

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

	September 14, 2010)	
IN RE:)	
)	
REQUEST OF CHATTANOOGA GAS COMPANY)	DOCKET NO.
FOR APPROVAL OF AN RFP FOR AN ASSET)	10-00049
MANAGEMENT AGREEMENT AND A GAS)	
PURCHASE AND SALES AGREEMENT)	

ORDER APPROVING REQUEST FOR PROPOSAL

This matter came before Director Eddie Roberson, Director Kenneth C. Hill and Director Sara Kyle of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on July 26, 2010 for consideration of the Request for Proposal for an Asset Management Agreement and a Gas Purchase and Sales Agreement (“RFP”) filed by Chattanooga Gas Company (“CGC” or “Company”) on April 9, 2010.

BACKGROUND

The TRA first ordered Chattanooga Gas Company (“CGC” or “Company”) to file its Asset Management Agreement (“AMA”) for Authority approval in Docket No. 03-00516. In approving the AMA in that docket, the Authority found that CGC had acted in good faith and required CGC to file with the Authority any subsequent AMA for approval in advance of the commencement date of that AMA. On January 14, 2008, CGC filed an AMA for consideration by the Authority in Docket No. 08-00012. In that docket, the Authority considered and ruled on a number of issues raised by the parties pertaining to the bidding process and the terms of the AMA itself. The Authority approved the AMA between CGC and Sequent Energy Management, L.P. filed in Docket No. 08-00012 and

ordered that CGC file a notice with the Authority, one year prior to the expiration of the initial three year term of the AMA, as to CGC's intent to exercise its option to extend the AMA.¹

The current AMA, as approved in Docket No. 08-00012, resulted from a Request for Proposal ("RFP") issued by CGC on November 20, 2007. The Company's Performance-Based Ratemaking tariff² set forth procedures to be followed in the RFP process but did not require the pre-approval by the Authority of the RFP itself. In Docket No. 07-00224, the RFP process and other asset management activities were opened to further review, and the TRA concluded that CGC must submit all future asset management RFPs to the Authority for prior approval before sending them out for bid.³

This docket was opened upon the filing by CGC on March 31, 2010 notifying the Authority of its intention to issue an RFP for asset management services pursuant to its tariff. The current AMA was approved with an initial three-year term expiring March 31, 2011. On April 9, 2010, CGC filed its RFP in this docket for the TRA's approval.

On May 10, 2010, the Consumer Advocate and Protection Division of the Office of the Attorney General ("Consumer Advocate") filed a *Petition to Intervene*. On May 24, 2010 at a regularly scheduled Authority Conference, this matter came before the panel, and the panel voted unanimously to convene a contested case proceeding and to appoint Director Kenneth C. Hill as Hearing Officer for the purpose of preparing this matter for hearing, including handling preliminary matters, entering a protective order and establishing a procedural schedule to completion.

Subsequently, Hearing Officer Hill held three status conferences with the parties on June 7, 2010, June 21, 2010, and July 13, 2010.⁴ On July 20, 2010, the parties filed their *Joint Stipulation of*

¹ See *In re: Request of Chattanooga Gas Company for Approval of Asset Management Agreement*, Docket No. 08-00012, *Order Approving Asset Management and Agency Agreement* (July 15, 2008).

² See Section titled *RFP Procedures for Selection of Asset Manager and/or Gas Provider*, Revised Sheets 56B and 56C.

³ See *In re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Final Order*, p. 6 (September 23, 2009).

⁴ See *Order Granting Petition to Intervene and Reflecting Actions Taken at June 7, 2010, June 21, 2010, and July 13, 2010 Status Conferences* (July 26, 2010).

the Consumer Advocate and Chattanooga Gas Company Regarding the Proposed RFP ("Joint Stipulation")). On July 26, 2010, the Hearing Officer issued the *Approved Protective Order*.

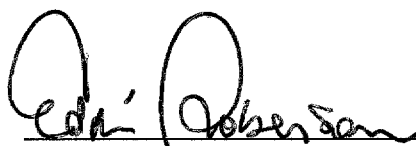
FINDINGS AND CONCLUSIONS

At the regularly scheduled Authority Conference held on July 26, 2010, the panel considered the RFP and subsequent filings. Based on the entire record, the panel voted unanimously to approve the RFP as amended by the *Joint Stipulation*. The panel also directed the Company to file with the Authority a copy of the RFP, along with a list of the recipients, when the RFP is issued. The panel further reminded the Company that tariff procedures require that the RFP be advertised for a minimum of thirty days and published in trade journals as may be reasonably available.

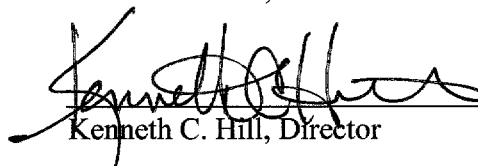
IT IS THEREFORE ORDERED THAT:

1. The Request for Proposal filed in this docket on April 9, 2010 is approved for issuance by Chattanooga Gas Company as amended by the *Joint Stipulation of the Consumer Advocate and Chattanooga Gas Company Regarding the Proposed RFP*. The *Joint Stipulation of the Consumer Advocate and Chattanooga Gas Company Regarding the Proposed RFP* is attached to this Order as Exhibit 1.

2. The Company shall file the RFP with the list of recipients in this docket file.



Eddie Roberson, Director



Kenneth C. Hill, Director



Sara Kyle, Director

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

IN RE:)	
)	
REQUEST OF CHATTANOOGA GAS)	
COMPANY FOR APPROVAL OF AN RFP)	
FOR AN ASSET MANAGEMENT)	DOCKET NO. 10-00049
AGREEMENT AND A GAS PURCHASE)	
AND SALES AGREEMENT)	

**JOINT STIPULATION OF THE CONSUMER ADVOCATE AND CHATTANOOGA
GAS COMPANY REGARDING THE PROPOSED RFP**

Robert E. Cooper, Jr., the Attorney General and Reporter for the State of Tennessee, by and through the Consumer Advocate and Protection Division ("Consumer Advocate") and Chattanooga Gas Company ("CGC"), by and through the Luna Law Group, respectfully provide the following stipulation to the Proposed Request for Proposal ("RFP") filed by CGC on April 9, 2010.

The Consumer Advocate and CGC Stipulate to the Proposed RFP and Asset Management Agency Agreement and Exhibits, as filed by CGC on April 9, 2010, with the following exceptions:

1. The Consumer Advocate and CGC stipulate that Section 18.1: Early Termination of the Asset Management and Agency Agreement shall be amended to include a section (k), which shall state:

If a governmental agency having competent jurisdiction determines through investigation or a court or governmental agency having competent jurisdiction issues an order finding that the Asset Manager has violated

federal or state antitrust laws during the performance of its obligations under the AMA.

2. The Consumer Advocate and CGC stipulate that Section 18.2(b): Early Termination and Remedies of the Asset Management and Agency Agreement shall be amended and substituted in its entirety and shall state:

If CGC elects to terminate the Agreement for the reasons set forth in Section 18.1(a), (b), (c), (d), (e), (j), or (k) then the sole remedy available to CGC shall be that, subject to Sections 18.4 and 18.5 below, Asset Manager shall lose its interests in the Assets, including, without limitation, the right to administer the Assets as CGC's agent and Asset Manager shall be liable to CGC for any other Direct Damages resulting from the early termination of the Agreement. Once all such payments are made and all capacity is reassigned to CGC, each Party shall be relieved of all obligations and liabilities under the Agreement, except for other costs, refunds or credits from any service provider that accrued before the Early Termination Date that have not yet been reconciled between the Parties.

3. While expressly preserving their positions as set forth in paragraph 5, the Consumer Advocate and CGC stipulate that Section 15: Confidentiality of the Asset Management and Agency Agreement shall be amended to include the following final sentence at the end of the existing provision which shall state:

This Section shall not be construed to prevent filing the Asset Management Agreement publicly in the TRA, except to the extent that the consideration provided for in Section 4 may be redacted.

4. The Consumer Advocate and CGC stipulate that the final sentence on Page 2 of the RFP shall be amended and substituted in its entirety and shall state:

However, the Bids will be shared with the Tennessee Regulatory Authority and the Consumer Advocate and Protection Division of the Attorney General and Reporter's Office and maintained confidential pursuant to a protective order.

5. In addition to the exceptions to the Stipulation as listed above, the Consumer Advocate previously expressed at the June 21, 2010 Status Conference its continuing objection to Section 14: Cooperation, Section 15: Confidentiality and Section 18: Events of Default and Early Termination of the of the Asset Management and Agency Agreement, as submitted by CGC on April 9, 2010. Because both the Consumer Advocate and CGC participated in substantial litigation in Tennessee Regulatory Authority ("TRA" or "Authority") Docket No. 08-00012, specifically in regard to the inclusion of these three Sections, the Consumer Advocate advised the Hearing Officer in this docket that they believed no additional oral argument was necessary in regard to the Consumer Advocate's continuing objections as the record in TRA Docket No. 08-00012 was sufficient to express the Consumer Advocate's opinion. CGC agreed that no additional oral argument would be necessary to express its position in opposition to the Consumer Advocate's continuing objections.

On July 13, 2010, the Hearing Officer in this matter ruled that after reviewing the record in TRA Docket No. 08-00012 he was not persuaded by the Consumer Advocate's argument in regard to its continuing objections and ordered the parties to rely on the rulings in Docket 08-00012 as applicable. While the Consumer Advocate maintains its position with regard to the continuing objections, it does not intend to appeal the Hearing Officer's decision.

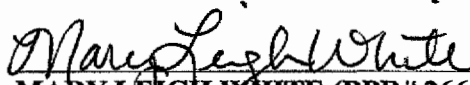
6. The Consumer Advocate and CGC stipulate that the attached revised Page 1 and Page 2 of the Request for Proposal and the attached revised Page 1 and Page 2 of the Bid

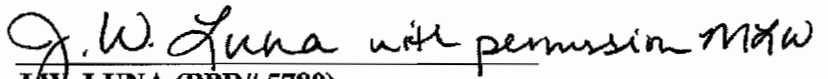
Form shall be substituted in their entirety for Page 1 and Page 2 of the Request for Proposal and Page 1 and Page 2 of the Bid Form filed by CGC with the TRA on April 9, 2010.

The parties further agree to permit the TRA to deliberate and issue a decision based upon the record including the information indicated in this stipulation without the necessity of further litigation and filings by the parties. However, should the TRA Directors desire any additional briefing, testimony or oral argument or other information, the parties will do as directed by the Authority.

RESPECTFULLY SUBMITTED,

ROBERT E. COOPER JR., (BPR# 10934)
Attorney General and Reporter


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Dated: July 20th, 2010.

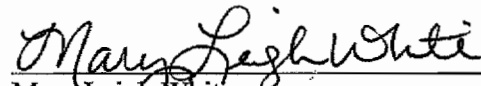
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Stipulation was served via U.S. Mail or electronic mail upon:

Director Kenneth Hill
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

J.W. Luna
Jennifer Brundige
Attorneys for Chattanooga Gas
333 Union Street
Suite 300
Nashville, TN 37201

This the 20th day of July 2010.



Mary Leigh White