

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

April 5, 2010

IN RE:

**PETITION OF CHATTANOOGA GAS
FOR GENERAL RATE INCREASE,
IMPLEMENTATION OF THE
ENERGYSMART CONSERVATION
PROGRAMS, AND IMPLEMENTATION OF
A REVENUE DECOUPLING MECHANISM**

Docket No. 09-00183

Electronically filed 4/5/10 at 4:20pm

CHATTANOOGA GAS COMPANY'S MOTION IN LIMINE

Pursuant to the Hearing Officer's Modified Procedural Schedule, Chattanooga Gas Company ("CGC" or "Company") files this motion *in limine* to strike the portions of the testimony filed on behalf of the Consumer Advocate and Protection Division ("CAPD") of the Office of the Attorney General and Reporter by Mr. Terry Buckner dealing with South Star. Specifically, CGC moves to strike pages 29-31 of Mr. Buckner's pre-filed testimony of March 10, 2010, and pages 7-12 of Mr. Buckner's pre-filed supplemental testimony of March 29, 2010, which deal with South Star. CGC has objected to the discovery of information concerning South Star during the discovery phases of this proceeding, and is objecting to the relevance of this information pertaining to South Star and its admissibility into the record during the hearing on the merits.

For two years the CAPD has pursued allegations of many unsubstantiated theories of improper asset management practices and dealings with CGC's gas and capacity supply assets. Docket 07-00224 afforded the CAPD the opportunity to look into CGC's affiliate transactions, gas costs and capacity supply planning, and asset management arrangement. The Hearing Officer in Docket 07-00224 established a broad issues list

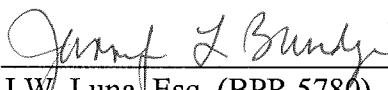
which included affiliate and imputation issues. After two years, the TRA entered a final order in that docket and made no findings of improper dealings through affiliate transactions or otherwise and is continuing to allow gross gains generated through CGC's asset management arrangement to be returned to CGC's customers through the Purchased Gas Adjustment ("PGA") Rule.

Once again in this rate case, the CAPD is trying to litigate these issues by raising allegations that CGC and Sequent Energy Management ("Sequent"), CGC's asset manager, may be using CGC's gas and capacity supply assets to engage in sweetheart deals with South Star, an affiliate marketer of natural gas, so that CGC's ratepayers are harmed and South Star receives greater profits. The gross gains that are generated through CGC's current Asset Management Agreement ("AMA") with Sequent are returned to CGC's customers through the PGA as approved by the TRA. Sequent enters into arms length transactions that are indicative of the prevalent market rates. CGC's firm customers are compensated for the unused capacity assets that are sold by Sequent at market clearing prices. Nothing about this asset management arrangement which involves the PGA impacts the revenue requirement issues that are part of this current rate case. This is a PGA issue, and the CAPD admits so in Mr. Buckner's testimony by proposing that the TRA require CGC to account for South Star's secondary transactions through CGC's next PGA filing or through CGC's next asset management agreement. From this testimony, it appears that the CAPD clearly agrees that this is a PGA issue not a rate case issue involving rate base, cost of service, capital structure, or rate of return. Thus, the portions of the CAPD's testimony dealing with these issues should be stricken and not admitted into the record during the hearing on the merits.

CGC requests that the above identified portions of Mr. Buckner's testimony be stricken prior to the hearing on the merits. Alternatively, CGC requests that it be allowed to assert its objection to the use and admission of this testimony at the hearing on the merits before the panel. Should this testimony be allowed as evidence for the TRA to consider during its deliberations in this proceeding, CGC requests that it be allowed to respond through rebuttal or sur-rebuttal testimony if necessary during the hearing on the merits.

Respectfully submitted,

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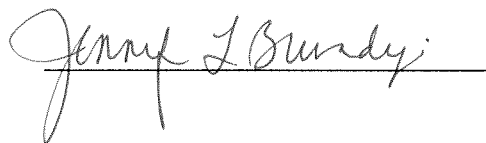
CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of April 2010, a true and correct copy of the foregoing was served on the persons below by electronic mail:

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A handwritten signature in cursive script, reading "Jenny L. Bundy", is written over a horizontal line.