

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**November 12, 2009**

**IN RE:**

**REQUEST OF CHATTANOOGA GAS COMPANY FOR  
APPROVAL OF SPECIAL GAS EXTENSION  
CONTRACT WITH VOLKSWAGEN GROUP OF  
AMERICA CHATTANOOGA OPERATIONS, LLC**

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**DOCKET NO.  
09-00174**

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**ORDER GRANTING APPROVAL OF SPECIAL CONTRACT**

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This matter came before Director Mary W. Freeman, Director Eddie Roberson, and Director Kenneth C. Hill of the Tennessee Regulatory Authority ("TRA" or the "Authority"), the voting panel assigned to this Docket, at a regularly scheduled Authority Conference held on October 26, 2009, for consideration of the *Request Of Chattanooga Gas Company For Approval Of Special Gas Extension Contract With Volkswagen Group Of America Chattanooga Operations, LLC* ("Petition") filed on October 16, 2009 by Chattanooga Gas Company ("CGC" or "Company").

**BACKGROUND**

The *Petition* seeks the Authority's approval of a Special Contract ("Contract") between CGC and Volkswagen Group of America Chattanooga Operations, LLC ("Volkswagen") to extend gas mains to serve the Volkswagen plant that is being constructed in Chattanooga, Tennessee. The terms of the Contract require payment by Volkswagen for Contributions in Aid of Construction (CIAC) in monthly installments extended over a ten year period. Estimated CIAC payments are calculated, in part, based on estimated usage for the first year, and the

Contract allows for adjustments in the CIAC payments when actual usage becomes known.<sup>1</sup> If usage is less than estimated, Volkswagen will pay additional amounts for CIAC. If usage is more, Volkswagen will receive a credit. The Contract would also require CGC and its subcontractors to comply with certain requirements found in Volkswagen's Master Project Safety Manual.

### **FINDINGS AND CONCLUSIONS**

CGC has a tariff<sup>2</sup> on file with the Authority covering when, and to what extent, a customer would be required to contribute to the cost of extending a service line to a customer's location. In compliance with the Authority's June 2, 1999 Order in Docket No. 96-01174, CGC files a Revised Appendix A annually, updated to reflect the current cost of constructing and installing mains, services lines, regulators and meters in the determination of allowable investment. When a Company's general approved tariff does not sufficiently cover the terms of service and/or rates necessary to serve a specific customer, a special contract is an option for the parties involved. Such contracts are allowed under TRA Rule 1220-4-1-.07 which provides:

Special contracts between public utilities and certain customers prescribing and providing rates, services and practices not covered by or permitted in the general tariffs, scheduled, or rules filed by such utilities are subject to supervision, regulation, and control by the Authority. A copy of such special agreements shall be filed, subject to review and approval.

The Contract differs slightly from the terms of the existing tariff regarding main extensions. First, the existing tariff is silent on whether monthly installment payments are allowed for CIAC but does not prohibit them. Second, the current tariff does not provide for a customer to receive a credit if usage is greater than estimated. The panel found that the uniqueness of the customer, especially its size, warrants approval of the terms of the Contract

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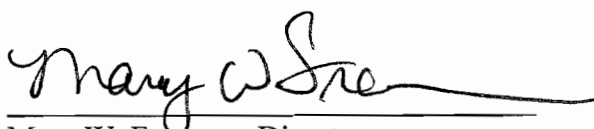
<sup>1</sup> The later of (1) twelve months from date of completion or (2) October 1, 2011. *Petition*, p. 2.

<sup>2</sup> Main and Service Extension Rule, Appendix A to its Rules and Regulations.

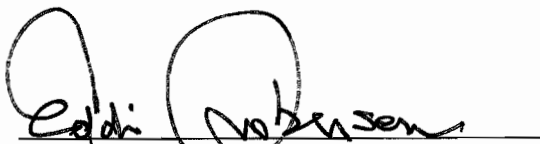
that may differ slightly from the approved tariff. Further, the panel found that other Company customers would not be adversely impacted as a result of CIAC being paid in monthly installments. Therefore, the panel voted unanimously to approve the Contract between the Company and Volkswagen as set out in the *Petition* and discussed herein.

**IT IS THEREFORE ORDERED THAT:**

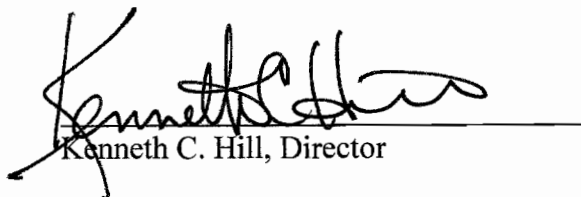
The Special Contract by and between Chattanooga Gas Company and the Volkswagen Group of America Chattanooga Operations, LLC is approved.



Mary W. Freeman, Director



Eddie Roberson, Director



Kenneth C. Hill, Director