

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

**June 6, 2008**

<b>IN RE:</b>	)	
	)	
<b>DOCKET TO EVALUATE CHATTANOOGA</b>	)	<b>Docket No. 07-00224</b>
<b>GAS COMPANY'S GAS PURCHASES AND</b>	)	
<b>RELATED SHARING INCENTIVES</b>	)	
	)	

**CHATTANOOGA GAS COMPANY'S MOTION FOR LEAVE TO SERVE MORE  
THAN FORTY (40) DISCOVERY REQUESTS**

Chattanooga Gas Company ("CGC" or "Company") moves the Tennessee Regulatory Authority ("TRA" or "Authority") for leave to serve more than forty (40) discovery requests on the Consumer Advocate and Protection Division of the Attorney General and Reporter of the State of Tennessee ("CAPD").

TRA Rule 1220-1-2-.11(5)(a) provides that:

No party shall serve on any other party more than forty (40) discovery requests including subparts without first having obtained leave of the Authority or a Hearing Officer. Any motion seeking permission to serve more than forty (40) discovery requests shall set forth the additional requests. The motion shall be accompanied by a memorandum establishing good cause for the service of additional interrogatories or requests for production. If a party is served with more than forty (40) discovery requests without an order authorizing same, such party need only respond to the first forty (40) requests.

The Company believes that there is good cause for the service of additional discovery requests. As cause, the Company would show the following:

1. During the first round of discovery, the CAPD was granted permission to serve approximately 90 discovery requests (i.e., 100 total discovery requests including

subparts) or approximately 50 additional requests beyond the standard 40 limit (i.e., 60 additional requests including subparts).

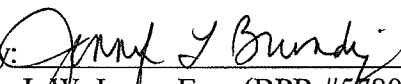
2. The CAPD has filed its pre-filed direct testimony asserting its claims against CGC. It is important that CGC be allowed to discover factual information from the CAPD regarding its positions and to clarify some of the statements made by the CAPD in its testimony so that CGC can properly and adequately defend itself against the claims raised by the CAPD. The information that CGC is requesting is important for CGC's development of its pre-filed response testimony in defense of the claims being pursued by the CAPD.

3. CGC is only requesting permission to exceed the standard 40 discovery limit by 16 discovery requests. This is not unduly burdensome for the CAPD and does not come close to the 60 additional requests that the CAPD was allowed to propound on CGC.

Therefore, CGC respectfully submits that it should be allowed to serve the additional 16 discovery requests on the CAPD. CGC has attached hereto as Exhibit 1 the additional 16 discovery requests that CGC is seeking permission from the TRA to propound on the CAPD.

Respectfully submitted,

FARMER & LUNA, PLLC

By:   
\_\_\_\_\_  
J. W. Luna, Esq. (BPR #5780)  
Jennifer L. Brundige, Esq. (BPR #20673)  
333 Union Street, Suite 300  
Nashville, TN 37201  
(615) 254-9146

*Attorneys for Chattanooga Gas Company*

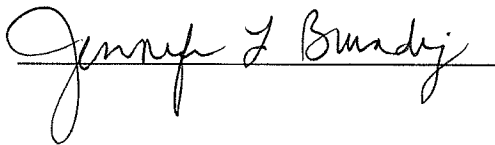
**CERTIFICATE OF SERVICE**

I hereby certify that a true and exact copy of the foregoing has been forwarded by U.S. mail or electronic mail on this the 6th day of June, 2008, to the following:

Eddie Roberson, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Kelly Cashman-Grams, Hearing Officer  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Cynthia E. Kinser (Mills), Deputy  
Timothy C. Phillips  
Stephen R. Butler  
Consumer Advocate and Protection Division  
Office of Attorney General  
2<sup>nd</sup> Floor  
425 5<sup>th</sup> Avenue North  
Nashville, TN 37243-0491

  
\_\_\_\_\_

**Discovery Request No. 20**

On page 27 Mr. Buckner states:

“If CGC were to engage in asset management itself, then all of the earning from this activity would inure to the ratepayers.”

- a. Provide all analysis or studies prepared by Mr. Buckner or other members of the CAPD Staff that identifies the additional investment in facilities, the additional costs that CGC would incur, and the potential earnings that would inure to the ratepayers if CGC were to engage in asset management itself. Identify all assumptions used and the source of all data used in the analysis or study.
- b. Provide all analysis or studies prepared by Mr. Buckner or other members of the CAPD Staff that compares the earnings that would inure to the ratepayers if CGC were to engage in asset management itself with the amount provided to the ratepayers under the current asset management agreements. Identify all assumptions used and the source of all data used in the analysis.

**Discovery Request No. 21**

Beginning on page 27 Mr. Buckner states:

“The TRA currently conducts audits of natural gas costs. If CGC were to independently manage their assets, then those management activities could not be immune to audits by the TRA or its audit representatives.”

- a. Admit or deny that provision 7 of CGC’s RFP Procedures for selection of Asset Manager and/or Gas included in the Tariff approved by the TRA provides:

“The Company shall retain all RFP documents and records for at least four (4) years and such documents and records shall be subject to the review and examination of the TRA Staff. The Asset Manager shall maintain documents and records of all transactions that utilize the Company’s gas supply assets. All documents and records of such transactions shall be retained for two years after termination of the agreement and shall be subject to review and examination by the Company and the TRA Staff.”

If denied, provide complete explanation and supporting documentation.

- b. Admit or deny that paragraphs 21.3 and 21.4 of the Asset Management Agreement effective April 1, 2008 provides:

“21.3 The Parties expressly recognize that both the Company and the TRA have audit rights with respect to any and all financial and/or physical transactions undertaken in connection with this Agreement. As such the Asset Manager must provide work space for said audit(s) and appropriate personnel at it own expense.

21.4 Asset Manager shall provide the Company and/or TRA the opportunity for periodic local reviews of Asset Management operations and systems, as may be required by the Company and/or the TRA.”

If denied, provide complete explanation and supporting documentation.

- c. Admit or deny that provision 7 of CGC’s RFP Procedures for selection of Asset Manager and/or Gas as stated in CGC’s Tariff, and paragraphs 21.3 and 21.4 of the Asset Management Agreement effective April 1, 2008 provide that the TRA can examine and review (audit) the asset management activities related to the gas supply assets included in the agreement the same as it does gas costs, and that such asset management activities are not immune from audit by the TRA.

If denied, provide complete explanation and supporting documentation.

#### **Discovery Request No. 22**

In footnote 9 on page 14 of his testimony Mr. Buckner identifies several regulatory dockets that he alleges support his position. Provide a copy of each asset management agreement related to these dockets that Mr. Buckner reviewed during his investigation related to this docket. If Mr. Buckner did not review the related asset management agreements, so state.

#### **Discovery Request No. 23**

Page 22 of Mr. Buckner’s testimony includes the following question and answer:

“Q. Do you recommend any other changes that the TRA should make to the contract that is put out for bid when the current three-year contract approaches expiration?

A. Yes. The CAPD argued for specific changes to the contract in TRA Docket #08-00012. There was some concern expressed at the hearing on those issues that the bidders relied on the form contract in making their bids. If the TRA orders the changes prior to the RFP going out, that concern would not exist the next time bidders analyze the contract. The CAPD’s arguments on those issues are included in its brief and reply brief in TRA Docket # 08-00012.”

For each change to the contract recommended by Mr. Buckner and the CAPD, addressed here, provide copies of the analysis or studies that Mr. Buckner or other employees of the CAPD prepared that support his opinion that the changes in the contract are needed. Identify all assumptions used and the source of all data used in the analysis.

#### **Discovery Request No. 24**

On page 15 of his testimony, Dr. Brown states:

“The major difference between CGC’s use of its SONAT and ETNG capacity suggest CGC may be able to reduce and to convert much of its year round capacity from ETNG to seasonal capacity covering the winter months of November through March.”

Provide copies of all documents or information in the possession of the CAPD related to the availability of seasonal firm transportation capacity on ETNG.

#### **Discovery Request No. 25**

On page 16 of his testimony, Dr. Brown states:

“Both Atmos Energy Corporation and the Knoxville Utilities Board have seasonal contract with ETNG.”

Provide copies, in the possession of the CAPD, of the contracts between Atmos Energy Corporation and ETNG and the Knoxville Utilities Board and ETNG that provide for seasonal firm transportation, and any other documents that supports Dr. Brown’s statement.

#### **Discovery Request No. 26**

On page 16 of his testimony, Dr. Brown provides an illustration of how a utility could reduce cost by replacing 41,500 Dth/d year-round capacity with 10,000 Dt/d year-round capacity and 20,000 Dt/d seasonal capacity.

Provide copies of the analysis or studies that Dr. Brown or other employees of the CAPD prepared that supports the reduction of the deliverability capacity from 41,500 Dt/d to 30,000 Dt/d. Identify all assumptions used and the source of all data used in the analysis.

### **Discovery Request No. 27**

On page 21 of his testimony Mr. Buckner states:

“While the RFP procedures for selection of an asset manager and /or gas provider allow for the receipt of competitive bids, the criteria for choosing the winning bid proposal is ambiguous.”

Identify the specific provision(s) of the criteria for choosing the winning bid proposal that Mr. Buckner allege are ambiguous and provide copies of any documents in the possession of the CAPD that supports for his opinion.

### **Discovery Request No. 28**

On page 4 of his testimony Mr. Buckner states:

“As previously mentioned, CGC has contracts with the pipeline companies for transportation and storage. The contractual assets along with CGC’s physical assets are managed by Sequent to meet the firm full gas supply requirements of CGC.”

- a. Identify CGC’s physical assets that Mr. Buckner alleges are managed by Sequent.
- b. Provide copies of all documents in Mr. Buckner’s or the CAPD’s possession that supports Mr. Buckner’s position that Sequent manages the physical assets identified in (a) above.

### **Discovery Request No. 29**

On page 27 of his testimony Mr. Buckner states:

“Ultimately, the TRA should exercise its duty to balance the needs of the ratepayer with just and reasonable rates for the shareholder for every activity of CGC’s provision of natural gas service.”

Provide all analysis or studies prepared by Mr. Buckner or other members of the CAPD Staff that quantifies the “reasonable rates for shareholders.” Identify all assumptions used and the source of all data used in the analysis.

### **Discovery Request No. 30**

Beginning on page 12 of his testimony Mr. Buckner states:

“It is limited in that the CAPD cannot discuss in an open proceeding before the TRA other AGL’s asset management agreements with CGC’s sister LDCs.”

Provide copies of all documents in the position of the CAPD that support the statement that AGL is an asset manager for any CGC's sister LDCs or any other LDC.

**Discovery Request No. 31**

On page 40 of his testimony, Dr. Brown states:

“On its face CGC’s decision to terminate contract 33653 six months ahead of term, and to reduce its receipt capacity at Ridgetop without seeking compensation appears as a capital contribution by CGC to SEM and an abandonment of the true value of such capacity would have been assigned in a market transaction.

Provide all analysis or studies prepared by Dr. Brown or other members of the CAPD Staff that quantifies the “true value of such capacity” as referred to by Dr. Brown. Identify all assumptions used and the source of all data used in the analysis or study.