

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

August 7, 2024

IN RE:

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

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DOCKET NO.
21-00134

ORDER APPROVING AMENDMENT AND THREE-YEAR EXTENSION OF ASSET
MANAGEMENT AND AGENCY AGREEMENT

This matter came before Chairman Herbert H. Hilliard, Vice Chairman David F. Jones, Commissioner Clay R. Good, Commissioner Kenneth C. Hill, and Commissioner John Hie of the Tennessee Public Utility Commission (“Commission” or “TPUC”) during the regularly scheduled Commission Conference held on June 17, 2024, to consider the *Chattanooga Gas Company’s Request to Extend For An Additional Term and Approval of the Fifth Amendment to its Asset Management Agreement* (“*Request*”) filed on April 11, 2024, by Chattanooga Gas Company (“CGC” or “Company”). In summary, the *Request* was granted.

BACKGROUND

The Commission first ordered CGC to file its Asset Management and Agency Agreement (“AMAA”) for TPUC approval in Docket No. 03-00516.¹ In approving the AMAA in that docket, the Commission found that CGC had acted in good faith and required CGC to file with the

¹ 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).

Commission any subsequent AMAA for approval in advance of the commencement date of that AMAA.²

On January 14, 2008, CGC filed an AMAA for consideration by the Commission in Docket No. 08-00012, a proceeding that included the participation of the Consumer Advocate Division of the Office of the Tennessee Attorney General and Reporter.³ In that docket, the Commission considered and ruled on a number of issues raised by the parties pertaining to the bidding process and the terms of the AMAA itself. The Commission approved the AMAA between CGC and Sequent Energy Management (“Sequent”) filed in Docket No. 08-00012 and ordered that CGC file a notice with the Commission, one year prior to the expiration of the initial three-year term of the AMAA, as to CGC’s intent to exercise its option to extend the AMAA.⁴

In Docket No. 07-00224, the Request for Proposal (“RFP”) process and other asset management activities were considered for further review, and the TPUC concluded that CGC must submit all future asset management RFPs to the Commission for prior approval before issuing the RFPs.⁵ The Company’s previous AMAAs were approved in Docket Nos. 10-00049, 14-00137, and 17-00137. The Company’s AMAA with Sequent approved by the Commission in Docket No. 17-00137 remained in effect until March 31, 2022.⁶

² 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).

³ 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).

⁴ 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).

⁵ 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).

⁶ *Order Approving Petition for Asset Management and Agency Agreement*, p. 3 (January 9, 2022).

The Company filed a petition in this docket on November 1, 2021, which sought approval of a new AMAA along with the Gas Purchase and Sale Agreement with Sequent.⁷ The AMAA was the result of the bids received in response to its RFP issued immediately following the Commission's approval of its RFP on July 13, 2021.⁸ CGC received three (3) bids by the established deadline of October 4, 2021. CGC evaluated the bid proposals and determined that the bid submitted by Sequent provided the most benefit to CGC and its customers.⁹ In this docket, the Commission approved the AMAA with Sequent for a term of three years, set to expire on April 1, 2025.¹⁰

THE REQUEST TO AMEND AND TO EXTEND THE TERM OF THE AGREEMENT

On April 11, 2024, the Company filed the *Request* to extend the AMAA and to increase the fixed fee paid by Sequent to CGC and shared with the Company's customers, which CGC termed a "Fifth Amendment."¹¹ Mr. Chris Bellinger, Gas Supply Manager of Southern Operations for Southern Company Gas, submitted pre-filed testimony in support of the *Request*. Mr. Bellinger is responsible for managing the gas supply for CGC's customers. The purpose of Mr. Bellinger's testimony is to support CGC's request for two changes to the AMAA: (1) extend the AMAA for an additional term through March 31, 2028, and (2) increase the Annual Fixed Fee amount, an amount that is confidential subject to a protective order in this docket.¹²

Mr. Bellinger testified that he is the relationship representative to Sequent and has worked closely with Sequent for eighteen (18) years. Sequent manages CGC assets that are subject to the

⁷ *Petition of Chattanooga Gas Company for Approval of Asset Management and Agency Agreement and Gas Purchase and Sale Agreement*, pp. 1-2 (November 1, 2021).

⁸ *In Re: Petition of Chattanooga Gas Company for Approval of Its Asset Manager Request for Proposals*, Docket No. 21-00069, *Order Approving Revised Asset Manager Request for Proposal* (September 8, 2021).

⁹ *Order Approving Petition for Asset Management and Agency Agreement*, p. 3 (January 9, 2022).

¹⁰ *Id.* at 4-5.

¹¹ *Request*, p. 1 (April 11, 2024).

¹² Chris Bellinger, Pre-Filed Direct Testimony, p. 2 (April 11, 2024).

AMAA. Southern Company Gas manages all remaining assets. Mr. Bellinger works closely with Sequent to ensure that CGC's gas supply assets are managed to maximize the value of assets not needed by customers on a given day.¹³ According to Mr. Bellinger's testimony, Sequent has provided exemplary service in the current contract and in all prior Asset Management Agreements with the Company and is knowledgeable concerning markets available that would bring value to CGC and its ratepayers.¹⁴

In the last three of four asset management cycles, Sequent has been the only qualified applicant. According to Mr. Bellinger, CGC values the opportunity to rebid its AMAA periodically and the current AMAA permits an extension, subject to Commission approval.¹⁵ Sequent's willingness to extend the term of the contract saves considerable time and expense of a new rebidding process. Mr. Bellinger testified that the increase in its Annual Fixed Fee provides a significant benefit to CGC's customers who receive a 75% share. Additionally, Mr. Bellinger points out that Sequent is no longer an affiliate, as recognized by the Commission in Docket No. 23-00024 and that negotiations were arm's-length.¹⁶ Mr. Bellinger testified that with the cost savings derived from avoiding a new contract process and the increased Annual Fixed Fee, Sequent will bring value to CGC and its ratepayers. According to Mr. Bellinger, there is no downside to extending the term of the AMAA through March 31, 2028, and therefore, the extension and Amendment are in the public interest and should be approved.¹⁷ No parties sought intervention in the docket.

THE HEARING

¹³ *Id.* at 3.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* at 3-4.

¹⁷ *Id.* at 4.

The hearing in this matter was noticed by the Commission on June 7, 2024, and held during the regularly scheduled Commission Conference on June 17, 2024. Participating in the Hearing was:

Chattanooga Gas Company – J.W. Luna, Esq., Butler Snow LLP, 150 3rd Avenue S., Suite 1600, Nashville, Tennessee 37219.

Mr. Chris Bellinger provide a summary of his pre-filed testimony in support of the amendment to the AMAA. Members of the public were given an opportunity to offer comments, but no one sought recognition to do so.

FINDINGS AND CONCLUSIONS

Based on a review of the evidentiary record in this Docket, the panel voted unanimously to approve Chattanooga Gas Company's request to extend the current Asset Management and Agency Agreement between Chattanooga Gas Company and Sequent Energy Management for an additional term of three years, terminating on March 31, 2028. Current contract language permits the Company to extend service for one additional term. Chattanooga Gas Company, therefore, is instructed to conduct a new RFP process to establish a new contract upon conclusion of the extension. Further, the panel voted unanimously to approve the increase to the Asset Management and Agency Agreement's Annual Fixed Fee paid by Sequent Energy Management.

IT IS THEREFORE ORDERED THAT:

1. *Chattanooga Gas Company's Request to Extend For An Additional Term and Approval of the Fifth Amendment to its Asset Management Agreement* filed on April 11, 2024, by Chattanooga Gas Company is approved.
2. Chattanooga Gas Company shall conduct a Request for Proposal to timely receive bids in anticipation of the expiration of the approved extension of the Asset Management and Agency Agreement.

3. Any party aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

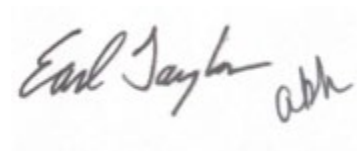
4. Any party aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman Herbert H. Hilliard,
Vice Chairman David F. Jones,
Commissioner Clay R. Good,
Commissioner Kenneth C. Hill, and
Commissioner John Hie, concurring.**

None dissenting.

ATTEST:

A handwritten signature in dark ink, appearing to read "Earl Taylor" with a stylized "abh" or similar mark to the right.

Earl R. Taylor, Executive Director