

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

June 17, 2020

IN RE:

)	
REQUEST OF CHATTANOOGA GAS COMPANY)	DOCKET NO.
FOR APPROVAL OF ASSET MANAGEMENT AND)	17-00137
AGENCY AGREEMENT AND GAS PURCHASE)	
AND SALE AGREEMENT)	

ORDER APPROVING ASSET MANAGEMENT AND AGENCY AGREEMENT

This matter came before Vice Chair Kenneth C. Hill, Commissioner Herbert H. Hilliard, and Commissioner David F. Jones of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on May 11, 2020¹ for consideration of a *Request of Chattanooga Gas Company* (“CGC” or “Company”) *for Approval of Asset Management and Agency Agreement and Gas Purchase and Sale Agreement* (“*Request*”) filed on April 15, 2020. The Request seeks approval from the Commission pursuant to the terms of its current Asset Management Agreement (“AMA” or “Agreement”) to extend the termination date by one year to

¹ Due to the state of emergency declared by Governor Bill Lee relative to the Coronavirus Disease 2019 (“COVID-19”) pandemic in Tenn. Exec. Order No. 14 on March 12, 2020, (superseded by Tenn. Exec. Order No. 15 on March 19, 2020 which was extended until June 30, 2020 in Tenn. Exec. Order No. 36 on May 12, 2020), the Commission Conference was held electronically via WebEx. The public health emergency places limitations on public gatherings and meetings in order to prevent the spread of COVID-19. In convening the Commission Conference electronically, the Commission relied upon Tenn. Exec. Order No. 16 (March 20, 2020), which was extended until June 30, 2020 by Tenn. Exec. Order No. 34 (May 6, 2020), and affirmed on the record that the electronic meeting was necessary to conduct the essential business of the agency and to protect the health, safety, and welfare of Tennesseans.

March 31, 2022.²

BACKGROUND

In 2007, the Commission 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.³ Ultimately, the Commission determined that CGC subscribed to an appropriate level and mix of storage, peaking, and transportation contracts at that time; however, the panel ordered the Company to submit future asset management Request for Proposals ("RFP") to the Commission for prior approval before placing them out for bid. In addition, the Commission 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 2013.⁴

Following its approved RFP Procedures for Selection of Asset Manager and/or Gas Provider,⁵ the Company brought its current AMA before the Commission for approval in this docket. The Commission approved the three (3) year contract between CGC and its affiliate Sequent with an effective date of April 1, 2018.⁶

THE REQUEST

On April 14, 2020, Chattanooga Gas Company filed its *Request* in this Docket. In accordance with the terms of the AMA, the *Request* seeks approval from the Commission to

² See *In Re: Request of Chattanooga Gas Company for Approval of Asset Management and Agency Agreement and Gas Purchase and Sale Agreement*, Docket No. 17-00137 (April 14, 2020).

³ See *In re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224.

⁴ 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).

⁵ Chattanooga Gas Company Gas Tariff TRA No. 1, Performance-Based Ratemaking Tariff, Revised Sheet No. 56B and Original Sheet No. 56C.

⁶ *Order Approving Asset Management Agreement*, p.4 (February 6, 2018).

extend the termination date of the AMA by one year to March 31, 2022.⁷ CGC states that the requisite one-year notice was provided to its Asset Manager, Sequent Energy Management (“Sequent”) and Sequent has agreed to the extension request.⁸ To support its request, CGC states that it would be beneficial to delay the process to solicit bids for a new asset management agreement for the following reasons:

1. Sequent, the current asset manager, has provided exemplary services throughout the first two years of the current contract and throughout the terms of prior AMAs and can continue to bring value to the Company and its ratepayers;
2. The current Covid-19 pandemic crisis is causing tremendous economic uncertainty; and
3. Even before the pandemic, natural gas prices were extremely low and natural gas in storage is above the five-year average.⁹

CGC, therefore, contends the certainty of the overall value to the Company and its customers under a one-year extension greatly outweighs the uncertainty of a new bidding process at this time.

FINDINGS AND CONCLUSIONS

During the regularly scheduled Commission Conference held on May 11, 2020, the panel considered the *Request*. Based on the review of the record, current circumstances outlined by the Company in its Request, and a provision in the Agreement, the panel found that the *Request* provides the most benefit to the customers. Thereafter, the panel voted unanimously to approve

⁷ “The primary term of this Agreement shall commence on the effective date of the Agreement and terminate on March 31, 2021 (a term of three years) 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 TPUC.” *Asset Management and Agency Agreement Between Chattanooga Gas Company and Sequent Energy Management, L.P.*, p.7 Paragraph 12. Term.

⁸ Request, pp. 1-2 (April 14, 2020).

⁹ *Id.*, p. 2.

Chattanooga Gas Company's request to extend the termination date of its current Asset Management Agreement with Sequent Energy Management for one year, until March 31, 2022.

IT IS THEREFORE ORDERED THAT:

1. Chattanooga Gas Company's Request to extend the termination date of its Asset Management and Agency Agreement with Sequent Energy Management Company, L.P. for one year, until March 31, 2022, is approved.

Vice Chair Kenneth C. Hill, Commissioner Herbert H. Hilliard, and Commissioner David F. Jones concur.

ATTEST:



Earl R. Taylor, Executive Director