsville receipt rights to be shifted to Ridgetop as part of the open season by East Tennessee. Again SEM's request was for a receipt point amendment and was not for incremental capacity. Apparently all of the incremental capacity in the open season was not subscribed to by shippers. East Tennessee had remaining receipt right capacity at Ridgetop of only 3526. Therefore SEM was only allowed to shift 3526 to Ridgetop from Hartsville as a point amendment with no rate change.

Both times SEM moved their receipt rights from Hartsville to Ridgetop there was no rate change.

Let me know if you need further clarification.

Sincerely,
Brad

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