

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 12, 2015

IN RE:

PETITION OF CHATTANOOGA GAS COMPANY  
FOR APPROVAL OF ASSET MANAGEMENT AND  
AGENCY AGREEMENT AND GAS PURCHASE AND  
SALE AGREEMENT

)  
)  
)  
)  
)  
)  
)  
DOCKET NO.  
14-00137

---

ORDER APPROVING ASSET MANAGEMENT AND AGENCY AGREEMENT

---

This matter came before Vice Chairman David F. Jones, Director Robin Bennett, and Director James M. Allison of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 1, 2014 for consideration of *Chattanooga Gas Company’s Filing of its Asset Management and Agency Agreement for Approval* (“Filing”) filed on November 19, 2014.

**BACKGROUND**

The TRA first ordered Chattanooga Gas Company (“CGC” or the “Company”) to file its Asset Management Agreement (“AMA”) for Authority approval in Docket No. 03-00516.<sup>1</sup> 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.<sup>2</sup> On January 14, 2008, CGC filed an AMA for consideration by

---

<sup>1</sup> See *In re: Tennessee Regulatory Authority’s Audit Of Chattanooga Gas Company’s Actual Cost Adjustment Filing (ACA) for the Period Ending June 30, 2003*, Docket No. 03-00516, *Order Adopting, In Part, ACA Audit Report of Tennessee Regulatory Authority’s Energy and Water Division* (May 6, 2005).

<sup>2</sup> See *In re: Tennessee Regulatory Authority’s Audit Of Chattanooga Gas Company’s Actual Cost Adjustment Filing (ACA) for the Period Ending June 30, 2003*, Docket No. 03-00516, *Order Adopting, In Part, ACA Audit Report of Tennessee Regulatory Authority’s Energy and Water Division*, p. 10 (May 6, 2005).

the Authority in Docket No. 08-00012.<sup>3</sup> 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. (“Sequent”) 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.<sup>4</sup> In Docket No. 07-00224, the Request for Proposal (“RFP”) process and other asset management activities were opened for further review, and the TRA concluded that CGC must submit all future asset management RFPs to the Authority for prior approval before issuing the RFPs.<sup>5</sup>

CGC’s current AMA was awarded and approved by the Authority in Docket No. 10-00049.<sup>6</sup> The original AMA approved in Docket No. 10-00049 expired on March 31, 2014. The Authority approved a one-year extension of the contract to March 31, 2015, until the independent consultant completed a review of the asset management activities and related sharing incentives and issued the final report in July of 2014.<sup>7</sup>

### **THE FILING**

In Docket No. 14-00101, the Authority approved CGC’s RFP to obtain a new Asset Manager of the Company’s assets and supplier of natural gas, when the current AMA and Gas Purchase and

---

<sup>3</sup> See *In re: Request of Chattanooga Gas Company for Approval of Asset Management Agreement*, Docket No. 08-00012, *Chattanooga Gas Company’s Filing of its Asset Management Agreement with the Tennessee Regulatory Authority for Approval* (January 14, 2008).

<sup>4</sup> 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).

<sup>5</sup> See *In re: Docket to Evaluate Chattanooga Gas Company’s Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order*, p. 6 (September 23, 2009).

<sup>6</sup> See *In re: Request of Chattanooga Gas Company for Approval of an RFP for an Asset Management Agreement and a Gas Purchase and Sales Agreement*, Docket No. 10-00049, *Order Approving Asset Management Agreement* (December 15, 2010).

<sup>7</sup> See *In re: Request of Chattanooga Gas Company for Approval of an RFP for an Asset Management Agreement and a Gas Purchase and Sales Agreement*, Docket No. 10-00049, *Order Approving Request to Extend Asset Management Agreement* (May 20, 2013).

Sale Agreement expires March 31, 2015.<sup>8</sup> CGC issued its approved RFP on October 14, 2014 to over seventy-five qualified bidders, with proposals due on or before November 13, 2014.<sup>9</sup> According to the *Filing*, CGC also advertised its RFP in the Platts Gas Daily publication on October 14 and November 12, 2014.<sup>10</sup>

The *Filing* states that CGC evaluated the bids it received in accordance with its tariff, and after careful examination, CGC determined that “Sequent’s proposal clearly demonstrates the projected greatest net benefit to CGC and its customers.”<sup>11</sup>

### **FINDINGS AND CONCLUSIONS**

At the regularly scheduled Authority Conference held on December 1, 2014, the panel considered the *Filing*. Based on the record and the review of the confidential exhibits filed by CGC, the panel found that Sequent’s bid provides the most benefit to the Company and its customers. Thereafter, the panel voted unanimously to approve the Asset Management and Agency Agreement and Gas Purchase and Sale Agreement between Sequent and CGC, with an effective date of April 1, 2015 and a term of three years. Further, the panel voted unanimously that a Hearing Officer be appointed for the purpose of entering a protective order in this docket to protect the proprietary information filed by the Company and to maintain the integrity of the bid process.

### **IT IS THEREFORE ORDERED THAT:**

1. The Asset Management and Agency Agreement and Gas Sale and Purchase Agreement between Chattanooga Gas Company and Sequent Management Company, L.P. filed in this docket on November 19, 2014 is approved, effective April 1, 2015, for a three year term.

---

<sup>8</sup> See *In re: Request of Chattanooga Gas Company for Approval of Request for Proposal for Asset Management and Agency Agreement and a Gas Purchase and Sale Agreement*, Docket No. 14-00101 (October 1, 2014); Transcript of Proceedings, pp. 6-7 (October 10, 2014).

<sup>9</sup> *Filing*, p. 2 (November 19, 2014).

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

2. The Tennessee Regulatory Authority's General Counsel or her designee is appointed to act as Hearing Officer for the purpose of entering a protective order.

**Vice Chairman David F. Jones, Director Robin Bennett, and Director James M. Allison concur.**

**ATTEST:**

A handwritten signature in black ink, appearing to read "Earl Taylor", written over a horizontal line.

**Earl R. Taylor, Executive Director**