

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

November 6, 2023

IN RE:

**DOCKET TO EVALUATE CHATTANOOGA
GAS COMPANY’S GAS PURCHASES AND
RELATED SHARING INCENTIVES**

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**DOCKET NO.
07-00224**

ORDER EXTENDING TRIENNIAL REVIEW PROCESS

This matter came before Chairman Herbert H. Hilliard, Vice Chairman David F. Jones, Commissioner Clay R. Good, Commissioner David Crowell, and Commissioner Kenneth C. Hill of the Tennessee Public Utility Commission (“Commission” or “TPUC”), the voting panel assigned to this docket, at a regularly scheduled Commission Conference held on September 11, 2023, to consider whether to extend the triennial review process established to evaluate the gas procurement activities of Chattanooga Gas Company (“CGC” or the “Company”).

THE 2023 EXETER REPORT

In 2020, the Commission voted to extend the triennial review process commencing in the Fall of 2022.¹ Exeter Associates, Inc. (“Exeter”) was selected through an RFP process to perform the review of CGC’s gas purchasing activities relative to its Performance Based Ratemaking Mechanism (“PBRM”) for the period April 2019 through March 2022 and released the 2023 report (“Exeter Report”) on June 30, 2023.

¹ *Commission Order Concerning the 2020 Triennial Review and Extending Review Process*, p. 9 (October 27, 2020).

Exeter examined the Company's actual gas procurement transactions and costs, including storage activity, and reconciled these transactions to the related Actual Cost Adjustment ("ACA"), PBRM, and Interruptible Margin Credit Rider ("IMCR") filings. Further, Exeter reviewed the sharing of revenue generated under the Company's Asset Management Agreement with Sequent Energy Management ("Sequent") and the Company's off-system sales activities. Exeter also identified and described the Company's system and markets, including an evaluation of the Company's gas supply portfolio relative to its system load. Exeter made the following Findings of Fact regarding the review period:²

1. CGC contracted for services on Tennessee Gas Pipeline, East Tennessee Natural Gas ("ETNG"), and Southern Natural Gas;
2. CGC operated under an Asset Management Agreement with Sequent, an affiliate of CGC until July 1, 2021;
3. CGC served approximately 69,800 sales and transportation customers with annual throughput of approximately 15,000,000 Dth;
4. Interstate pipeline capacity firm transportation and storage service arrangements were reasonable and CGC's acquisition of 50,000 Dth per day ETNG firm transportation capacity was appropriate and reasonable;
5. Storage inventory planning criteria were reasonable with CGC generally adhering to its criteria and storage activity was reasonable;
6. CGC engaged in no off-system sales during the review period;

² See Exeter Report, pp. 45-46 (June 30, 2023).

7. CGC's design day of one in ten year probability of occurrence (8° F) is within the range of probabilities but somewhat less conservative than used by other gas utilities; however, the 35% reserve margin resulting from the 50,000 Dth of firm transportation capacity acquisition will ensure CGC is able to serve sales customers if temperatures are colder than the design day;
8. CGC's forecasts of design day demands were reasonable and included the impact of customer conservation efforts;
9. CGC could reduce its interstate pipeline demand costs by relying on winter seasonal capacity instead of year-round capacity, but there are currently no opportunities to do so;
10. CGC's commodity gas costs for Plan Years ended June 30, 2019, June 30, 2020, and June 30, 2021, did not exceed the benchmark cost by 1% and were deemed prudent under the PBRM and the audit required by TPUC Rule 1220-4-7-.05(1)(a) was waived;
11. Mt. Pleasant purchase arrangements with Sequent provided a significant ratepayer benefit and treating these purchases as citygate purchases, excluded from the PBRM, was reasonable; and
12. Exeter's prior audit finding that CGC was incorrectly billed twice for ETNG transportation charges for delivery of supply to Mt. Pleasant citygate, was corrected with a credit to sales customers in the 2020 ACA filing.
13. Exeter's audit reported no areas of concern regarding the PBRM during the review period.³

³ *Id.* at 46.

FINDINGS AND CONCLUSIONS

The *Order Regarding Triennial Review Procedures and Criteria* provides that the Commission will determine whether any future triennial reviews should be conducted at the conclusion of the initial review.⁴ The hearing panel unanimously concluded that the current triennial review of the transactions related to the PBRM and IMCR of CGC, which was conducted by Exeter and completed in June 2023, has provided the Commission with valuable information regarding the Company's gas procurement activities, as well as the utilization of its pipeline transportation and storage assets. Exeter's audit identified no areas of concern during the review period.

Audits such as this assist the Commission in its efforts to ensure that public utility companies are continuing to adhere to the Commission's rules and regulations and that quality utility services are being provided to consumers at reasonable and affordable prices. Therefore, the panel concluded that future triennial reviews would benefit the Commission and consumers. Accordingly, the panel voted unanimously to authorize another review of CGC be commenced in the Fall of 2025, covering the period April 2022 through March 2025, with a final report to be issued by July 1, 2026. The next triennial review shall be conducted in accordance with the Review Procedures and Process previously adopted by the Commission in this docket and attached to the *Order Regarding Triennial Review Procedures and Criteria* entered on October 13, 2009.

⁴ *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*, p. 3 (October 13, 2009).

IT IS THEREFORE ORDERED THAT:

1. A triennial review of the gas procurement activities of Chattanooga Gas Company shall commence in the Fall of 2025, covering the period April 2022 through March 2025, with a final report to be issued by July 1, 2026.

2. The triennial review set to commence in the Fall of 2025 shall be conducted in accordance with the review procedures adopted by the Tennessee Public Utility Commission and attached as Exhibit 1 to its *Order Regarding Triennial Review Procedures and Criteria* issued in this docket on October 13, 2009.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

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

None dissenting.

ATTEST:

A handwritten signature in dark ink, appearing to read "Earl Taylor" followed by a smaller, less legible signature or initials "abh".

Earl R. Taylor, Executive Director