

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 20, 2013

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 TO EXTEND ASSET MANAGEMENT AGREEMENT

This matter came before Chairman James M. Allison, Director Kenneth C. Hill and Director David F. Jones of the Tennessee Regulatory Authority (“Authority” or “TRA”), the voting panel assigned to this docket, at the April 8, 2013 Authority Conference to consider *Chattanooga Gas Company’s Request to Extend Its Asset Management Agreement (“Request”)* filed by Chattanooga Gas Company (“CGC” or the “Company”) on March 26, 2013.

RELEVANT BACKGROUND

Through the terms of an executed Asset Management Agreement (“AMA” or “Agreement”), CGC employs the services of an asset manager to primarily perform the following duties:

1. Supply firm gas supply consistent with CGC’s nominations;
2. Schedule volumes on the various pipelines;
3. Manage and optimize CGC’s assets (physical and contractual);
4. Manage CGC’s storage inventory accounts; and
5. Sell or release capacity from time to time to third parties when not needed by CGC.

The TRA opened Docket No. 07-00224 to consider issues related to CGC's asset management and capacity release activities and to evaluate the Company's gas purchases and related sharing incentives.¹ In that docket, the Authority determined that CGC subscribed to an appropriate level and mix of storage, peaking and transportation contracts at that time. Nevertheless, consistent with its decisions in similar dockets concerning other regulated gas utilities, the panel ordered the Company to submit future asset management Requests for Proposals ("RFP") to the Authority for prior approval before placing them out for bid. In addition, the TRA ordered a comprehensive review of CGC's activities and transactions related to CGC's Performance-Based Ratemaking Mechanism ("PBRM") by an independent consultant, beginning in the fall of 2013.²

Following its approved *RFP Procedures for Selection of Asset Manager and/or Gas Provider*,³ the Company brought its current AMA before the Authority for approval in this docket. The Authority approved the three-year contract between CGC and its affiliate Sequent Energy Management ("Sequent") with an effective date of April 1, 2011.⁴

THE REQUEST

On March 26, 2013, CGC filed its *Request* seeking TRA approval, pursuant to the terms of its current AMA, to extend the termination date by one year to March 31, 2015.⁵ CGC states that the requisite one-year notice was provided to its Asset Manager, Sequent, and that Sequent

¹ These activities are encompassed in CGC's Performance-Based Ratemaking Mechanism.

² The review was initially slated to begin in the fall of 2012, but later changed to 2013, due to conflicts with other gas company reviews. See *In Re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order Regarding Triennial Review Procedures and Criteria* (October 13, 2009).

³ See Chattanooga Gas Company Gas Tariff TRA No. 1, Performance-Based Ratemaking Tariff, Revised Sheet No. 56B and Original Sheet No. 56C.

⁴ See *Order Approving Asset Management Agreement* (December 15, 2010).

⁵ The Agreement states that "[t]he primary term of this Agreement shall commence on the effective date of the Agreement and terminate on March 31, 2014 unless a Party gives the other Party one (1) year notice for an extension of up to one year and such extension is mutually agreed upon by the parties and approved by the TRA." *Asset Management and Agency Agreement between Chattanooga Gas Company and Sequent Energy Management, L.P.*, Term, p. 9 (October 8, 2010).

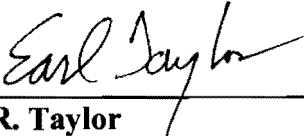
has agreed to the request for an extension. To support its *Request*, CGC states that it would be beneficial to delay soliciting bids for a new AMA until the independent consultant performs a comprehensive review of its PBRM in July 2014 and issues a final report.

APRIL 8, 2013 AUTHORITY CONFERENCE

At a regularly scheduled Authority Conference held on April 8, 2013, the panel considered the *Request*. The panel found that an extension of the Agreement is necessary and in the public interest, and thereafter, voted unanimously to approve the *Request*.

Chairman James M. Allison, Director Kenneth C. Hill and Director David F. Jones concur.

ATTEST:



Earl R. Taylor