

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

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

CONSUMER ADVOCATE'S MOTION TO COMPEL

Robert E. Cooper, Jr., the Attorney General and Reporter for the State of Tennessee, through the Consumer Advocate and Protection Division ("Consumer Advocate"), respectfully moves the Authority to compel Chattanooga Gas Company ("CGC") to fully and completely respond to its discovery requests as set forth below.

INTRODUCTION

The discovery in dispute involves requests that seek information regarding the market value of the transportation and supply assets that are at issue in this docket, the superior advantage in the bidding process Sequent enjoys as an affiliate asset manager, and the nature of use of assets CGC controls as a result of its relationship to rate-payers. Specifically, the Consumer Advocate requests the hearing officer compel responsive answers to the following requests: 1, 2, 3, 4, 5, 6, 7, 8, 9, 34, 49, 50, 51, 52, 53, 54, 63, 77, & 78 from the *First Discovery Requests of the Consumer Advocate*, as well as requests 1, 2, 17, 21, 23, 35 and 37 from the *Third Discovery Requests of the Consumer Advocate*.¹ The purpose of this motion is to raise all discovery issues involving CGC's responses to the Consumer Advocate's discovery requests that are known to the Consumer Advocate at this time. The Consumer Advocate will continue to work with CGC to attempt to resolve these discovery issues by agreement.

¹ CGC's objections seem to suggest that it will respond fully to the remaining discovery requests issued by CAD within the existing scheduling order. If this is not the case, then all remaining requests must be added to this Motion to Compel.

STANDARD FOR DISCOVERY

Tennessee has a broad policy which favors the discovery of any relevant information:

Parties may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action, whether it relates to the claim or defense of the party seeking discovery or to the claim or defense of any other party, including the existence, description, nature, custody, condition and location of any books, documents, or other tangible things and the identity and location of persons having knowledge of any discoverable matter. It is not ground for objection that the information sought will be inadmissible at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence.

Tenn. R. Civ. P. 26.02(1). Thus, evidence does not have to be admissible to be discoverable as long as the information sought appears reasonably calculated to lead to the discovery of admissible evidence.

Today, it is through discovery rather than pleadings that the parties attempt “to find the truth and to prepare for the disposition of the case in favor of the party who is justly deserving of a judgment.” *Kuehne & Nagel, Inc. v. Preston, Skahan & Smith International, Inc.*, 2002 WL 1389615 at *3 (Tenn. Ct. App. 2002) (*quoting* Irving Kaufman, *Judicial Control Over Discovery*, 28 F.R.D. 111, 125 (1962)). Accordingly, a party seeking discovery is entitled to obtain any information that is relevant to the case and not privileged. *See Id.* Consistent with Tennessee’s open discovery policy, the relevancy requirement is “**construed broadly to encompass any matter that bears on, or that reasonably could lead to other matters that could bear on any of the case’s issues.**” *Id.* (*Emphasis Added*). Discovery therefore is not limited to the issues raised by the pleadings. *See Id.*, *see also Shipley v. Tennessee Farmers Mutual Ins. Co.*, 1991 WL 77540 at *7-8 (Tenn. Ct. App. 1991). A party may also use discovery to: define and clarify the issues; probe a variety of fact-oriented issues that are not related to the merits of the case; formulate and interject additional issues into the case which

relate to the subject matter of the pleadings; and determine additional causes of actions or claims which need to be or can be asserted against a party or against third parties. *See Shipley*, 1991 WL 77540 at *7-8 (*quoting Vythoulkas v. Vanderbilt University Hospital*, 693 S.W.2d 350, 359 (Tenn. Ct. App. 1985)).

It is nonetheless recognized that the trial court may limit discovery under appropriate circumstances. Because of the broad policy favoring discovery, the trial court should not order limitations on discovery unless the party opposing discovery can demonstrate with more than conclusory statements and generalizations that the discovery limitations are necessary to protect the party from annoyance, embarrassment, oppression, or undue burden and expense. *See Duncan v. Duncan*, 789 S.W.2d 557, 561 (Tenn. Ct. App. 1991). The trial court should decline to limit discovery if the party opposing discovery cannot produce specific facts to support the requested limitations. *See Id.* Moreover, given the liberal construction of discovery rules, the trial court should approach any request for limitations with common sense rather than with narrow legalisms, basing the reasonableness of any ordered limitations on the character of the information sought, the issues involved, and the procedural posture of the case. *See Id.* Rather than denying discovery outright, it is appropriate for the trial court to fashion remedies to discovery issues by balancing the competing interests and hardships of the parties and by considering whether there are less burdensome means for acquiring the requested information. *See Id.*

SPECIFIC DISCOVERY REQUESTS FROM THE FIRST DISCOVERY REQUESTS OF THE CONSUMER ADVOCATE

The Consumer Advocate has filed this Motion to Compel with regard to its First Discovery Requests due to the failure of CGC to respond as previously promised, and/or due to a change of circumstance in these proceedings.

Request No's 1-9: CGC failed to provide answers to these requests at the time it answered the Consumer Advocate's First Discovery Requests, but agreed to provide this information at a later date. At present, CGC has provided no answers of any kind with regard to these requests.

Request No's 34, 49-51, 53 & 54: These requests, relating to the former asset management agreement of CGC, as well as Sequent's interactions as asset manager with other third parties, were previously denied. However, in light of Mr. Sherwood's subsequent testimony regarding the RFP process and CGC's bid system for the selection of an asset manager, the Consumer Advocate renews these requests. The determination of whether or not the asset manager selection process is fairly administered is central to this docket. Clearly, any preferential treatment or inequitable dealings provided by CGC to Sequent, or vice-versa, would cast serious doubt regarding whether asset manager selected was the best for CGC's customers/rate payers. The most obvious way to determine if preferential treatment is being extended to Sequent by CGC, or vice-versa, is to examine third party contracts with non-affiliated parties, as well as prior asset management arrangements to act as a base line for comparison to the existing arrangement between parties.

Request No. 52: CGC was compelled to provide a response to this request on April 29, 2009 in *Order Re First Round Discovery Disputes*. Specifically, CGC was ordered to provide the "names and periods of employment of past employees." However, CGC has not yet supplemented their responses as ordered.

Request No's 63 & 78: CGC and the Consumer Advocate reached an agreement regarding these discovery requests prior to the hearing on Consumer Advocate's Motion to Compel regarding its First Discovery Requests. However, CGC has not yet supplemented their responses as agreed.

Request No. 77: This request sought a copy of the Operating Balance Agreement between Sequent and ETNG. At the time of the hearing on the Consumer Advocate's First Discovery Requests, this request was denied. Since that decision, Mr. Sherwood testified as follows:

"Dr. Brown is wrong in assigning the OBA with the ability to facilitate deliveries to delivery points on the ETNG system that are not within the firm rights of the Company. (Brown Rebuttal page 30, line 20-27). The OBA only allows CGC to balance deliveries with nominations across all of its contracted delivery points across all of its pipeline contracts in total rather than being balanced at the contract and gate station level. The OBA does not allow balancing of deliveries between CGC and its delivery points on ETNG and a delivery point into another pipeline such as the Saltville Storage, Patriot Pipeline or Transco. This is similar to how CGC allows its transportation customers to trade imbalance between each other on a monthly basis. The Company would not allow this between customers on two separate utility systems.

Therefore, Dr. Brown is wrong in implying that CGC can facilitate deliveries off system because '...CGC could schedule more deliveries than it needs and the imbalance could be taken as a delivery at another point on ETNG's system...' (Brown Rebuttal page 30, line 20-23). For this quote to be accurate, with relationship to CGC all delivery points must be points associated with the CGC's transportation agreement."

This along with CGC's admission in the Second Discovery Requests propounded by the Consumer Advocate that Sequent is able to use fallow CGC transportation to make deliveries off-system, to the Transco Pipeline, places this information directly in issue:

10.(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: "Deny. 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)." (Emphasis Added).

Specifically, this OBA is needed to measure the veracity of Mr. Sherwood's testimony and to aid

the Consumer Advocate in determining how it is possible that Sequent can apparently use CGC's fallow transportation to act in manner that CGC cannot.

SPECIFIC DISCOVERY REQUESTS FROM THE
THIRD DISCOVERY REQUESTS OF THE CONSUMER ADVOCATE

CGC's objections reveal an implied willingness to answer the remaining requests propounded to them within the timeframe provided in the existing scheduling order. Consequently, unless CGC's answers to those requests are insufficient or incomplete, it is not necessary to address the remaining requests at this time. If, however, these requests are not answered fully and completely by CGC within the time limit specified by this body, this Motion to Compel shall encompass all requests included in the *Third Discovery Requests of the Consumer Advocate and Protection Division to Chattanooga Gas Company*. With regard to CGC's objections, the Consumer Advocate's main complaint is CGC's unwillingness to respond to these requests. The Consumer Advocate has notified CGC of its concerns and hopes to reach an amicable resolution of its discovery concerns.

Request No. 1: In the *Supplemental Testimony of Timothy Sherwood*, page 17, line 7, through page 18, line 2, CGC states:

"Dr. Brown is wrong in assigning the OBA with the ability to facilitate deliveries to delivery points on the ETNG system that are not within the firm rights of the Company. (Brown Rebuttal page 30, line 20-27). The OBA only allows CGC to balance deliveries with nominations across all of its **contracted** delivery points across all of its pipeline contracts in total rather than being balanced at the contract and gate station level. The OBA does not allow balancing of deliveries between CGC and its delivery points on ETNG and a delivery point into another pipeline such as the Saltville Storage, Patriot Pipeline or Transco. This is similar to how CGC allows its transportation customers to trade imbalance between each other on a monthly basis. The Company would not allow this between customers on two separate utility systems.

Therefore, Dr. Brown is wrong in implying that CGC can facilitate deliveries off system because '...CGC could schedule more deliveries than it needs and the

imbalance could be taken as a delivery at another point on ETNG's system...' (Brown Rebuttal page 30, line 20-23). For this quote to be accurate, with relationship to CGC all delivery points must be points associated with the CGC's transportation agreement."

Additionally, in the second set of discovery requests served upon CGC, the CAPD requested the following:

10.(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: "Deny. 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)." (Emphasis Added).

In light of the apparent conflict between Mr. Sherwood's rebuttal testimony and CGC's prior discovery responses, the CAPD has propounded the following request:

1. **In reference to Mr. Sherwood's supplemental testimony from page 17 line 7 to page 18 line 2, as well as CNG's prior responses to discovery, explain how "SEM uses fallow CGC ETNG transportation to make a delivered sale into Transco at the ETNG/Transco pipeline interconnect." Include in your reply an explanation of how Sequent uses "fallow CGC ETNG transportation" to make a delivered sale to Transco without utilizing CGC's OBA and provide a copy of Sequent's Operational Balancing Agreement with ETNG.**

Regardless what request the CAPD may have made in the past, Mr. Sherwood's supplemental testimony raises a need for CGC to provide the requested information in order to properly remedy a blatant contradiction between the discovery responses provided and the testimony of Mr. Sherwood.

With regard to CGC's allegation that it is not in possession of the "requested OBA," the

detailed description of Sequent's activities shown above makes it difficult to imagine that CGC does not have access to a copy Sequent's Operational Balancing Agreement with ETNG. Regardless of whether CGC is presently in "possession, custody or control" of Sequent's OBA with ETNG, as it claims, the TRA has already ordered that CGC is required to produce any documents that are in the "possession, custody, or control" of CGC, or any other affiliated corporations, including Sequent, see *Order Granting in Part and Denying in Part Consumer Advocate's Motion to Compel*, p.9, (September 12, 2008). Furthermore, CGC appears to be intimately familiar with the process by which Sequent uses "fallow CGC ETNG transportation to make a delivered sale into Transco at the ETNG/Transco pipeline interconnect." Certainly, the answer provided in CGC's prior response to discovery was based on actual information and not mere conjecture. It is difficult to believe that CGC is unable to obtain a copy of an operating agreement affecting an affiliated corporation of whom it has detailed knowledge and with whom it also contracts as an asset manager. Given the contradictions noted above, it is essential that this OBA be reviewed in order to determine the validity of the assertions made in Mr. Sherwood's testimony.

Request No. 2: CGC has objected to this request to the "extent that it seeks information that is not in [its] possession, custody, or control." The request in question is as follows:

2. Mr. Sherwood says in his supplemental testimony at page 20 lines 9-11:

CGC has transport customers that schedule gas to the system from ETNG and whose daily balances are included in CGC's imbalances, since CGC is the delivery point operator.

In view of this record, provide copies of all contracts between CGC and ETNG and all other material substantiating Mr. Sherwood's testimony that for each year from 2000 through 2008 CGC has been the delivery point operator of delivery points 59001, 59007, 59016, 59017, 59024, 59106, 59108, 59142 and 59151. If CGC was not the operator of a delivery point in a particular year, for example such as point 59017 in 2004, then identify the company that was the delivery point operator.

First, the TRA has made it quite clear in previous hearings that CGC has a responsibility to produce information or documentation that is in the "possession, custody, or control" of it, or any of CGC's affiliate/parent companies, including Sequent, see *Order Granting in Part and Denying in Part Consumer Advocate's Motion to Compel*, p.9, (September 12, 2008). It is insufficient to simply claim that CGC is not in possession of requested information in an effort to avoid providing it to the Consumer Advocate. Second, this office is unclear of what possible portion of this request would not be in the "possession, custody, or control" of CGC. CGC would obviously have possession of any contracts between CGC and ETNG, as well as possession of any materials substantiating Mr. Sherwood's testimony regarding CGC's role as operator at the specified deliver points. In relation to the information regarding the operator of specified delivery points for which CGC was not the operator, CGC would have done business with these delivery points, and, thus, this information is either already known to them or is easily discoverable. CGC is required to respond to this interrogatory if the information requested is either known or reasonably available to them. There is no requirement that such information be in its "possession, custody, or control." By nature of its historical relationship with these delivery points, it is highly unlikely that CGC does not have reasonably available access to this information.

Request No's 17, 21, and 23: As discussed in relation to Request No. 2 above, the TRA has already made it quite clear that there is no requirement for information to be in the "possession, custody or control" of CGC in order for it to be discoverable, see *Order Granting in Part and Denying in Part Consumer Advocate's Motion to Compel*, p.9, (September 12, 2008). While

CGC argues that the requested data “does not exist in the form requested by the [CAPD],” certainly this information is in their possession in some form. If CGC did not have access to the requested information, it would not have been possible for them to draft exhibit TSS-08 in the first place; this exhibit is not based on third-party information. The information required to complete these discovery requests relates to the operation of CGC’s gas supply chain and its OBA with ETNG; CGC certainly has access to information relating to its own business operations. Furthermore, it is not overly burdensome to request routine information over a five-year period, for which CGC almost certainly maintains records. If Mr. Sherwood wishes to offer TSS-08 as evidence in this matter, CGC has an obligation to expand the timeline of the provided information so that our own experts have an opportunity to assess the validity of this testimony.

Request No. 35: This request seeks for CGC to fully answer and/or supplement all previous discovery requests propounded by the Consumer Advocate. This would include answering those requests for which CGC has failed to provide an answer at this time, as well as to provide updated information on any requests for which CGC either knows or has reason to know that the previously provided response is either inaccurate or misleading for any reason, including but not limited to those listed in Request No. 35.

Request No. 37: CGC alleges that the Consumer Advocate already has this information in its possession. First, the Consumer Advocate does not have the information requested. CGC has not provided a narrative such as the one requested in this or any other docket, nor has it provided any documentation to support such a nonexistent narrative. Second, what information CGC may have in its possession from prior dockets is irrelevant. There is no evidentiary rule which prevents a party from requesting information already in its possession, and with good reason. Any information requests from prior dockets would not specifically relate to the facts at

issue in this case. Further, any information that may have been obtained previously, could be outdated, irrelevant, or changed due to a variety of circumstances.

WHEREFORE, the Consumer Advocate respectfully requests that the Authority enter an order compelling CGC to produce full and complete answers to the Consumer Advocate's discovery requests as outlined above.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. Jay Warner', is written over a horizontal line.

T. JAY WARNER, B.P.R. # 026649
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202
(615) 532-9299


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:

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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 27th day of April, 2009.



T. Jay Warner
Assistant Attorney General

121988

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April 11, 2008

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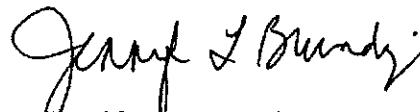
Re: Docket 07-00224

Dear Tim and Steve:

Enclosed please find Chattanooga Gas Company's ("CGC") responses to the First Discovery Requests of the Consumer Advocate and Protection Division ("CAPD"). CGC has provided responses to 86 out of the CAPD's 90 (not including subparts) discovery requests. As explained to you on April 9, 2008, CGC will need additional time to respond to 4 of the CAPD's discovery requests (Nos. 14, 15, 72, and 81). CGC believes that it will be able to provide the CAPD with its responses to these 4 discovery requests on or before April 18, 2008. CGC will make every effort to provide each of these responses to the CAPD as soon as possible.

Additionally, the following responses and/or their attachments contain confidential information that is being provided under seal pursuant to the Agreed Protective Order entered on March 4, 2008 in this docket: Response No. 12 and the attachments to Nos. 10, 11, 17, 18, and 27.

Sincerely yours,


Jennifer L. Brundige

Enclosures

cc: Kelly Cashman-Grams (responses w/o attachments)
TRA Docket Room
Elizabeth Wade, Esq.

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BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

April 11, 2008

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

**CHATTANOOGA GAS COMPANY'S RESPONSES AND OBJECTIONS
TO CAPD'S FIRST 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 First Discovery Requests of the Consumer Advocate and Protection Division ("CAPD").

CGC is setting forth its general objections below. The specific objections to individual questions are contained within the responses to the 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. The additional objections to specific discovery requests shall not constitute a waiver of these General Objections.

Additionally, CGC objects to the scope of the terms "identity" and "identify" as used by the CAPD. In particular, CGC objects to providing the date of birth, the current residential address, and the current residential telephone number of persons to be identified on the grounds that the scope of information requested is overly broad and not calculated to lead to the discovery of admissible evidence.

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Questions 1-8:

Response:

These questions seek information related to potential witnesses and information that may be presented at the hearing. With the exception of question 3, CGC cannot answer these questions at this time as the CAPD has not yet filed its testimony. CGC is aware of its duty to supplement discovery requests and will do so at the appropriate time. CGC reserves its right to object to these questions at the time it responds. That being said, CGC does have some specific objections to the questions:

Discovery Requests 1(h), 2, 3, 5, and 7 – CGC objects to these questions as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

With respect to question 1(h), which seeks “all documents ... *provided to, reviewed by, utilized by, relied upon, created by, or produced by* . . .” CGC notes that the CAPD agreed to revise a similarly broad request in Docket 06-00175 so that it only sought documents . . . “*relied upon or prepared by*” any expert witness.

With respect to questions 2, 3, 5, and 7, CGC withdrew its objection to similarly broad requests in Docket No. 06-00175 based on the understanding as agreed to by the CAPD that the Company must produce through discovery or the pre-filed testimony any fact that the Company intends to present at the hearing on the merits.

Question 9:

Please provide all Excel files (or other data files) containing the information provided in response to these request items.

Response:

Please see response for questions 1-8.

Question 10:

Please provide a copy of all contracts involving the Tennessee jurisdiction entered into by and between AGL Resources ("AGL") and CGC, by and between AGL and Sequent Energy Management ("Sequent"), by and between CGC and Sequent, and by and between all three of them, from January 1, 2004, through the present.

Response:

Attached are the following agreements:

- (1) Services Agreement between AGL Services Company and Chattanooga Gas Company;
- (2) Utility Money Pool Agreement;
- (3) Tax Allocation Agreement; and
- (4) Services Agreement between Sequent Energy Management (as provider) and AGL Services Company (as customer). This attachment is CONFIDENTIAL. The information is provided under and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

In addition, CGC previously provided the current asset management agreement with Sequent Energy Management pursuant to the Protective Order in Docket No. 08-00012. To the extent this request seeks the previous asset management agreement, CGC objects as overly broad, not likely to lead to the discovery of admissible evidence and seeking confidential, trade secret and/or proprietary information.

Question 11:

For the period January 1, 2004, through December 31, 2007, please provide a copy of each pipeline and/or storage invoice billed to CGC and/or AGL involving the transportation and storage assets managed, optimized, or used by Sequent pursuant to the asset management contracts between CGC and Sequent.

Response:

See the attached.

The Company has also provided copies of confidential invoices from July 2007 to December 2007 in electronic format on CD. The CD is labeled Docket No. 07-00224 CAPD Data Request Question #11 Response. For copies of the confidential invoices for the periods from January 2004 to June 2007, please refer to the response to Question #17 of CGC's ACA filing.

CONFIDENTIAL – The attached information is provided under seal and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 13:

Please provide a copy of all CGC gas supply plans involving the Tennessee jurisdiction for the last ten fiscal years ended December 31, 2007.

Response:

Please see the attached spreadsheet.

Question 16:

Please provide a detailed narrative of the procedures and assumptions used to develop CGC's gas supply plans involving the Tennessee jurisdiction, including, but not limited to, the calculation of the design day demand. Please provide all supporting documents, calculations, and workpapers used in the development of CGC's gas supply plans for the last four fiscal years ended December 31, 2007.

Response:

In developing the gas supply plan, many assumptions are used to calculate gas costs.

Those inputs primarily include: pipeline demand charges, fuel retention, injection and withdrawal rates, design day load, daily load, and a NYMEX gas commodity price forecast.

Using the Ventyx (formerly know as NewEnergy Associates) product, Sendout, storage resource withdrawals and flowing gas purchases are optimized to meet load requirements while keeping system costs to a minimum. One key element of the model is its ability to analyze the summer gas prices versus the winter prices to determine the appropriate amount of summertime storage injections. Storing the typically lower cost, summertime gas can be utilized in the winter period to offset some of the typically higher cost, wintertime FT gas purchases.

The methods used to calculate the load are outlined below:

2008 Design Day Calculation Methodology

1. Gather historical daily firm throughput (sendout) by month.
2. Gather historical daily degree day (HDD) information by month.
3. Gather historical customer information by month.
4. Obtain customer net additions forecast.
5. Determine a use per customer (UPC) by dividing the historical daily throughput by the number of historical customers.
6. Perform a linear spline regression with the UPC as the dependent variable and historical

heating degree days and a linear spline bend point as independent variables. This is done for all days with a heating degree day value greater than zero.

7. The linear spline bend point was determined by observing the closeness of fit at the coldest temperatures. Spline bend points were tested in 5 HDD increments.
8. Using the regression model output from above, a use per customer was calculated under at design day conditions ("UPC_{DD}"). The input variables are an HDD slope coefficient (a_{HDD}), a base coefficient related to the linear spline bend point (b_{LSBend}), the design day HDD level (HDD_{DD}), the linear spline coefficient ($LSBend$), and a constant (c). This UPC is calculated based on the formula $UPC = a_{HDD} * HDD_{DD} + b_{LSBend} * (HDD_{DD} - LSBend) + c$.
9. The forecasted UPC_{DD} output was multiplied by the net additions customer forecast. This produced the firm design day sendout.

2008 Daily, Monthly, and Annual Throughput Forecast Methodology

1. Gather historical daily firm throughput (sendout) by month.
2. Gather historical daily degree day (HDD) information by month.
3. Gather historical customer information by month.
4. Obtain customer net additions forecast.
5. Determine a use per customer (UPC) by dividing the historical daily throughput by the number of historical customers.
6. A linear spline regression with the UPC as the dependent variable and historical heating degree days, heating degree days from the previous day, and a linear spline bend point as independent variables was performed. This was done for all days.
7. The linear spline bend point was determined by a comparison of r-squares and by

observing the closeness of fit at all points with HDD's colder than the bend point. Spline bend points were tested in 5 HDD increments.

8. Using the regression model output from above, a use per customer for each day ("UPC_{Day}") was calculated. The input variables consisted of an HDD slope coefficient (a_{HDD}), an previous day HDD slope coefficient (b_{Day-1}), a base coefficient related to the linear spline bend point (c_{LSBend}), the daily HDD level (HDD_{Day}), the previous day's HDD level (HDD_{Day-1}), the linear spline coefficient ($LSBend$), and a constant (d). This UPC was calculated based on the formula $UPC = a_{HDD} * HDD_{Day} + b_{Day-1} * HDD_{Day-1} + c_{LSBend} * (HDD_{Day} - LSBend) + d$.
9. For each day, the forecasted UPC_{Day} output was multiplied by the net additions customer forecast. This produced the daily sendout.
10. The monthly throughput was calculated by summing the daily sendout for each day in a given month. The annual throughput was calculated by summing the monthly throughput over a twelve month gas year.

Prior to 2007

In the past, other methods were used which limited the dataset such that only the coldest days were included in the design day regressions. The new Linear Spline method provides for a better statistical fit by using all data points with 1 or more HDD.

Daily load was calculated by using a straight regression that generated base and slope factors. The Linear Spline used in the new method better captures the accelerated change in usage as temperatures fall.

Question 17:

Please provide a complete copy of each ACA filing, including all supporting documentation and workpapers, submitted to the Tennessee Regulatory Authority during the last four fiscal years ended December 31, 2007.

Response:

See the attached.

The company has also provided a copy of CGG's confidential ACA filing for years ended June 2004, June 2005, June 2006, and June 2007 in electronic format on CD. The CD is labeled Docket No. 07-00224 CAPD Data Request Question #17 Response.

CONFIDENTIAL – The attached information is provided under seal and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 18:

Please provide a copy of each natural gas commodity supply contract involving the purchase of natural gas commodity for CGC's Tennessee jurisdiction during the last four fiscal years ended December 31, 2007.

Response:

The commodity supply contract is Exhibit C to the Asset Management Agreement between CGC and Sequent. See the attached document.

CONFIDENTIAL – The attached information is provided under seal and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 19:

Please provide a copy of each invoice involving the purchase of natural gas commodity for CGC's Tennessee jurisdiction during the last four fiscal years ended December 31, 2007.

Response:

Please refer to the responses for Questions 11 and 17 for copies of all invoices.

Question 20:

Provide CGC's FERC Form 2 for Tennessee for the calendar years ending each year from 2004 through 2007.

Response

See the attached, and enclosed are CD's containing FERC Forms 2s for years 2004 through 2007.

Question 21:

For the period January 1, 2004, through the present, please list all transportation and storage assets of CGC managed, optimized, or used by Sequent pursuant to the asset management agreements entered into by and between CGC and Sequent. For each transportation asset listed, please identify the transporting pipeline, the pipeline contract number, the contract term, and the MDQ (maximum daily quantity). For each storage asset listed, please identify the owner of the storage facility, the storage contract number, the contract term, and the MSQ (maximum storage quantity).

Response:

	Contract	MDQ (Dth)	MSQ (Dth)	Type	Service Expiration	Notification
FT Services						
Southern Natural Gas	SNG - FT #FSNG130	13,221		Citygate	8/31/2010	365 Days
Southern Natural Gas	SNG - FTNN #FSNG130	14,346		Citygate	8/31/2010	365 Days
Tennessee Gas Pipeline	TGP - #48082	37,819		Upstream	10/31/2010	30 Days
East Tennessee	ETN - FT #410203	13,000		Citygate	10/31/2012	1 Year
East Tennessee	ETN - FT #410204	28,350		Citygate	10/31/2010	1 Year
East Tennessee *	ETN - FT #410199	5,000		Citygate	10/31/2006	
Storage Services						
Southern Natural Gas	SNG - CSS #SSNG69	14,346	710,484	Upstream	8/31/2010	30 Days
Tennessee Gas Pipeline	TGP - FS MA #3947	7,741	852,286	Upstream	11/1/2010	30 Days
Tennessee Gas Pipeline	TGP - FS PA #22923	13,659	2,042,390	Upstream	10/31/2010	30 Days
Company Owned Resource						
Chattanooga LNG	n/a	70,000	1,207,574	Citygate		

* The contract ETN 410199 expired on October 31, 2006 and was not renewed.

Question 22:

Provide a copy of each pipeline contract and each storage contract for the transportation and storage assets covered by the asset management agreements entered into by and between CGC and Sequent for the time period from January 1, 2004 through the present.

Response

See attached transport and storage contracts.

Question 23:

Please state the amount of the annual gas asset management services payment shared with CGC's Tennessee ratepayers for the last four fiscal years ended December 31, 2007.

Response:

In accordance with the Company's tariff, the gains from non-jurisdictional transactions the related sharing were reported on a calendar year basis for years ended December 31, 2004 and 2005. In 2007 the tariff was modified to provide that the reporting period that coincides with the Company's Fiscal Year, or if the Company has an asset management agreement, the accounting/recovery period that coincides with the contract year of the agreement. As a result, the most recent report was for the fifteen months ended March 31, 2007. The next report and determination of the amount to be shared will be for the twelve months ending March 31, 2008. The amounts shared with CGC's Tennessee ratepayers are as follows:

Amount Credited to Customer	
Calendar Year ended 12/31/2004	\$ 1,808,649
Calendar Year ended 12/31/2005	\$ 4,386,330
15 Months Ended 3/31/2007	\$ 1,763,341

A copy of the report for the twelve month ending March 31, 2008 will be provided when filed.

Question 24:

Please provide a complete copy of Sequent's book of profits and losses for Tennessee for the time period from January 1, 2004 through the present by calendar year, or copies of the documents whether or not they are kept in the form of a book.

Response:

Sequent does not maintain books of profit by state.

Question 25:

Please provide a copy of all documents related to Sequent's calculation of the intrinsic value and extrinsic value of the transportation and storage assets entered into by and between CGC and Sequent for the time period January 1, 2004 through the present.

Response:

Sequent does not possess any documents related to the calculation of the intrinsic and extrinsic value relating to the CGC transportation and storage assets entered into for the time period January 1, 2004 through the present.

Question 26:

Please produce copies of all of Sequent's published and internal financial statements (including, but not confined to, monthly, quarterly, and/or annual balance sheets and income statements and financial statement notes) for the years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response:

Sequent financial statements are filed with the SEC on a quarterly and annual basis as part of AGL Resources Inc.'s 10-K and 10-Q. Sequent's financial statements are broken down in the reports by quarter and by year. The filed results would be consistent with any internal financial statements.

Question 27:

Produce copies of all of Sequent's Tennessee franchise and excise tax returns for the years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response

Please see attached for Sequent's Tennessee franchise and excise tax returns for the year ending December 31, 2006. Sequent was not required to file for the years 2004 and 2005. Sequent has filed for an extension for the 2007 return, which will be due on October 15, 2008.

Please note this attachment to this response is Confidential, provided under seal and is to be protected as required by the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 28:

Please produce copies of Sequent's general accounting ledger and related chart of accounts for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 29:

Please provide Sequent's total dollar amount and volume of sales by type of sale (transportation, storage, commodity) for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response

Sequent does not maintain any records that show total dollar amount and volume of sales by type of sale (transportation, storage and commodity). Sequent does not track profit and loss on a transportation-by-transportation, storage-by-storage, or commodity-by-commodity basis.

Question 30:

Please provide Sequent's total dollar amount and volume of sales related to the asset management contracts between Sequent and CGC for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response

In accordance with the Company's tariff, the gains from non-jurisdictional transactions the related sharing were reported on a calendar year basis for years ended December 31, 2004 and 2005. In 2007 the tariff was modified to provide that the reporting period that coincides with the Company's Fiscal Year, or if the Company has an asset management agreement, the accounting/recovery period that coincides with the contract year of the agreement. As a result, the most recent report was for the fifteen months ended March 31, 2007. The next report and determination of the amount to be shared will be for the twelve months ending March 31, 2008. The Sales volumes and Revenue are provided consistent with the sharing reporting periods. The data for the twelve months ended March 31, 2008 will be provided when the report for that period is completed.

	Sales Volume Dth	Value	a/
12 Months Ended 12/31/2004	32,055,627	\$ 193,083,818	
12 Months Ended 12/31/2005	33,421,172	\$ 296,050,297	
15 Months Ended 3/31/2007	30,851,338	\$ 219,646,711	

a/ Included 1,000 Dth Capacity Release and \$11,000 Capacity Release Revenue

Question 31:

Please provide the amount of net income for Sequent which was generated from the asset management contracts between Sequent and CGC for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007. Include in your response all calculations and supporting documentation.

Response:

Sequent does not allocate general and administrative expenses by AMA; therefore, it would be impossible to estimate the net income for Sequent relating to the CGC AMA.

Question 32:

Please provide the basis for allocation of the pipeline and storage demand fees to each CGC customer and the amounts allocated to each Sequent customer for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Response:

Sequent has no involvement with the allocation of pipeline and storage demand fees to CGC's customers. Pipeline and storage demand fees are not allocated on a customer by customer basis. In accordance with TRA Rule 1220-4-7 Demand costs which by definition include both pipeline and storage demand fees are recovered from CGC's firm customers. The allocation of the cost to the firm customer classes is based on the ratio of the demand determinates for each class to the total demand determinants.

Question 33:

Please provide the basis for allocation of common costs of Sequent to each Sequent customer and the amounts allocated to each Sequent customer for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007. Include in your response a narrative of the assumptions used in determining the basis for allocation of the common costs of Sequent.

Response

Sequent does not allocate its common costs to its customers.

Question 34:

Please provide copies of all asset management contracts between Sequent and entities other than CGC for the time period from January 1, 2004 through the present.

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 35:

Please provide copies of all asset management contracts between AGL affiliates and their asset managers for the time period from January 1, 2004 through the present.

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 36:

Please explain how the sharing formula and percentages were determined for the asset management contracts between CGC and Sequent for the time period from January 1, 2004 through the present.

Response:

The sharing provisions included in the asset management agreement between CGC and Sequent for the period of January 1, 2004-March 31, 2008 were negotiated by the parties. The sharing provisions in the agreement effective April 1, 2008 were determined through the RFP and bidding process included in CGC's Tariff approved by the Tennessee Regulatory Authority.

Question 37:

The Order Adopting Tariff Revisions, TRA docket nos. 04-00402 and 04-00403, December 5, 2006, page 2, says, On July 21, 2006, Audit Staff filed a response concurring with the proposed RFP procedures. Audit Staff also explains that currently CGC refunds 100% of the profits earned from its asset management agreement with its affiliate to ratepayers, although the Interruptible Margin Credit Rider ("IMCR") tariff allows the Company to retain 50% of those profits. Audit Staff notes that CGC would likely opt to retain 50% of asset management fees if an agreement is signed with a third party and that the application of the IMCR tariff should be taken into account by the Authority when approving future asset management agreements.

(a) - Explain why CGC would reduce the consumers' portion of the sharing with the asset manager by 50%, if CGC were to sign an asset management agreement with a non-affiliate.

Response

As explained in the TRA's December 5, 2006 Order in dockets 04-00402 and 04-00403 the Company has not retained the full 50% portion of the asset management fee as provided in the tariff. Instead, the Company has elected to retain less than its share as provided in the tariff and instead has provided the customers more than their 50% portion. If the Company were to retain its full 50% share, it would be in compliance with the tariff and it would not reflect a reduction in the customers' portion as provided by the tariff.

(b) *Admit* that in the following hypothetical the asset management sharing would be better than the current sharing both for CGC and CGC's customers: Sharing of 20% for the asset manager and 80% for CGC/consumers, and in turn sharing of 10% for CGC and 90% for consumers, ultimately resulting in sharing of 20% for the asset manager, 8% for CGC, and 72% for consumers. If CGC does not admit the assertion, please explain.

Response:

Deny. The amount that an asset manager would be willing to bid is dependent on its opportunity to retain a portion of the value that it is able to create through the management of the assets.

In a circumstance when retention of 20% of the total asset management value results in a reduced incentive to the asset manager and thus less overall value available for sharing, one cannot assume that the speculative sharing scenario described in the questions would result in higher value to CGC's customers.

Question 38:

Produce copies of all documents that demonstrate requirements for or restrictions on CGC's dealings with affiliates.

Response:

Attachment A is a copy of the Affiliate Guidelines approved by the Tennessee Regulatory Authority (TRA) and included in CGC's tariff.

Attachment B are provisions included in the NARUC Uniform System of Accounts adopted by the Tennessee Administrative Rule 1220-4-1-.11 (c) and the FERC Uniform System of Accounts that address transactions involving a utility and an affiliated company.

Dealings between CGC and Sequent relative to the management of CGC's gas supply assets and the purchase of natural gas are governed by the Asset Management and Agency Agreement between CGC and Sequent Energy Management, LP effective April 1, 2008 as approved by the TRA in Docket 08-00012. A copy of the agreement was previously provided in TRA Docket 08-00012.

Dealings between CGC and AGL Services Company, an affiliate, are governed by the AGL Services Agreement. A copy is provided in response to Question # 10.

Question 39:

Does CGC apply its tariff provisions consistently to all similar situated entities? If not, explain why not and document the circumstances, entities, dates, and rates which were not applied consistently with CGC's tariff.

Response:

Yes.

Question 40:

Does CGC give its gas asset management affiliate, Sequent, marketing preference over non-affiliated companies in natural gas supply procurement supply procurement activities? If so, document the circumstances, entities, data, and rates causing the marketing preference.

Response:

Given that Sequent does not provide gas supply services to customers behind the Chattanooga Gas Company delivery points, CGC assumes that this question is in regard to information provided to non-affiliated entities that could potentially provide asset management services to CGC. As part of the recent RFP process, the Company provided the same information to all parties regarding CGC's natural gas services.

Question 41:

Does CGC give its gas asset management affiliate, Sequent, marketing preference over non-affiliated companies in upstream capacity release activities? If so, document the circumstances, entities, data, and rates causing the marketing preference.

RESPONSE:

No.

Question 42:

Does CGC disclose to its marketing affiliate any information that the Local Distribution Company ("LDC") receives from a non-affiliated marketer, unless prior written consent is given? If so, document the circumstances, entities, data, and rates related to the marketing disclosure.

Response:

No.

Question 43:

Does CGC provide information related to its natural gas supply activities and upstream capacity release activities to all non-affiliated marketers that have submitted written requests for such information to CGC? If not, why not? Document the circumstances, entities, data, and rates related to the lack of disclosure.

Response:

Given that the asset manager does not provide gas supply services to customers behind the Chattanooga Gas Company delivery points, CGC assumes that this question is in regards to information associated with the asset manager's wholesale asset management activities. Gas sales and financial hedging activities represent competitive business processes used to generate value for CGC customers and are not available for public disclosure. Disclosure of this information would likely hurt the competitive position of the asset manager and thus reduce shareable value to the CGC customers. If the asset manager or CGC participated in any capacity release activities, such activities would be posted consistent with Federal Energy Regulatory Commission requirements via pipeline electronic bulletin boards.

Question 44:

Does CGC provide information related to its natural gas services being offered to its marketing affiliate to all non-affiliated marketers that have submitted written requests for such information to CGC? If not, explain why not and document the circumstances, entities, data, and rates related to the lack of disclosure.

Response:

Given that Sequent does not provide gas supply services to customers behind the Chattanooga Gas Company delivery points, CGC assumes that this question is in regards to information provided to non-affiliated entities that could potentially provide asset management services to CGC. As part of the recent RFP process, the Company provided the same information to all parties regarding CGC's natural gas services.

Question 45:

Does CGC document all transactions of assets, goods, services from their marketing affiliate including the fair market value and the related fully distributed costs?

Response:

Sequent provides asset management services consistent with price, terms, and conditions included in the agreement executed between CGC and Sequent. CGC does document services provided by Sequent under the agreement.

Question 46:

Does CGC obtain competitive bids for information, assets, goods or services subsequently purchased from an affiliated entity? If not, document the reasons and circumstances for which CGC deems competitive bids are neither necessary or appropriate. If CGC does obtain such competitive bids, provide copies of documents showing such competitive bids.

Response

CGC has demonstrated that it complied with the Authority's requirements with respect to competitively bidding its asset management arrangement. To the extent this question seeks additional information, CGC objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 47:

Explain why the "Cooperation" section in the current asset management contract, page 10, paragraph 14, should be included in future asset management contracts.

Response:

The asset management agreement contains the Cooperation provision because the company believes that it must memorialize the relationship that is necessary to maximize the value achieved by the asset management arrangement, especially since CGC did not know who would bid on or win the most current RFP and contract as well as future RFPs and contracts. To maximize reliability and value associated with asset management, it is necessary for CGC and the asset manager to engage in constant, consistent, and unfiltered communication regarding the distribution system condition, customer behavior, and operational capability. The Cooperation provision was included in the RFP and contract to ensure that a cooperative atmosphere between representatives of both CGC and the asset manager exist to encourage this type of communication.

Elimination of the Cooperation section may well result in personnel for the utility being inhibited in what information they may share with asset manager personnel until the data is verified and approved by management, because the utility personnel will be concerned that incomplete, speculative, and/or unverified data could be communicated by the Asset Manager during a regulatory proceeding out of context and complicate the understanding of regulators.

Question 48:

Explain why the "Early Termination" provision regarding the TRA's jurisdiction over the asset manager in the current asset management contract, page 14, paragraph 18.1(i), should be included in future asset management contracts.

Response:

The asset management agreement contains an early termination provision if the TRA should change its long-established legal policy and assert jurisdiction over third-party asset managers. Over the years, through communications with potential asset management service providers, it has become clear that these parties would not participate in asset management arrangements if their business should become regulated by a regulatory entity such as the TRA. Asset managers are non-regulated entities participating in a competitive business. To maximize the level of participation in the RFP process, CGC included in the asset management the provision that the asset manager could terminate the agreement should it fall under the regulation of the TRA.

CGC is a public utility under the laws of Tennessee and is regulated by the TRA. CGC is responsible for providing the TRA with information about its regulated assets when requested and as required under the rules and regulations of the TRA.

Question 49:

Explain in detail the process, including all communications, CGC went through in selecting Sequent as CGC's asset manager for the period January 1, 2004 through the present.

Response:

In compliance with the procedures provided in CGC's Tariff approved by the TRA, employees of AGL Services Company's Gas Control, Regulatory, and Legal Departments, acting on behalf of CGC, developed a written Request For Proposal (RFP) defining the Company's assets to be managed, detailing the Company's minimum service requirements, describing the content requirements of the bid proposals, and the procedures for submission and evaluation of the bid proposals. After approval by senior management of CGC, the RFP was provided to twenty seven potential asset managers and the TRA Staff on November 20, 2007. In addition, advertisements inviting other potential asset managers to submit proposals were published in Platts Gas Daily publication on November 27, 2007 and December 11, 2007. (A confidential copy of the RFP provided to the potential bidders and the TRA Staff and, a confidential copy of the list of potential bidders was previously provided in TRA Docket 08-00012.)

As a result of request from potential bidders the supplemental information included on Attachment A was provided to potential bidders on December 12, 2008.

Responses to the RFP that were received by 12:00 Noon, December 21, 2007, as provided in RFP, were evaluated between that date and January 3, 2008. On January 4, 2008 Sequent Energy Management was notified that it was successful bidder. (Copies of the confidential responses from all the bidders were previously provided in TRA Docket 08-00012 in response to the TRA Staff's Discovery Request #3.)

To the extent this request seeks information related to the previous asset management agreement, CGC objects as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 50:

Describe in detail all communications between CGC, AGL, and any affiliate of CGC concerning the asset management arrangements for the period from January 1, 2004 to the present.

Response:

As addressed in the response to request Item 49, employees of AGL Services Company's Gas Control, Regulatory, and Legal Departments, acting on behalf of CGC, developed a written Request For Proposal (RFP) that defined the Company's assets to be managed, detailing the Company's minimum service requirements, describing the content requirements of the bid proposals, and the procedures for submission and evaluation of the bid proposals. Sequent Energy Management, an affiliate of CGC, was included in the group of potential bidders that were provided a copy of the RFP on November 20, 2007. On December 12, 2007 supplemental information was provided to the potential bidders, including Sequent Energy Management. On January 4, 2008 Sequent was notified that its proposal had been accepted. After Sequent was notified that it was the successful bidder there was communication with Sequent addressing the procedural schedule for obtaining approval and discussion concerning what information included in the AMA agreement that should be classified as confidential. There was no communication between CGC and other affiliates concerning the AMA.

To the extent this request seeks information related to the previous asset management agreement, CGC objects as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 51:

Provide all documents of all communications between CGC, AGL and any affiliate of CGC concerning the asset management arrangements for the period from January 1, 2004 to the present.

Response:

The RFP provided to Sequent was filed in TRA Docket 08-00012, and the supplemental data provided to potential bidders is included in response to question 50.

Attached is a copy of an e-mail sent to Sequent providing the procedural schedule for TRA Dockets 08-00012 and 07-00224.

To the extent this request seeks information related to the previous asset management agreement, CGC objects as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 52:

Describe in detail the work history of all Sequent employees for the past ten years.

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence, overly broad and unduly burdensome, vague and ambiguous and seeking privileged, confidential, proprietary and/or trade secret information.

Question 53:

Describe in detail all information supplied to Sequent pertinent to Sequent's valuation of the subject asset management arrangement.

Response

Please see the response to question 51 for a list of all information provided to Sequent and all potential bidders relating to CGC's most recent Asset Management RFP.

Question 54:

Describe in detail all information supplied to all other bidders in TRA docket no. 08-00012, which is in any way pertinent, or could be pertinent, to each bidder's valuation of the asset management arrangement.

Response:

Please see the response to question 51 for a list of all information provided to Sequent and all potential bidders relating to CGC's most recent Asset Management RFP.

Question 55:

Confirm that CGC has reduced its firm delivery capacity from East Tennessee by 5,000 dekatherms from the quarters labeled 200610 to 200701. If CGC cannot confirm this, then please provide data showing the correct amounts.

Response:

Yes.

Question 56:

Confirm that as of January 2008, CGC's current contracts provide for the firm delivery of 41,350 dekatherms. If CGC cannot confirm this, then please provide data showing the correct amounts.

Response:

As of January 2008, CGC's total East Tennessee contracts total to 41,350 dekatherms of firm citygate delivery rights.

Question 57:

Regarding the peak days of 2005 and 2006 described in East Tennessee's segmentation reports to FERC, explain fully the reasons for the differences in the scheduling at each point, including the advantages or disadvantages that accrued to CGC or any affiliated entity as a result of the changed scheduling procedures, and explain any additional costs to CGC's ratepayers.

Response:

East Tennessee allows firm shippers to schedule gas to any delivery point in their system if they do not have an Operational Flow Order or Maximum Allowable Delivery Alert in effect for that day. The Pipeline uses an operational balancing agreement to handle differences in customer burns and actual deliveries to any one point. East Tennessee takes a shipper's total firm deliveries to all points and nets them against the total customer burn each day. On Jan. 23, 2005 Chattanooga scheduled 46,250 dths to delivery points 59001, 59007, 59014, 59016, 59017, 59024, 590106, 59108 and 59142. The other supply scheduled on that day was from third parties using their own transportation capacity. On Feb. 13, 2006, Chattanooga scheduled 46,350 dths to delivery point 59024. The other supply scheduled on that day was from third parties using their own transportation capacity. There were no advantages or disadvantages accrued to CGC or any affiliated entity as a result of this scheduling practice. There were no additional costs to CGC'S ratepayers.

Question 58:

Regarding the peak days of 2005 and 2006, Table 3 shows CGC's maximum contractual capacity as 17,330 at point 19767, but Table 2 shows Scheduled amounts of 18,481 in 2005 and 48,816 in 2006. Explain fully the reasons for scheduling more capacity at a point than what the contract maximum specifies. Include in your response the advantages or disadvantages that accrued to CGC or any affiliated entity and to CGC's ratepayers as a result of this practice.

Response:

See the response to question 57.

Question 59:

Regarding the peak days of 2005 and 2006 explain fully the reasons why CGC is allowed by the pipeline to schedule more capacity at a point than the contract specified maximum.

Response:

CGC has not scheduled more capacity in total on East Tennessee's system than its contracted minimum firm transportation amount. Please see the response to 57.

Question 60:

To the extent that the sum of the scheduled deliveries approximate the actual deliveries, explain, for example, why CGC does not or did not place all the nominations on just 1 meter, such as scheduling 61,000 dekatherms at meter 59014?

Response

CGC has in the past scheduled all deliveries to just one point. As explained in question 57, CGC does not receive any benefit or penalty for scheduling deliveries to one point or multiple points if East Tennessee does not have an Operational Flow Order or Maximum Allowable Delivery Alert in effect for that day.

Question 61:

Are the scheduled deliveries at meter 59014 the sum of separate schedules for Sequent and CGC? If they are the sum of separate schedules, explain fully how the separate schedules are created and provide any documentation, including emails, memos, spreadsheets or other written material to support your response. Also provide the daily record for the dekatherms scheduled at meter 59014 per contract 410203-R1 and per contract 410206-R1 from January 1, 2005 through December 31, 2007.

Response

The scheduled deliveries at meter 59014 are not the sum of separate schedules for Sequent and CGC. There may also be gas scheduled to 59014 for firm or interruptible markets in the Atlanta area that may be purchased by other third parties.

Attached is the daily record from the East Tennessee bulletin board showing the gas scheduled to 59014 on contract 410203-R1, and on contract 410206-R1 from January 1, 2005 through December 31, 2007.

Please see attached for support, note that downstream delivery locations and customer names have been redacted.

Question 62:

Explain fully how actual usage at meter 59014 is separated between energy used by Sequent and energy delivered to CGC for its customers.

Response

All of the actual usage (burn) at 59014 is for third party usage not CGC.

Question 63:

Explain fully how CGC prevents its activities related to contract 410203-R1 from being commingled with Sequent's activities regarding contract 410206-R1.

Response

Gas scheduled on Sequent's contract 410206 to meter 59014 is scheduled for other third party deliveries. Volumes scheduled to meter 59014 for CGC use under the CGC Tennessee contracts or Sequent's contract 410206 is shown on a scheduling summary spreadsheet denoting the gas is to be used at other CGC meters.

Question 64:

Does CGC use or has CGC used energy delivered to Sequent at meter 59014 to meet the needs of CGC's ratepayers?

Response:

One single day, January 16, 2007, CGC purchased 5000 dths delivered on Sequent's contract 410206 to the meter 59014. This gas was denoted on a scheduling summary for CGC usage at other meters. If gas is scheduled to 59014 for CGC use, it is denoted on a scheduling summary for CGC use and it is not considered delivered to Sequent.

Question 65:

If Sequent acquires gas which is delivered to any transportation customers at or behind CGC's meter points, identify the customers.

Response:

Sequent has never sold to individual customers behind CGC's gate.

Question 66:

Confirm that the amounts displayed in the last row of Table 3 are the firm delivery amounts by meter number for the quarter of January 2008. If CGC cannot confirm these, then please provide data showing the correct amounts.

Response:

CGC capacity shown in table 3 for January 2008 is correct.

Question 67:

Confirm that the amounts displayed in Tables 17 and 18 are correct. If CGC cannot confirm these, then please provide data showing the correct amounts.

Response:

The data in the last row of Table 17 and the data in the last 4 rows of Table 18 are correct.

Question 68:

Explain fully how CGC communicates to the pipelines that Sequent is CGC's asset manager for CGC's contracts with the pipeline. Provide copies of all FERC forms, and all CGC written material including emails, letters, or other documents which show and explain this process.

Response

CGC does this consistent with the pipeline's tariff requirements, which include providing agency agreements. See the attached agreements. Note that ETNG does not require an agency agreement. Its system provides for an affiliate notation, which allows Sequent, as an affiliate of CGC to act on CGC's behalf. Per the Asset Management Agreement, Sequent may only act at the direction of CGC.

Question 69:

If Sequent, rather than CGC, communicates to the pipelines that Sequent is CGC's asset manager for CGC's contracts, then provide copies of all FERC forms, and all CGC written material including emails, letters, or other documents which show Sequent informing the pipeline that Sequent is CGC's asset manager.

Response:

See response to 68.

Question 70:

Is CGC the operator of SONAT point 19966, shown in Table 18?

Response:

Both CGC and Sonat have operating responsibilities at point 19966.

Question 71:

Is CGC the operator of any of CGC's points for East Tennessee pipeline? If so, which points? If not, what entity is the operator of CGC's points for East Tennessee pipeline?

Response

Both CGC and East Tennessee have operating responsibilities at CGC's delivery points.

Question 73:

Did Sequent submit a bid for the most recent Atmos Energy asset management contract?

Response:

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence and seeking privileged, confidential, proprietary and/or trade secret information.

Question 74

Confirm that Sequent is not and has never been an operator of any delivery point where East Tennessee delivers gas to CGC. If such confirmation cannot be made, please explain.

Response

Sequent is not and has never been an operator of any delivery point where East Tennessee delivers gas to CGC.

Question 75:

Is there a balancing agreement between CGC and East Tennessee which includes meter 59014?

Response

Yes. Meter 59014 is a CGC firm delivery point.

Question 76:

Is there a balancing agreement between Sequent and East Tennessee?

Response

Sequent objects to this question as not reasonably calculated to lead to the discovery of admissible evidence and seeking privileged, confidential, proprietary and/or trade secret information.

Question 77:

If the response is "Yes" to either of the two requests immediately above, then provide copies of all Operating Balance Agreements between CGC and East Tennessee Natural Gas Pipeline, between Sequent and East Tennessee Natural Gas Pipeline, and between AGL and East Tennessee Natural Gas Pipeline.

Response

Rate Schedule LMS-PA

Load Management (Pooling Area) Service

1. AVAILABILITY

1.1 Transporter shall provide a monthly balancing service to parties (herein referred to as "Balancing Parties") who have executed an Operational Balancing Agreement ("OBA") for use at receipt points. A Receipt Point OBA will be available to:

- (a) the operator of connecting facilities at a receipt point(s) on Transporter's system;
- (b) a pipeline operator whose facilities interconnect with Transporter's system;
- (c) A supply aggregator ("Aggregator") who has obtained consent from two or more receipt point operators authorizing the Aggregator to operate such points, which authorization shall include, but not be limited to, changing physical flow at receipt points; provided however that the sum of all the MDROs at all points covered by one Aggregator's Balancing Agreement shall not exceed 5,000 Dth.

2. APPLICABILITY

The terms, conditions, and charges set forth in this Rate Schedule governing daily variances and monthly balancing shall apply to all gas flowing through meters covered by a Receipt Point OBA. A Receipt Point OBA may cover an unlimited number of points designated as Primary Receipt Points under FT-A and/or FT-GS Agreement(s), or an unlimited number of points designated as Primary Receipt Points under an FT-L Agreement, subject to the limitation in Section 1.1(c) above. A single Receipt Point OBA may not cover points on that portion of Transporter's system designated as an Incremental Lateral and points on that portion of Transporter's system not designated as an Incremental Lateral.

3. SCHEDULING AND CONFIRMATION BY BALANCING PARTY

The Balancing Party will submit confirmations to Transporter via LINK® by Transporter's confirmation deadline(s) set forth in Section 15 of Transporter's General Terms and Conditions. The Balancing Party's confirmation shall specify the quantity to be transported by each Shipper to or from Balancing Party's receipt point.

4. DAILY VARIANCES

- 4.1 The daily variance shall be the difference between the total Scheduled Quantity at that point and the actual quantity delivered into Transporter's system at that point on any day.

Issued by: D. A. McCallum, Director, Rates and Tariffs

Issued on: August 16, 2006

Effective on: October 29, 2006

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. CP05-413-000, issued February 8, 2006, 14 FERC ¶ 61,122

East Tennessee Natural Gas, LLC

FERC Gas Tariff

Third Revised Volume No. 1

First Revised Sheet No. 192

Superseding

Original Sheet No. 192

Rate Schedule LMS-PA

Load Management (Pooling Area) Service (Continued)

- 4.2 A Balancing Party may be subject to an Action Alert Penalty or a Balancing Alert Penalty for quantities delivered above the Daily Limit as set forth in Section 5.
- 4.3 Based upon the best information available, a Balancing Party shall take action to correct any imbalances occurring during the month by making adjustments in nominations or receipts. If Balancing Party fails to take such corrective action, then Transporter may, upon 48 hours notice, adjust Balancing Party's scheduled receipts over the remainder of the calendar month in order to maintain a balance of receipts and nominations.

5. DELIVERIES IN EXCESS OF DAILY LIMIT

- 5.1 On any day on which Transporter has issued an Operational Flow Order ("OFO") affecting Balancing Party's point pursuant to Section 14 of Transporter's General Terms and Conditions, and Balancing Party delivers gas in excess of the Daily Limit

applicable to the receipt point, such Balancing Party shall be subject to an Action Alert Penalty or a Balancing Alert Penalty, as applicable, as set forth in Section 14.9 of Transporter's General Terms and Conditions for each dth of excess quantities delivered beyond a two percent allowable variation. The Daily Limit shall be stated in the OFO.

- 5.2 In addition to the remedy set forth in 5.1 above, in the event Balancing Party delivers gas in excess of the Daily Limit applicable to the receipt point and Transporter believes it is necessary to take actions (i.e., buying or selling gas, etc.) to maintain system integrity or to prevent interrupting firm service, Transporter shall have the right, but not the obligation, to take such remedial actions as it deems necessary. If Transporter takes these actions, it shall be made whole by the Balancing Party that failed to observe the Daily Limit for all costs that Transporter incurs.
- 5.3 Any penalty revenue collected by Transporter pursuant to this Section 5 will be credited to Non-offending LMS-PA Balancing Parties pursuant to Section 47.4 of the General Terms and Conditions of this FERC Gas Tariff.

6. IMBALANCE TRADING

LMS-PA Balancing Parties will be allowed to trade imbalances occurring during the month.

Transporter shall allow LMS-PA Balancing Parties to trade imbalances with other LMS-MA or

LMS-PA Balancing Parties within the same Operational Impact Area, as defined in Section

1

of the General Terms and Conditions, if the two Balancing Parties' imbalances are offsetting balances for the month, such that the net imbalance for each Balancing Party after the completion of the trade would be reduced to a quantity closer to zero. A Balancing Party may trade any imbalance with another Balancing Party, provided that the trade shall not result in a transportation path which crosses a Posted Point of Restriction, as defined in Section 1 of the General Terms and Conditions, for that month.

A Transportation Component for each imbalance to be traded will be calculated and applied pursuant to Section 8.4 of Rate Schedule LMS-MA.

Issued by: D. A. McCallum, Director, Rates and Tariffs

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Effective on: December 14, 2006

Rate Schedule LMS-PA
Load Management (Market Area) Service (Continued)

Transporter will provide the ability to post and trade imbalances at any time during the gas flow month, and until the seventeenth Business Day after the end of the month during which the imbalances occurred. To facilitate the trading process, Transporter will, upon receipt of an LMS-PA Balancing Party's authorization, post an LMS-PA Balancing Party's imbalance quantity on its Web site. Authorizations to Post Imbalances that are received by Transporter by 11:45 a.m. will be effective by 8:00 a.m. the next Business Day (central clock time). An Authorization to Post Imbalances will remain in effect until cancelled by the LMS-PA Balancing Party. Imbalances previously authorized for posting will be posted as they become available, but no later than the ninth Business Day of the month; however, Transporter will not be required to post zero imbalances. The information posted will identify the LMS-PA Balancing Party, the contract number, the Operational Impact Area and the gas flow month applicable to the posted imbalance quantity. Transporter will provide to all Customers the ability to view, and upon request, download posted imbalance information.

Transporter shall enable the imbalance trading process by (i) receiving the Request for Imbalance Trade, (ii) receiving the Imbalance Trade Confirmation, (iii) sending the Imbalance Trade Notification to all affected parties, and (iv) reflecting the trade prior to or on the next monthly Shipper Imbalance or cash-out. When trading imbalances, the quantity to be traded must be specified. After receipt of an Imbalance Trade Confirmation, Transporter will send the Imbalance Trade Notification to the initiating trader and the confirming trader no later than noon (central clock time) on the next Business Day. Imbalance trades can only be withdrawn by the initiating trader and only prior to the confirming trader's confirmation of the trade. Imbalance trades are considered final when confirmed by the confirming trader and effectuated by Transporter. Transporter shall update the LMS-PA Balancing Party's imbalance data to reflect any final trades of imbalance quantities no later than 9:00 a.m. CT on the next Business Day after the trade is finalized.

Issued by: D. A. McCallum, Director, Rates and Tariffs

Issued on: November 13, 2006

Effective on: December 14, 2006

Rate Schedule LMS-PA
Load Management (Pooling Area) Service (Continued)

7. MONTHLY IMBALANCES

7.1 The LMS-PA Balancing Party's monthly imbalance shall be the net total of daily variances from all points covered by the LMS-PA Balancing Party's OBA(s) adjusted for make-up quantities and imbalance trading transactions, with the exception that monthly imbalances created on that portion of Transporter's system not designated as an Incremental Lateral shall not be netted against monthly imbalances created on that portion of Transporter's system designated as an Incremental Lateral. Unless Transporter and the Balancing Party mutually agree to correct the imbalance in kind on a nondiscriminatory basis, each month Transporter and the Balancing Party shall "cash out" any imbalance between Scheduled Quantities and actual receipts. To determine the % monthly imbalance, Transporter shall divide the lesser of the monthly imbalance based on Operational Data or the actual monthly imbalance by the total scheduled quantities for all days of the month for all points covered by the Balancing Agreement, then multiply by 100.

7.2 (a) If the monthly imbalance is due to an excess of actual receipts relative to scheduled quantities, then the monthly imbalance shall be considered a "positive" imbalance and Balancing Party/Shipper shall sell to Transporter, and Transporter shall buy from the Balancing Party/Shipper, in accordance with the formula listed in Section 7.2(a) of this Rate Schedule. If the monthly imbalance is due to a deficiency in actual receipts relative to scheduled quantities, then the monthly imbalance shall be considered a "negative" imbalance and Transporter shall sell to the Balancing Party/Shipper, and Balancing Party/Shipper shall buy from Transporter, in accordance with the formula listed in Section 7.2(a)(ii).

The amounts due hereunder shall be paid in accordance with

Section 16 of the General Terms and Conditions of
Transporter's FERC Gas Tariff.

Issued by: D. A. McCallum, Director, Rates and Tariffs

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Filed to comply with order of the Federal Energy Regulatory Commission, Docket
No. CP05-413-000, issued February 8, 2006, 14 FERC ¶ 61,122

East Tennessee Natural Gas, LLC
FERC Gas Tariff
Third Revised Volume No. 1

Original Sheet No. 195

Rate Schedule LMS-PA
Load Management (Pooling Area) Service (Continued)

- (i) The Balancing Party or Shipper (hereinafter referred to as the "Party") and Transporter shall "cash out" the actual monthly imbalance at the applicable price described below.
 - (A) For each month, the monthly "Low Price" or "LP" for each Market Area shall be established by taking the lowest weekly Market Area Region Price ("MARP") set forth in Tennessee's tariff pursuant to its Rate Schedule LMS-MA established for the Market Area applicable to the month.
 - (B) For each month, the monthly "High Price" or "HP" for each Market Area shall be established by taking the highest weekly MARP established for the Market Area applicable to the month.
 - (C) For each month, the monthly "Average Price" or "AP" for each Market Area shall be determined by taking the simple arithmetic average of the weekly MARP figures established for the Market Area applicable to the month.

In the event that these prices are no longer available or valid, Transporter will file to change its tariff and may, at its discretion, select a representative price in the interim period, subject to refund. In the event that a more representative posting is established, Transporter will file to change its tariff.

- (ii) For all Parties whose % monthly imbalance is less than or equal to 5% (as

calculated according to Section 7.1 of this Rate Schedule) or whose monthly imbalance (either actual or operational) is less than or equal to 1,000 Dth, the following definitions shall apply to the formula under which the Parties' imbalance volumes are "cashed out":

- "Total Positive Imbalance" or "P" shall mean the absolute value ("abv") of the sum of all actual positive imbalances under Section 7.2(a) of this Rate Schedule LMS-PA.
- "Total Negative Imbalance" or "N" shall mean the abv of the sum of all actual negative imbalances under Section 7.2(a) of this Rate Schedule LMS-PA.
- "Net Pipeline Imbalance" or "I" shall mean the difference between the Total Positive Imbalances and the Total Negative Imbalances ($I = P - N$).
- Each of the imbalances (P, N, and I) shall be calculated once, no later than the first billing of cash outs after the close of the month.

The Parties' actual imbalance volumes shall be "cashed out" according to the following formula:

(A) If $I > \text{or} = \text{zero}$ then:

- Price for negative imbalances and imbalances less than or equal to 1,000 Dth = AP
- Price for positive imbalances =
 $(\text{abv}(I) \times LP) + (N \times AP)$

$\frac{\quad}{P}$

$\frac{\quad}{P}$

Issued by: R. J. Kruse, Senior Vice President

Issued on: July 1, 2004

Effective on: July 1, 2004

East Tennessee Natural Gas, LLC
FERC Gas Tariff
Third Revised Volume No. 1

Original Sheet No. 196

Rate Schedule LMS-PA
Load Management (Pooling Area) Service (Continued)

(B) If $I < \text{zero}$ then:

- Price for negative imbalances =

$$\frac{(\text{abv}(I) \times \text{HP})}{N} + \frac{(P \times \text{AP})}{N}$$
- Price for positive imbalances and imbalances less than or equal to 1,000 Dth = AP

(iii) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.1 of this Rate Schedule) and greater than 1,000 Dth, the actual negative imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier	Price
0 - 5%	100% of HP
> 5% - 10%	115% of HP
> 10% - 15%	130% of HP
> 15% - 20%	140% of HP
> 20% -	150% of HP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the HP. Volumes making up the remaining 2% of the imbalance are priced at 115% of the HP.

(iv) For all Parties whose % monthly imbalance is greater than 5% (as calculated according to Section 7.1 of this Rate Schedule) and greater than 1,000 Dth, the actual positive imbalance volumes shall be "cashed out" according to the following formula:

Imbalance Tier	Price
0 - 5%	100% of LP

> 5% - 10%	85% of LP
> 10% - 15%	70% of LP
> 15% - 20%	60% of LP
> 20% -	50% of LP

For purposes of determining the tier at which an imbalance will be cashed out, the price will apply only to volumes within a tier. For example, if there is a 7% imbalance, volumes that make up the first 5% of the imbalance are priced at 100% of the LP. Volumes making up the remaining 2% of the imbalance are priced at 85% of the LP.

Issued by: R. J. Kruse, Senior Vice President

Issued on: July 1, 2004

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East Tennessee Natural Gas, LLC

FERC Gas Tariff

Third Revised Sheet No. 197

Third Revised Volume No. 1

Superseding

Second Revised Sheet No. 197

Rate Schedule LMS-PA

Load Management (Pooling Area) Service (Continued)

- (b) Access to Information - Transporter will make available within one Business Day following the day of gas flow the best information it has concerning the total physical receipts. Transporter will also make available by electronic means the best information it has concerning the scheduled and allocated receipts at all receipt points. This information will include electronic gas measurement data at meters where such data is used for billing purposes (Electronic Data). Transporter will designate where Electronic Data is available. No later than 11:00 a.m. Central Time on the third full Business Day following the day of gas flow, the information regarding the scheduled and allocated receipts shall become "Operational Data" and Operators will be entitled to rely on the Operational Data for purposes of correcting imbalances during the month. Imbalances will be cashed out on the basis of actual

receipts and scheduled quantities; provided that the Imbalance Tier and tiered pricing associated with imbalances will be based upon the lesser of (1) the monthly operational imbalance reported by Transporter based upon the Operational Data or (2) the monthly imbalance based upon actual receipts and receipts at such locations; provided that, if the monthly imbalance reported by Transporter as of the 20th day of the calendar month based upon Electronic Data is subsequently adjusted during the remainder of the month and (1) such adjustments materially increase the level of the imbalance and (2) the Balancing Party did not have adequate time to correct the imbalance by adjusting nominations or receipts, then the Imbalance Tier associated with imbalances at points where Electronic Data is available will be based upon the lesser of (a) the imbalance reported as of the 20th day of the calendar month plus the imbalance reported for each subsequent day in the calendar month or (b) the monthly imbalance based upon actual receipts at such points to the extent the Balancing Party documents the situation. Notwithstanding anything to the contrary, if the Electronic Data at any point is inaccurate, through no fault of Transporter, but rather as the result of the action or inaction of third parties, then the Imbalance Tier associated with monthly imbalances occurring at such points will be based upon actual receipts.

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Effective on: December 14, 2006

East Tennessee Natural Gas, LLC

FERC Gas Tariff

Third Revised Volume No. 1

Second Revised Sheet No. 198

Superseding

First Revised Sheet No. 198

Rate Schedule LMS-PA

Load Management (Pooling Area) Service (Continued)

- (c) Limitation on Tiered Pricing - Any imbalances caused by an event of force majeure as set forth in Section 24 of the

General Terms and Conditions of Transporter's FERC Gas Tariff or caused by Transporter's actions (1) will not be included in the calculation of the total monthly imbalance for purposes of determining the appropriate cash-out level and (2) will be cashed out at the 0-5% tolerance level, as set forth in 7.2 above.

- (d) Operational Integrity - Nothing in this Section 7 shall limit Transporter's right to take action as may be required to adjust receipts and deliveries of gas in order to alleviate conditions that threaten the integrity of its system.

8. DISPOSITION OF CHARGES

At the conclusion of each annual period, Transporter will determine the net cashout activity under its LMS Rate Schedules and Section 8 of Rate Schedule PAL. In the event that charges collected by Transporter under its cashout provisions exceed the actual cost of providing service under this Rate Schedule, Transporter shall credit such excess revenues to all eligible Balancing Parties. Credits shall be applied based on volumes transported during the past year. Any credits due hereunder shall be made within 45 days following approval by the Federal Energy Regulatory Commission of Transporter's report and refund plan concerning such credits. To the extent that the cashout activity in any annual period results in a negative balance, such balance will be carried forward and applied to the next annual determination of cashout activity. Within 150 days after each anniversary of the Implementation Date, Transporter will file a report and refund plan with the Commission.

9. GENERAL TERMS AND CONDITIONS

- 9.1 Shipper shall provide Transporter with such information as is needed to meet the requirements placed on Transporter by regulation, rule, and/or order by any duly authorized agency. Furthermore, any terms or conditions not specified in this Rate Schedule shall be determined consistent with the General Terms and Conditions of Transporter's FERC Gas Tariff, which are incorporated into this Rate Schedule.
 - 9.2 In the event of a conflict between the provisions of this Rate Schedule and Transporter's General Terms and Conditions, the provisions of Transporter's General Terms and Conditions shall govern.
-

Issued by: D. A. McCallum, Director, Rates and Tariffs

Issued on: November 13, 2006

Effective on: December 14, 2006

East Tennessee Natural Gas, LLC

FERC Gas Tariff

Third Revised Volume No. 1

Sheet Nos. 199 - 210

Question 78:

Explain fully how Sequent's deliveries to meter 59014 are treated within the context of any balancing agreement that includes any of or all of CGC's meter points.

Response:

Sequent deliveries to meter 59014 are treated just like any other delivery to that meter. Contract 410206 is scheduled just like any other third party nomination. Gas scheduled on CGC contracts to meter 59014 is on a scheduling summary spreadsheet clearly denoting whether the gas is to be burned in CGC or at meter 59014. . All gas burned at meter 59014 is for firm and interruptible customers on AGLC's distribution system. The AGLC Gas Control department scheduling the volumes is then clear where the gas is to be burned (at 59014 meter or at CGC meters).

AGLC and CGC share an OBA with East Tennessee. The split out of the OBA has two parts.

- 1) **Measured Burns:** The measured burns (actual usage) at the meters is completely separate. All gas burned at meter 59014 is gas burned by firm and interruptible customers on AGLC's distribution system. All gas burned at the CGC meters is for CGC.
- 2) **Scheduled nominations:** The scheduled volumes are kept separate as well. All gas scheduled to CGC meters is for CGC burn. Gas scheduled to meter 59014 on non-CGC contracts is nominated in the Atlanta Gas Light Gas Operations System. Gas scheduled on CGC contracts to meter 59014 is on a scheduling summary clearly denoting whether the gas is to be burned in CGC or AGLC meters. Gas Control is then clear where the gas is to be burned (at meter 59014 or at CGC meters).

The East Tennessee OBA allows CGC to schedule gas to the 59014 meter and burn it at CGC meters. East Tennessee treats it as one OBA. East Tennessee looks at the difference between scheduled and burned for the sum of the CGC and the 59014 meters. There is one East Tennessee cash-out for the difference between scheduled and burned for the each month. AGLC and CGC separate this one OBA based on the separate scheduled volumes and separate burn volumes.

Question 79:

(a) Confirm that CGC, AGL or Sequent received a refund or credit from ET regarding ET's cashout for the 12-months-ending 200310 (October 2003). If CGC confirms, provide the amount of the credit or refund. If CGC cannot confirm, then explain.

Response:

The company received a \$32,259 refund from East Tennessee Natural Gas Co., which was credited on the July 2004 production month invoice. One hundred percent (100%) of the refund was passed to CGC ratepayers.

(b) If CGC confirms subpart (a) above, then also confirm that the refund or credit was passed on to CGC's ratepayers. Provide copies of any correspondence or data provided to the Tennessee Regulatory Authority regarding the refund. If CGC cannot confirm, then explain.

Response:

Per TRA staff suggestion, the refund of \$32,259 was included in the ACA filing ending June 2005 as reduction of commodity gas cost instead of filing a Supplier Refund Rider separately. Please refer to the response to question 17 for the ACA filing year ending June 2005 for support document.

Question 80:

(a) Confirm that CGC received a refund or credit from East Tennessee regarding East Tennessee's cashout for the 12-months-ending 200510 (October 2005). If CGC confirms, provide the amount of the credit or refund. If CGC cannot confirm, then explain.

Response:

The Company received a refund in the amount of \$181,994 from East Tennessee Natural Gas Co., which was credited on the June 2006 production month invoice. One hundred percent (100%) of the refund was credited to CGC ratepayers.

(b) If CGC confirms subpart (a) above, then also confirm that the refund or credit was passed on to CGC's ratepayers. Provide copies of any correspondence or data provided to the Tennessee Regulatory Authority regarding the refund. If CGC cannot confirm, then explain.

Response:

The refund of \$181,994 was included in the ACA filing ending June 2006 as reduction of commodity gas cost instead of filing a Supplier Refund Rider separately. Please refer to the response to question 17 for ACA filing year ending June 2006 for support document.

Question 82:

Explain fully all considerations and circumstances which led or caused CGC to relinquish 5,000 dekatherms of firm receipts volume at RidgeTop, and explain whether CGC would relinquish the capacity to any other company or marketer other than Sequent.

Response:

In evaluating the design day (peak day) load of the firm customers, the Company came to the conclusion that the needs of the customers could be met without the 5,000 dekatherms per day of firm transportation capacity associated with East Tennessee Pipeline contract number 410199, which was set to expire October 31, 2006. Therefore, CGC did not relinquish, release, or assign any capacity to Sequent. CGC exercised the rights it held under its contract with East Tennessee to turn back firm transportation capacity at the end of the contract term. It is possible that Sequent acquired rights to capacity from East Tennessee consistent with the pipeline's open access tariff.

Question 83:

Was any financial consideration provided by Sequent to CGC or its ratepayers for CGC relinquishing 5,000 dekatherms of firm receipts volume at RidgeTop, which were then acquired by Sequent in its fulfillment of contract 410206-R1? If none, then so state. If "yes," then explain and provide copies of any material you have to support your reply.

Response:

No. CGC did not relinquish, release, or assign any capacity to Sequent. CGC exercised the rights it held under its contract with East Tennessee to turn back firm transportation capacity at the end of the contract term. It is possible that Sequent acquired rights to capacity from East Tennessee consistent with the pipeline's open access tariff.

Question 84:

Did CGC demand any financial consideration from Sequent when CGC relinquished 5,000 dekatherms of firm receipts volume at RidgeTop. If none, then so state. If "yes," then explain and provide copies of any material you have to support your reply.

Response:

No. CGC did not relinquish, release, or assign any capacity to Sequent. CGC exercised the rights it held under its contract with East Tennessee to turn back firm transportation capacity at the end of the contract term. It is possible that Sequent acquired rights to capacity from East Tennessee consistent with the pipeline's open access tariff.

Question 85:

Did CGC know that the 5,000 dekatherms of firm receipts volume being relinquished at RidgeTop would be acquired by Sequent? If no, then so state. If "yes," then explain CGC's activities and provide copies of any material you have to support your reply.

Response:

No

Question 86:

In an excel spreadsheet and a hard copy, provide the daily record for the dekatherms scheduled at RidgeTop per contract 410203-R1 and per contract 410206-R1 from January 1, 2005 through December 31, 2007.

Response

Please see attached for Sequent's gas receipts at RidgeTop per contract 410203-R1 and per contract 410206-R1 from January 1, 2005 through December 31, 2007. Please note that the downstream delivery points and customers have been redacted. Also included as part of the attachment is an excel spreadsheet, which summarizes the information contained in the East Tennessee Service Requester Detail Activity Allocation Reports.

Question 87:

Explain fully why CGC has no storage capacity at Saltville Storage.

Response

Chattanooga Gas has not determined that Saltville Storage service would benefit its customers. Typically services available from salt dome storage services are best suited to providing supply and demand balancing. CGC's Southern Natural Gas CSS storage service provides adequate daily balancing service to meet the customers' needs.

Question 88:

Explain fully the extent to which CGC cooperates with Sequent and AGL regarding CGC's decisions to enter into and exit from pipeline contracts for storage and transportation, and the terms and conditions of such contracts, including the contract's duration.

Response:

Decisions related to pipeline storage and/or transportation contracts are made exclusively by CGC personnel and AGL Service Company employees working on behalf of Chattanooga Gas Company. Sequent and Atlanta Gas Light Company employees are not involved in the decisions.

Question 89:

How much profit has Sequent netted from contract 410203-R1 and contract 410206-R1?

Response:

As discussed in the response to question #31, Sequent cannot determine any of its net profits other than its overall net profit; which is contained in AGLR Resources Inc.'s SEC filings, see response to question #26. Sequent cannot either break down gross profits by transportation contracts for its contracts or any CGC contracts.

Question 90:

Explain fully why CGC's percentage reduction of delivery capacity from January 2004 to January 2007 substantially lags the percentage reduction in volume sales to consumers from January 2004 to January 2007.

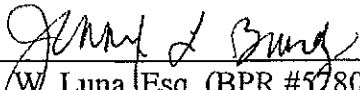
Response

The amount of firm citygate delivered capacity requirement is based upon the needs of CGC's customers on days of extreme weather conditions. While extremely cold weather days may not happen every year, the company needs to be prepared to serve customers when such conditions do occur. Decreasing the portfolio's deliverability has the potential to cause substantial customer outages on extremely cold days.

The sales volumes in a given year are determined by summing daily throughput, which is affected by fluctuating daily weather conditions including warm days and cold days. In 2004, the total annual Heating Degree Days ("HDD's") experienced were 6% greater than in 2007. This resulted in a lower throughput for the area. In addition, 2007 experienced a 16% decrease in total annual HDD's when compared to NOAA's normal weather pattern. While the total throughput was down in 2007 in comparison to 2004, the 2007 peak day was only 2 degrees lower than the 2004 peak day. Therefore, having the amount of supply needed to serve customers on all days should be disconnected from the throughput volumes experienced.

Respectfully submitted,

FARMER & LUNA, PLLC

By: 
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Jennifer L. Brundige, Esq. (BPR #20673)
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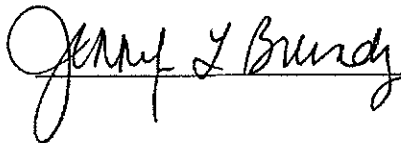
CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forwarded by hand delivery on this the 11th day of April, 2008, to the following:

Eddie Roberson, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-00505

Kelly Cashman-Grams, Hearing Officer (response w/o attachments)
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



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TN REGULATORY MATTER
May 10 2008 ROOM

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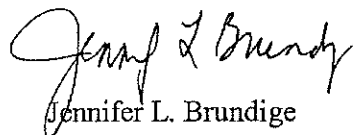
Re: Docket 07-00224

Dear Tim and Steve:

Enclosed please find Chattanooga Gas Company's ("CGC") revised responses to the First Discovery Requests of the Consumer Advocate and Protection Division ("CAPD") that are being produced in accordance with the agreements that we reached on April 24, 2008, and pursuant to the April 29, 2008 Order of the Hearing Officer.

Please note that the Chattanooga Book that is being provided in electronic format on the enclosed CD is confidential and is subject to the Agreed Protective Order in this Docket. Any hard copies that are made from the CD must be stamped Confidential and are subject to the Agreed Protective Order. Further, the IMCR filings contain confidential information which has been marked Confidential. In order to avoid confusion and to maintain all of the IMCR filings together, we have placed them in the marked envelope. Additionally, the attachments to Nos. 28, 35, 63-64 and the response to No. 52 are confidential and are subject to the Agreed Protective Order.

Sincerely yours,



Jennifer L. Brundige

Enclosures

cc: Kelly Cashman-Grams (responses w/o attachments)
TRA Docket Room
Elizabeth Wade, Esq.

Question: 24:

Please provide a complete copy of Sequent's book of profits and losses for Tennessee for the time period from January 1, 2004 through the present by calendar year, or copies of the documents whether or not they are kept in the form of a book.

Revised Response:

See attached for the IMCR filings and the Chattanooga book from October 2004-present.

CONFIDENTIAL - Please note the attachments to this response are confidential and subject to the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 28:

Please produce copies of Sequent's general accounting ledger and related chart of accounts for the fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007.

Revised Response:

See attached for the chart of accounts.

CONFIDENTIAL - Please note the attachments to this response are confidential and subject to the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 34:

Please provide copies of all asset management contracts between Sequent and entities other than CGC for the time period from January 1, 2004 through the present.

Question 35:

Please provide copies of all asset management contracts between AGL affiliates and their asset managers for the time period from January 1, 2004 through the present.

Revised Response:

Attached are the asset managements between Sequent and AGL affiliates.

CONFIDENTIAL - Please note the attachments to this response are confidential and subject to the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 36:

Please explain how the sharing formula and percentages were determined for the asset management contracts between CGC and Sequent for the time period from January 1, 2004 through the present.

Revised Response:

The sharing provisions included in the asset management agreement between CGC and Sequent for the period of January 1, 2004-March 31, 2008 were negotiated by the parties based on CGC's tariff, which includes a 50/50 sharing provision for off-system sales. The sharing provisions in the agreement effective April 1, 2008 were determined through the RFP and bidding process included in CGC's Tariff approved by the Tennessee Regulatory Authority.

Question 46:

Does CGC obtain competitive bids for information, assets, goods or services subsequently purchased from an affiliated entity? If not, document the reasons and circumstances for which CGC deems competitive bids are neither necessary or appropriate. If CGC does obtain such competitive bids, provide copies of documents showing such competitive bids.

Revised Response:

See response to Question 10 for a list of agreements CGC has with affiliates. CGC did not obtain competitive bids for these agreements other than the asset management agreement. It isn't appropriate to obtain the management and support services provided under these agreements through a competitive bid process. All agreements except for the asset management agreement, that was competitively bid, were approved by the Securities and Exchange Commission.

Question 63:

Explain fully how CGC prevents its activities related to contract 410203-R1 from being commingled with Sequent's activities regarding contract 410206-R1.

Question 64:

Does CGC use or has CGC used energy delivered to Sequent at meter 59014 to meet the needs of CGC's ratepayers?

Revised Response:

See attached.

CONFIDENTIAL - Please note the attachments to this response are confidential and subject to the Agreed Protective Order dated March 4, 2008 in TRA Docket 07-00224.

Question 70:

Is CGC the operator of SONAT point 19966, shown in Table 18?

Revised Response:

To the extent that the definition of "point operator" describes the party responsible to allocate and/or manage the differences between scheduled and confirmed volumes at the delivery points and the actual flow through those collective points, CGC is the point operator.

Question 71:

Is CGC the operator of any of CGC's points for East Tennessee pipeline? If so, which points? If not, what entity is the operator of CGC's points for East Tennessee pipeline?

Revised Response:

See response to 70.

Question 77:

If the response is "Yes" to either of the two requests immediately above, then provide copies of all Operating Balance Agreements between CGC and East Tennessee Natural Gas Pipeline, between Sequent and East Tennessee Natural Gas Pipeline, and between AGL and East Tennessee Natural Gas Pipeline.

Revised Response:

Attached is the OBA that is effective for both CGC and AGLC.

**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)

**THIRD 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 Mary Leigh White, on or before May 12, 2009.

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. In reference to Mr. Sherwood's supplemental testimony from page 17 line 7 to page 18 line 2, as well as CNG's prior responses to discovery, explain how "SEM uses fallow CGC ETNG transportation to make a delivered sale into Transco at the ETNG/Transco pipeline interconnect." Include in your reply an explanation of how Sequent uses "fallow CGC ETNG transportation" to make a delivered sale to Transco without utilizing CGC's OBA and provide a copy of Sequent's Operational Balancing Agreement with ETNG.

RESPONSE:

2. Mr. Sherwood says in his supplemental testimony at page 20 lines 9-11:

CGC has transport customers that schedule gas to the system from ETNG and whose daily balances are included in CGC's imbalances, since CGC is the delivery point operator.

In view of this record, provide copies of all contracts between CGC and ETNG and all other material substantiating Mr. Sherwood's testimony that for each year from 2000 through 2008 CGC has been the delivery point operator of delivery points 59001, 59007, 59016, 59017, 59024, 59106, 59108, 59142 and 59151. If CGC was not the operator of a delivery point in a particular year, for example such as point 59017 in 2004, then identify the company that was the delivery point operator.

RESPONSE:

3. For each year from 2000 through 2008, identify the delivery point operator of delivery point 59014.

RESPONSE:

4. Identify the parties who are “transport customers” or “transportation customers” as outlined in Supplemental Testimony of Tim Sherwood page 17, line 15 and page 20, line 9.

RESPONSE:

5. Identify the parties who made the nominations for the “transport customers” as outlined in exhibit TSS-17.

RESPONSE:

6. Regarding exhibit TSS-05 and the line depicting “firm load”, please provide each customer class's Mdth for all values on the horizontal axis in an excel spreadsheet. For example, regarding point 57 on the horizontal axis, provide the Mdth for each customer class. Provide such data for all points on the horizontal axis.

RESPONSE:

7. Regarding exhibits TSS-06 and TSS-07, please provide all the data used in the regression analyses in an excel spreadsheet.

RESPONSE:

8. Regarding exhibits TSS-06 and TSS-07, please provide “usage per customer” for each customer class in an excel spread sheet.

RESPONSE:

9. Please provide all data in CGC's possession on "usage per customer" for CGC's customers outlined in exhibits TSS-06 and TSS-07.

RESPONSE:

10. Does usage per customer include data from customers who are "transport customers" ("transportation customers")?

RESPONSE:

11. Does usage per customer include data from customers who make "third party gas" nominations shown in exhibit TSS-17?

RESPONSE:

12. Identify the parties who made third party gas nominations as referenced in exhibit TSS-17.

RESPONSE:

13. Regarding exhibit TSS-08, explain the meaning of the column titles "Alloc Del Quantity", "Alloc Rec Quantity", "Mo. Imbalance (Long)/Short", "Daily Alloc Delivery Qty", and "Daily Alloc Receipt Qty".

RESPONSE:

14. Regarding exhibit TSS-08, if the term "Alloc" means "allocated" explain the allocation process, identify all parties involved in the allocation process, and provide all documents, studies, pipeline bills, emails and other materials to support your reply.

RESPONSE:

15. Regarding exhibit TSS-08, if the term "Alloc" means "allocated", then for each allocated quantity provide the total quantity which is the source of the allocated quantity. For example, if the allocated quantity is 238,498 identify the number, such as 300,000, which is the source of the allocated quantity.

RESPONSE:

16. Regarding exhibit TSS-08, provide copies of all pipeline bills, nomination records and other material and/or documents that are sources for the data reported in TSS-08.

RESPONSE:

17. Regarding exhibit TSS-08, in an excel spread sheet provide all quantities on a daily basis and provide all pipeline bills, nomination records and other materials and/or documents that are sources for the data reported in TSS-08.

RESPONSE:

18. Regarding exhibit TSS-08, for each day of the period from August 1, 2005 through October 31, 2008, provide the scheduled deliveries at each of CGC's delivery points for each point on a daily basis and provide all actual pipeline bills, nomination records and other material that are sources for the data in an excel spreadsheet.

RESPONSE:

19. Regarding TSS-08, for each day from August 1, 2005 through October 31, 2008, provide the transport customers' daily scheduled deliveries and daily actual deliveries.

RESPONSE:

20. Regarding exhibit TSS-08, explain why the analysis begins at August 2005 rather than an earlier date.

RESPONSE:

21. Regarding exhibit TSS-08, please extend the analysis back to November 2002.

RESPONSE:

22. Please provide any and all documents which were used in the creation of the provided exhibit TSS-08, as well as any and all documents in your possession which are related to this exhibit, were used in responding to the interrogatories related to this exhibit, including but not limited to Interrogatories 13 through 22, and/or and documents that support the figures presented in exhibit TSS-08.

RESPONSE:

23. In light of the information provided in TSS-08 and Mr. Sherwood's supplemental testimony with regard to load balancing, please provide a month-by-month listing of the amount of firm customer usage, in total and at each of CGC's delivery points, for the period from November 2002 through October 31, 2008; include in your answer an explanation of the process by which these figures were calculated as well as any and all documents that were used in preparing these figures.

RESPONSE:

24. Regarding exhibit TSS-09, provide and accurately label all the data used in the regression analyses in an excel spreadsheet.

RESPONSE:

25. Regarding exhibit TSS-17 and the quantity "CGC Net Purchases", provide the net purchases by day by delivery point for ETNG and SONAT for 2003 and 2005.

RESPONSE:

26. Regarding exhibit TSS-17, for the years 2003 and 2005 and for ETNG and SONAT provide in an excel spread sheet the scheduled delivery by day for each delivery point where CGC was the delivery point operator.

RESPONSE:

27. Mr. Sherwood says in his supplemental testimony from page 12 lines 2-13:

While Dr. Brown testifies that “CGC’s design day forecasts include industrial loads and are interruptible or stand-by only” (Brown Rebuttal page 54, line 19 — 21), the fact is that loads included in the design day regression analysis are loads for which CGC has a firm obligation consistent with CGC’s tariff, included as Exhibit TSS-19. The design day analysis for CGC was done in the same manner as the analysis referenced in the Stipulation in Docket 24960-U. As opposed to the Rome Pool on the AGLC system, the firm customer count for CGC has been increasing. This is why Dr. Brown is wrong in drawing the conclusion that the CGC design day should decline because the design day load for AGLC’s Rome Pool declined.

Please provide the definition of “firm customer” that was used in Docket 24960-U and provide all data, tariffs and other materials which support your definition.

RESPONSE:

28. Please provide the number of firm customers in the Rome Pool at the time of the Rome Pool’s peak for each peak from 2000 through 2008.

RESPONSE:

29. Please provide the number of CGC’s firm customers at the time of the CGC’s peak for each peak from 2000 through 2008.

RESPONSE:

30. Mr. Sherwood says in his supplemental testimony from page 11 lines 8-12,

In contrast to the Atlanta Pool, the Rome Pool load is expected to have a decline of approximately 5,000 customers over the period 2008 through 2010.

In light of this statement, how many of the “5,000 customers” are firm customers?

RESPONSE:

31. Please provide a narrative of the methods used to project the number of firm customers in the Rome Pool for 2009 and 2010.

RESPONSE:

32. How many times since 2002 has Mr. Sherwood or his company made a projection of the number of firm customers in the Rome Pool? If the answer is more than zero, then provide a copy and a list of each projection made since 2002.

RESPONSE:

33. Please provide a narrative of the methods used to project the number of firm customers in CGC for 2009 and 2010.

RESPONSE:

34. How many times since 2002 has Mr. Sherwood or his company made a projection of the number of firm customers in CGC? If the answer is more than zero, then provide a copy and a list of each projection made since 2002.

RESPONSE:

35. Please provide supplemental answers to all discovery requests previously propounded in this docket; these supplements should include but are not limited to any discovery requests not previously answered in full, as well as any and all updates that may be necessary as a result of a change of circumstance, unusual occurrence, the passage of time, internal change within CGC, AGL, Sequent or any other Affiliated Companies or employees, change of business model, contractual or other legal obligation, matter of going concern, and/or any other customer, employee, or transactional change which may have resulted in the need to supplement/update either the answers provided to these or prior discovery requests.

RESPONSE:

36. Mr. Sherwood says in his supplemental testimony at page 23 lines 7-14:

The single most significant factor influencing compensation, including the payment of additional compensation for the employees involved in the capacity planning process, is their individual performance. The individual performance of these employees is specifically dedicated to the service of AGLR's utilities and does not include the performance of Sequent. Failure to meet the individual performance standards makes employees ineligible for additional compensation under the Annual Incentive Plan.

In light of this statement, please provide a listing of the position, title and number of employees responsible for "the capacity planning process" and describe fully the individual "Annual Incentive Plan" standards for the

employees involved in the capacity planning process; include in your answer a copy of the individual annual incentive plan for each of these employees, the direct employer of each of these employees, each of the specific standards by which these employees are measured, how these performance standards are set and measured, which company, and which employees within that company, sets and/or measures these standards, and any and all supporting documentation or documentation that was used in drafting this response.

RESPONSE:

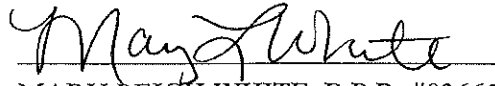
37. With regard to the Selection of Sequent as the asset manager of CGC, Mr. Sherwood says in his supplemental testimony at page 24 lines 17-20:

Sequent was selected as the asset manager for CGC as a result of a tariff based RFP process in which they were the party offering the highest minimum annual guaranteed payment to CGC's customers.

In view of this statement, please provide a detailed narrative of the "tariff based RFP process" used to select CGC's asset manager as well as a listing of any other asset managers who may have participated in this process within the last five years; include in your answer the factors that are reviewed in selecting an asset manager, the weight assigned to each of those factors, which company and employees make the selection of an asset manager, whether or not any company other than CGC is involved in the selection process in any way, whether or not any company other than CGC provides advice or guidance in the selection process, a listing of participating asset managers' in the selection process by year, and any and all documents which support any part of your answer, were used in drafting your answer, that evidence the existence of selection criteria, or that more fully describe this process.

RESPONSE:

RESPECTFULLY SUBMITTED,



MARY LEIGH WHITE, B.P.R. #026659

Assistant Attorney General



T. JAY WARNER, B.P.R. #

Assistant Attorney General

Office of the Attorney General

Consumer Advocate and Protection Division

P.O. Box 20207

Nashville, Tennessee 37202

(615) 741-3533

Dated: April 15th, 2009

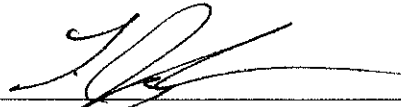
CERTIFICATE OF SERVICE

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 15th day of April, 2009.



Mary Leigh White
T. Jay Warner
Assistant Attorney General

121988

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

April 22, 2009

IN RE:

**DOCKET TO EVALUATE
CHATTANOOGA GAS COMPANY'S
GAS PURCHASES AND RELATED
SHARING INCENTIVES**

DOCKET NO. 07-00224

CHATTANOOGA GAS COMPANY'S OBJECTIONS TO CAPD'S THIRD DISCOVERY REQUESTS

Pursuant to the March 2, 2009 Third Amended Procedural Schedule, Chattanooga Gas Company (“CGC” or “Company”) files these Objections to the Third Discovery Requests of the Consumer Advocate and Protection Division (“CAPD”).

To assist the Hearing Officer in evaluating this matter, CGC is setting forth its objections in two parts. Part I sets forth the general objections applicable to CGC's discovery responses. Part II sets forth objections to specific discovery requests propounded by the CAPD.

I. 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 and/or documents that are beyond the scope of legitimate discovery in this case or subject to the attorney-client privilege, attorney work product doctrine, or any other applicable privilege.

Additionally, CGC objects to the scope of the terms "identity" and "identify" as used by the CAPD. In particular, CGC objects to providing the date of birth, the current

residential address, and the current residential telephone number of persons to be identified on the grounds that the scope of information requested is overly broad and not calculated to lead to the discovery of admissible evidence. The Company also objects to providing the address and a description of the nature of the business of any entity identified in its responses on the grounds that this information may not be in CGC's possession, custody, or control and that the request is overly burdensome and is not calculated to lead to the discovery of admissible evidence. CGC further objects to the CAPD's instructions to produce the "original" or "each copy" of each document requested on the grounds that the request is unduly burdensome and overly broad. CGC intends to provide copies of original documents as available.

CGC objects to any request in the CAPD's third set of discovery requests that seeks information and/or documents that have already been provided to the CAPD in any form whatsoever during a previous discovery round in this docket or that are already in the CAPD's possession, custody, or control. It is unduly burdensome to require CGC to re-produce the information or to produce it in another specified format.

CGC objects to the discovery requests to the extent that they seek information or documents not related to matters at issue in this litigation, not relevant to matters at issue in this docket, and/or not reasonably calculated to lead to the discovery of admissible evidence. To the extent that CGC provides information or documents in response to the CAPD's third discovery requests, the Company reserves its right to object to the use and admissibility of the information or documents at the hearing on the merits or at any other proceeding.

CGC further objects to the discovery requests to the extent that they seek information and documents that are not in the Company's possession, custody, or control.

These objections are continuing and are incorporated by reference in response to all discovery requests to the extent applicable. The statement of the following additional objections to specific discovery requests shall not constitute a waiver of these General Objections.

II. OBJECTIONS TO SPECIFIC DISCOVERY REQUESTS

CAPD Request No. 1

CGC objects to Request No. 1 to the extent that it takes quoted language out of context from CGC's response to Request No. 10.b. of the CAPD's Second Set of Discovery Requests.

Additionally, in Request No. 1, the CAPD asks CGC to "provide a copy of Sequent's Operational Balancing Agreement with ETNG." CGC objects to this request on the grounds that the CAPD requested this information during the first round of discovery and the Hearing Officer denied the CAPD's request for this information. Further, CGC objects as this information is not in its possession, custody, or control and is not relevant to the matters in the present docket.

In the first round of discovery, the CAPD asked for copies of operating balancing agreements between ETNG and Sequent. See First Round Request No. 77. CGC objected to producing this information because an operating balancing agreement between Sequent and ETNG does not and cannot by definition include any points covered by the balancing agreement for Chattanooga Gas Company. CGC argued that Sequent's operating balancing agreement with ETNG does not involve CGC's regulated

assets and is not relevant to this docket. See Hearing Officer's April 29, 2008 Order ("April 29, 2008 Order"), at 16. The Hearing Officer denied the CAPD's request to obtain a copy of the balancing agreement between Sequent and ETNG. See April 29, 2008 Order, at 15-16. As this issue has already been determined by the Hearing Officer, the CAPD's request is redundant and improper. Further, CGC does not have a copy of the requested OBA in its possession, custody, or control.

CAPD Request No. 2

CGC objects to Request No. 2 to the extent that it seeks information that is not in CGC's possession, custody, or control.

CAPD Request Nos. 17, 21, and 23

CGC will produce the data that it generated and used in creating Exhibit TSS-08. However, CGC objects to Request Nos. 17, 21, and 23 to the extent that they require CGC to generate new data that was not used by CGC to create Exhibit TSS-08. The data does not exist in the form requested by the CPAD and thus cannot be argued to be in CGC's possession, custody, and control. It would be unduly burdensome and beyond the scope of discovery to require CGC to create information that does not already exist in its possession in the format requested.

In its sur-responsive testimony, CGC filed Exhibit TSS-08 to respond to inaccurate positions taken by Dr. Brown (Dr. Brown's Rebuttal, at page 32-33). In his rebuttal testimony, Dr. Brown performed an analysis using monthly data beginning with August 1, 2005. CGC created Exhibit TSS-08 to respond to Dr. Brown's analysis by using monthly data for the same period starting with August 2005. Now, CAPD Request No. 21 asks CGC to extend its analysis for Exhibit TSS-08 back to November 2002. This

would be unduly burdensome, overly broad, and beyond the scope of discovery to require CGC to generate monthly data for an additional three year period that was not included in Dr. Brown's rebuttal testimony. Dr. Brown chose to begin his analysis with August 2005 data and CGC has responded based on that period. Dr. Brown should not be afforded the opportunity to expand his previously filed rebuttal testimony by requesting data for an additional three year period.

To respond to CAPD Request No. 17, CGC would have to create and generate data on a daily basis rather than on a monthly basis as provided in Exhibit TSS-08. This is overly broad and unduly burdensome and is beyond the scope of discovery. Dr. Brown's rebuttal testimony to which Exhibit TSS-08 is responding only deals with monthly data. Therefore, CGC did not generate daily data. CGC will provide the data that it generated to create Exhibit TSS-08 which is responsive to the analysis performed in Dr. Brown's rebuttal testimony.

Regarding Request No. 23, CGC will answer this request to the extent that CGC has already generated the data to create and support Exhibit TSS-08. To the extent that the CAPD is seeking new data that CGC has not generated, CGC objects on the basis that the request is overly broad, unduly burdensome, and beyond the scope of discovery.

CAPD Request No. 35

CGC objects to this request to the extent that the CAPD seeks to impose on CGC requirements to supplement its responses beyond those required by Tennessee Rules of Civil Procedure (*see* Rule 26.05) or the statutes and regulations governing contested case hearings (*see, e.g.,* TRA Rule 1200-2-2-.11). CGC will seasonally supplement its

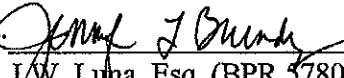
responses in accordance with the requirements of the Tennessee Rules of Civil Procedure.

CAPD Request No. 37

CGC objects to this request as it seeks information that the CAPD already has in its possession, custody, and control. Further, the information sought is readily available through public sources. To require CGC to re-produce this information is unduly burdensome. The information sought in Request No. 37 regarding the selection of Sequent as CGC's asset manager was the subject of Docket 08-00012 in which the TRA reviewed CGC's RFP process, reviewed the selection of Sequent as CGC's asset manager, and approved the asset management contract. The CAPD intervened in that docket and received all information (both confidential and non-confidential information) concerning the process and selection of Sequent as CGC's asset manager, including but not limited to information about the Company's RFP process, the bids received by bidding asset managers, the factors considered in evaluating the bids, and the selection of the asset manager. Further, CGC has already responded to requests for much of this information by the CAPD in the first round of discovery. See CGC's responses to CAPD First Round Request Nos. 49, 50, 51, 53, & 54.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of April 2009, a true and correct copy of the foregoing was served on the persons below by electronic mail:

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