

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

October 20, 2017

IN RE:)
)
PETITION OF CHATTANOOGA GAS)
COMPANY FOR A GENERAL RATE)
INCREASE, IMPLEMENTATION OF)
THE ENERGYSMART)
CONSERVATION PROGRAMS AND)
IMPLEMENTATION OF A)
REVENUE DECOUPLING)
MECHANISM)



**CHATTANOOGA GAS COMPANY REQUEST TO
TERMINATE THE TRIAL AUA MECHANISM AND
REINSTATE THE WNA**

Chattanooga Gas Company ("CGC" or "Company"), pursuant to Tennessee Code Annotated Sections 65-5-101 and 103 and the Rules of the Tennessee Public Utility Commission ("TPUC" or "Commission"),¹ respectfully requests that the Commission expeditiously approve this request to terminate the trial Alignment and Usage Adjustment ("AUA") mechanism and return the R-1 and C-1 customers subject to the AUA mechanism back to the Weather Normalization Adjustment ("WNA") mechanism effective December 1, 2017.² While there is a substantial under-recovery of AUA revenues, nearly \$2 million, given the regulatory problems

¹ Prior to a legislative change by the General Assembly in 2017, the Commission was formerly known as the Tennessee Regulatory Authority, and under the prior law the Commissioners were "Directors." Where appropriate from the historic context, in this Petition CGC will refer to the Commission as the "TRA" or "Authority," and a Commissioner as a "Director."

² Mechanisms for weather normalization adjustments have been in place for Tennessee's three largest local distribution companies since 1991 and as noted below, the WNA remains in effect for all of CGC's other residential and small commercial rate schedules.

with the AUA and the upcoming winter season, CGC believes it is more important to terminate the AUA as soon as is possible and for CGC and the Commission to address CGC's under-recovery due to the AUA at a later time. Thus, the sole purpose of this filing is to return customers to their prior WNA rider applying the uncontested WNA factors developed by CGC in this rate case and reserve for a later proceeding consideration of the amount of any AUA under-recovery and the appropriate method for compensating CGC for such under-recovery. In support of this request, CGC states as follows:

1. The AUA was originally proposed by CGC in the 2009 Rate Case as a part of the energySMART program. In addition to a free programmable thermostat program and community outreach effort, CGC proposed that the WNA mechanism be replaced in its entirety by the AUA mechanism. The proposed AUA would adjust base (non-gas) rates not only for the impact of weather deviating from normal, but also for the impact of conservation and other factors that result in actual customer usage being different from the calculated usage used for the purposes of establishing rates in the rate case. CGC requested the adoption of the AUA in order for it to actively promote customer conservation efforts without adversely impacting the ability to recover its cost to provide service.

2. At its May 24, 2010 Conference, the hearing panel consisting of Chairman Sara Kyle, Director Eddie Robinson, and Director Mary W. Freeman considered and approved, on a three year trial basis, a modified AUA mechanism. As approved, the modified trial AUA would be applicable to only customers served under CGC's (R-1) Residential General Service and (C-1) Small Commercial and Industrial General Service Rate Schedules and the WNA would be continued for the R-2 and C-2 schedules. As approved, the amounts accrued to be recovered from the AUA in a single year were to be limited to 2% of the gross margin from the applicable

Rate Schedule. Concurrent with the approval of the AUA on a trial basis, the TRA also approved, for the same three year period, the Community Outreach and Customer Education component of the Company's conservation program funded at 50% of the level proposed by CGC. The panel also approved the Free Residential Programmable Thermostat component as proposed.³

3. In approving these conservation programs, the TRA directed its Staff to work with the National Regulatory Research Institute ("NRRI") to establish a set of measures sufficient to evaluate the Residential Programmable Thermostat and the Community Outreach and Customer Education programs. With respect to the AUA, the TRA directed that at the end of the three-year trial period, the Company would provide a report to the on the AUA mechanism that would address the impact and effect of the AUA on both consumers and the Company and include recommendations whether the AUA mechanism should be continued.⁴

4. After three years, the measures to evaluate the Residential Free Programmable Thermostat and the Community Outreach and Customer Education components of the conservation program had not yet been developed. To provide additional time to evaluate the programs, on April 25, 2013, CGC filed a motion and a proposed tariff to extend the AUA trial and the related components of the energySMART conservation program for an additional three years and to change the cap on the amount to be recovered annually through the AUA from 2% of the margin to 2% of gross revenue from the applicable Rate Schedules.

5. At the June 17, 2013 Conference, Chairman James M. Allison, Vice Chairman Herbert H. Hilliard, and Director David F. Jones, the panel of Directors considering the filing.

³ The 2009 rate case final order reflecting these decisions was issued November 8, 2010, and will hereinafter be referred to as the "2010 Order."

⁴ 2010 Order, at 62.

This panel found that an evidentiary hearing was needed before considering an increase in the annual cap, and that information related to the thermostat and consumer education programs was needed before the panel would consider an extension of the AUA mechanism. The panel thus suspended CGC's April 25, 2013, tariff filing, appointed the General Counsel or her designee as Hearing Officer to prepare the matter for hearing, and directed CGC to file tariffs maintaining the existing AUA mechanism in the interim period. Accordingly, CGC's requested modifications to its conservation programs were not approved.⁵ On June 20, 2013 CGC filed the revised tariffs continuing the AUA trial as directed. The programmable thermostat and outreach programs expired at the end of their three year trials without any further action.

6. The original intent of the AUA mechanism was to assist CGC in maintaining a more constant revenue stream by allowing the Company to recover the average revenue per customer and to address any change in the customers' actual usages from the levels adopted for setting CGC's rates. However, as is reflected in CGC's September 2017, filing in this docket, the AUA has not worked out as intended and has led to significant under-recoveries.⁶

7. First, in general the AUA has resulted in a significant cumulative shortfall in revenue for both the R-1 and C-1 classes, \$895,058 and \$893,125, respectively. In other words, after seven years, customers have not paid enough for the gas they have received – in the aggregate, customers paid \$1,788,194 less than they should have. And because of the 2% cap each year, even if there are no shortfalls in future years (which is unlikely), it will take years of surcharges for CGC to collect the cumulative shortfall from customers. Given the variability in

⁵ The order extending the AUA and convening a contested hearing was issued on November 6, 2013, in this docket.

⁶ CGC incorporates herein, by reference, the September 26, 2017, CGC filing in this docket that provides the complete information regarding the performance of the AUA.

weather, and the significant adverse consequences of a warm winter, the under-recovery due from customers can be so significant in one year that it can take many years for the Company to get paid back even if the weather in subsequent years is more in line with expectations, and wild swings in weather can only exacerbate the problem.

8. Second, for the R-1 customers, the revenues collected are significantly out of synch each year with the authorized margin, and the order of magnitude for the shortfall or excess each year has involved significant dollars. Moreover, the swing from excess to shortfall for 2015 to 2016 is approximately one million dollars. Worse still, the 2017 shortfall alone is nearly one million dollars. While R-1 customers have had four years of paying too much, this has been more than offset by the three years where there were shortfalls. Given the substantial size of the \$914,033 shortfall for 2017, only \$262,145.41 can be surcharged to customers during the next recovery period due to the 2% cap. The bottom line is that net cumulatively, R-1 customers still have a shortfall of \$895,058.92 they owe to the Company. This is unreasonable and unfair.

9. Third, the situation for the C-1 customers has been more consistent, but equally problematic. The cumulative shortfalls have resulted in a surcharge every year after the first year, even though two years (2014 and 2015) CGC collected revenues in excess of the revenue requirement. However, C-1 customers continued to be surcharged because of the 2% cap that limits annual surcharges or refunds. Thus, the carryover from prior shortfalls has resulted in a surcharge every year. Today, C-1 customers still owe CGC \$893,125. Given the smaller C-1 customer base, it will take significantly longer for CGC to recover this shortfall due to the 2% cap.

10. In assessing the trial AUA program as a whole, the original goals and objectives are not being met for either customer class. The AUA has not resulted in timely adjustments to customers' bills because adjustments are made once a year instead of monthly. This results in a regulatory timing disparity for the AUA customers because there is a significant disconnect between when events occur and when the corresponding adjustments are made. The extreme and unpredictable weather conditions experienced in the CGC service area over the last several years have exacerbated the annual adjustments by creating significant over or under-recoveries. Moreover, the 2% cap has limited the ability of the Company to timely collect authorized revenue shortfalls and to refund over-collections, which unnecessarily lengthens the recovery process and increases the regulatory disconnect between use and payment. Assuming no future over-recovery or shortfalls, it will take years to collect the current deficiencies owed to CGC from its R-1 and C-1 customers.

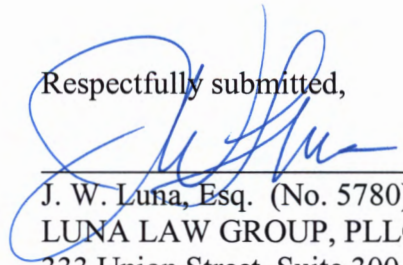
11. Under the WNA, which remained applicable to CGC's other customer classes, adjustments are made immediately based on the actual weather during the billing period. This means bill adjustments are made contemporaneously with the events that are causing the surcharge or refund, which is more easily understood by customers. With the AUA, the adjustment comes a year or more later than the events that caused the adjustment. Moreover, there is no opportunity to timely reduce a significant debt, whether owed by the Company to customers when there is an excess of revenues collected, or in a surcharge paid by customers when the rates are insufficient to pay for the service. As a result, CGC requests that the AUA trial be terminated and the WNA be reactivated for both Rate Schedules R-1 and C-1. In view of the upcoming winter season, CGC believes that it is in the best interests of its ratepayers and the Company to immediately implement the requested AUA termination and WNA reinstatement

effective December 1, 2017 so as to prevent the potential for a further exacerbation of the revenue under-recovery. The appropriate tariff pages to implement these changes are attached.

12. In order to quickly and expeditiously terminate the AUA trial and return the R-1 and C-1 customers back to the WNA, CGC is willing to temporarily defer consideration of its proposal to address the unrecovered funds due to CGC. Once the Commission has approved the termination of the AUA trial and the return to the WNA, CGC will make a subsequent filing to address the amount of any AUA under-recovery and the method to reimburse CGC for such unpaid AUA funds.

WHEREFORE, CGC respectfully requests that the Commission approve the termination of the AUA mechanism and return the R-1 and C-1 customers subject to the AUA mechanism back to the WNA mechanism effective December 1, 2017 as set forth herein and pursuant to the attached tariff pages. CGC further requests that in the order approving the termination of the AUA trial that the Commission specifically reserve ruling on the amount and recovery method for any under-recovery of charges that may be due to CGC under the AUA trial, and that any unrecovered AUA revenues shall be addressed in a subsequent proceeding.

Respectfully submitted,



J. W. Luna, Esq. (No. 5780)
LUNA LAW GROUP, PLLC
333 Union Street, Suite 300
Nashville, TN 37201
(615) 254-9146
(615) 254-7123 facsimile
jwluna@LunaLawNashville.com

and

Floyd R. Self (Florida Bar # 608025)
Berger Singerman LLP
313 North Monroe Street, Suite 301
Tallahassee, Florida 32301
Direct Telephone: (850) 521-6727
Facsimile: (850) 561-3013
Email: fself@bergersingerman.com

Attorneys for Chattanooga Gas Company

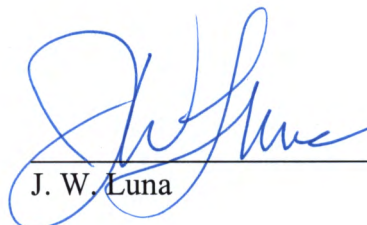
CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forward via hand-delivery to the following on this the 20th day of October, 2017:

Monica Smith-Ashford, Esq.
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

and

Vance Broemel, Esq.
Office of the Attorney General
Consumer Protection and Advocate Division
315 Deaderick Street
Nashville, TN 37243



J. W. Luna

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CHATTANOOGA GAS COMPANY

GAS TARIFF

TRA NO. 1

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RATE SCHEDULE R-1 (Continued)
Residential General Service

STANDBY SERVICE

When gas service is being supplied for use as a Standby Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's standby energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Standby Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

The revenues realized from the Standby Service Demand Charge shall be credited to the demand component of the "Deferred Gas Cost" account in accordance with the Purchased Gas Adjustment Provision.

GAS LIGHT SERVICE

Where Customer has no other use of gas, a gas light may be installed solely at the option of the Company with such service to be provided on a non-metered basis. The monthly billing for such use shall be at the rate of 18 Therms for each light.

MULTIPLE BILLING

Where the Company serves a number of separate dwelling units under common ownership on the same premises with service through a single meter, the minimum charge and the quantity of gas within each block of the above rates shall be multiplied by the number of individual units in which gas is consumed.

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission.

Bills for gas service hereunder shall be subject to the provisions of the ~~Alignment and Usage Adjustment (AUA)~~ Weather Normalization Adjustment (WNA) Rider (Docket No. 91-01712) as approved by the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission.

Bills for gas service hereunder shall be subject to the provisions of the ~~Interruptible Margin Credit Rider~~ as approved by the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission.

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission.

GENERAL TERMS AND CONDITIONS

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission.

RATE SCHEDULE R-1 (Continued)
Residential General Service

STANDBY SERVICE

When gas service is being supplied for use as a Standby Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's standby energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Standby Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

The revenues realized from the Standby Service Demand Charge shall be credited to the demand component of the "Deferred Gas Cost" account in accordance with the Purchased Gas Adjustment Provision.

GAS LIGHT SERVICE

Where Customer has no other use of gas, a gas light may be installed solely at the option of the Company with such service to be provided on a non-metered basis. The monthly billing for such use shall be at the rate of 18 Therms for each light.

MULTIPLE BILLING

Where the Company serves a number of separate dwelling units under common ownership on the same premises with service through a single meter, the minimum charge and the quantity of gas within each block of the above rates shall be multiplied by the number of individual units in which gas is consumed.

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Public Utility Commission Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Public Utility Commission.

Bills for gas service hereunder shall be subject to the provisions of the Weather Normalization Adjustment (WNA) Rider (Docket No. 91-01712) as approved by the Tennessee Public Utility Commission.

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Public Utility Commission.

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Public Utility Commission.

GENERAL TERMS AND CONDITIONS

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Public Utility Commission.

RATE SCHEDULE C-1(Continued)
Small Commercial and Industrial General Service

STANDBY SERVICE

When gas service is being supplied for use as a Standby Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's standby energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Standby Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

The revenue realized from the Standby Service Demand Charge shall be credited to the demand component of the "Deferred Gas Cost" account in accordance with the Purchased Gas Adjustment Provision.

GAS LIGHT SERVICE

Where Customer has no other use of gas, a gas light may be installed solely at the option of the Company with such service to be provided on a non-metered basis. The monthly billing for such use shall be at the rate of 18 Therms for each light.

SPECIAL TERMS & CONDITIONS

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of (1.) 25.00 per Dth or (2.) the average index price on curtailment days plus \$5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company.

These additional charges shall be in addition to all other charges payable under this Rate Schedule.

The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with ~~TRA~~ TPUC Administrative Rule 1220-4-7.

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the ~~Tennessee Regulatory Authority~~ Tennessee Public Utility Commission Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the ~~Tennessee Regulatory Authority~~ Tennessee Public Utility Commission.

Bills for gas service hereunder shall be subject to the provisions of the ~~Alignment and Usage Adjustment (AUA)~~ Weather Normalization Adjustment (WNA) Rider (Docket No. 91-01712) as approved by the ~~Tennessee Regulatory Authority~~ Tennessee Public Utility Commission.

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CHATTANOOGA GAS COMPANY
GAS TARIFF
TRA NO. 1

~~TENTH~~ELEVENTH REVISED SHEET NO.10A

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider
as approved by the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission.

ISSUED: OCTOBER 20, ~~2010~~ 2017
ISSUED BY: WENDELL DALLAS, VP

EFFECTIVE: ~~JUNE 1, 2010~~ DECEMBER 1, 2017

RATE SCHEDULE C-1(Continued)
Small Commercial and Industrial General Service

STANDBY SERVICE

When gas service is being supplied for use as a Standby Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's standby energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Standby Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

The revenue realized from the Standby Service Demand Charge shall be credited to the demand component of the "Deferred Gas Cost" account in accordance with the Purchased Gas Adjustment Provision.

GAS LIGHT SERVICE

Where Customer has no other use of gas, a gas light may be installed solely at the option of the Company with such service to be provided on a non-metered basis. The monthly billing for such use shall be at the rate of 18 Therms for each light.

SPECIAL TERMS & CONDITIONS

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of (1.) 25.00 per Dth or (2.) the average index price on curtailment days plus \$5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company.

These additional charges shall be in addition to all other charges payable under this Rate Schedule.

The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with TPUC Administrative Rule 1220-4-7.

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Public Utility Commission Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Public Utility Commission.

Bills for gas service hereunder shall be subject to the provisions of the Weather Normalization Adjustment (WNA) Rider (Docket No. 91-01712) as approved by the Tennessee Public Utility Commission.

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Public Utility Commission.

RATE SCHEDULE V-1
Commercial and Industrial Natural Gas Vehicle Service (Continued)

MINIMUM BILL

If the Customer provides and maintains the necessary facilities, the minimum monthly bill shall be the minimum bill as provided for the Rate Schedule elected by the Customer.

If the Company provides and maintains facilities on the Customer's premises or provides a Limited Access Facility on the Company's premises, the minimum monthly charge for service shall be as provided in the Company's contract for service provided under this Rate Schedule. The contract may require any of the following or a combination of the following: a commitment to purchase service for a minimum period of time; a commitment to take-or-pay for a minimum amount of service; a contribution in aid of construction; a bond or letter of credit, or other provisions as determined appropriate by the Company.

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

BILLING ADJUSTMENTS

Bills for service under this Rate Schedule shall be adjusted for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the ~~Tennessee Regulatory Authority~~ Tennessee Public Utility Commission Rules and Regulations and shall be subject to other adjustments, charges and/or credits including but not limited to ~~the Alignment and Usage Adjustment (AUA)~~, the WNA, and the Interruptible Margin Credit Rider as determined to be applicable and approved by the ~~Tennessee Regulatory Authority~~ Tennessee Public Utility Commission for service provided under the Rate Schedule elected by the Customer.

C

SPECIAL TERMS AND CONDITIONS

The collection and remittance of any federal or state tax imposed on compressed natural gas dispensed for use as motor fuel from facilities owned by the Customer or from Company provided facilities located on the Customer's premise shall be the responsibility of the Customer.

If a Customer is phasing in the use of compressed natural gas as motor fuel and is acquiring and placing into service vehicles fueled by compressed natural gas over a period of years, the Monthly Facilities Charge may be phased-in over the term of the contract. However the net

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GAS TARIFF
TRA NO. 1

~~ORIGINAL~~ REVISED SHEET NO.34C

present value of the revenue from the phased-in Facilities Charges, discounted at the Company's authorized rate of return, shall be equal to the net present value of the revenue

ISSUED: ~~MARCH 6, 2013~~ OCTOBER 20, 2017
ISSUED BY: WENDELL DALLAS, VP

EFFECTIVE: ~~MAY 1, 2013~~ DECEMBER 1, 2017

RATE SCHEDULE V-1
Commercial and Industrial Natural Gas Vehicle Service (Continued)

MINIMUM BILL

If the Customer provides and maintains the necessary facilities, the minimum monthly bill shall be the minimum bill as provided for the Rate Schedule elected by the Customer.

If the Company provides and maintains facilities on the Customer's premises or provides a Limited Access Facility on the Company's premises, the minimum monthly charge for service shall be as provided in the Company's contract for service provided under this Rate Schedule. The contract may require any of the following or a combination of the following: a commitment to purchase service for a minimum period of time; a commitment to take-or-pay for a minimum amount of service; a contribution in aid of construction; a bond or letter of credit, or other provisions as determined appropriate by the Company.

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

BILLING ADJUSTMENTS

Bills for service under this Rate Schedule shall be adjusted for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Public Utility Commission Rules and Regulations and shall be subject to other adjustments, charges and/or credits including but not limited to the WNA, and the Interruptible Margin Credit Rider as determined to be applicable and approved by the Tennessee Public Utility Commission for service provided under the Rate Schedule elected by the Customer.

SPECIAL TERMS AND CONDITIONS

The collection and remittance of any federal or state tax imposed on compressed natural gas dispensed for use as motor fuel from facilities owned by the Customer or from Company provided facilities located on the Customer's premise shall be the responsibility of the Customer.

If a Customer is phasing in the use of compressed natural gas as motor fuel and is acquiring and placing into service vehicles fueled by compressed natural gas over a period of years, the Monthly Facilities Charge may be phased-in over the term of the contract. However the net present value of the revenue from the phased-in Facilities Charges, discounted at the Company's authorized rate of return, shall be equal to the net present value of the revenue

RATE SCHEDULE V-2

Residential Natural Gas Vehicle Service (Continued)

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

BILLING ADJUSTMENTS

Bills for service under this Rate Schedule shall be adjusted for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission Rules and Regulations and shall be subject to other adjustments, charges and/or credits including but not limited to ~~the Alignment and Usage Adjustment (AUA)~~, the WNA, and the Interruptible Margin Credit Rider as determined to be applicable and approved by the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission for service provided under the Residential General Service Rate Schedule R-1.

C

SPECIAL TERMS AND CONDITIONS

The collection and remittance of any federal or state tax or fee imposed on compressed natural gas dispensed for use as motor fuel from facilities located on the Customer's premise shall be the responsibility of the Customer.

The gas supplied under any agreement is supplied by the Company and purchased by the Customer upon the express condition that the gas so supplied, after it passes the metering equipment of the Company, or other point of delivery, becomes the property of the Customer to be used only as herein provided; and the Company shall not, in any event, be liable for loss or damage to any person or property whatsoever, resulting directly or indirectly from the use, misuse or presence of the said gas on the Customer's premises, or elsewhere, after it passes the Company's metering equipment or other point of delivery; or for any loss or damage resulting from the presence, character or condition of the piping or appliances of the Customer; or for any loss or damage by reason of the construction, maintenance or use of the service pipe from the entrance upon the Customer's property to the metering equipment or point of delivery, nor for the inspection of repairs thereof. The Company expressly reserves the right to include, in the contract with the Customer, provisions regarding the Company's or the Customer's liability as determined appropriate by the Company.

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission.

GENERAL TERMS AND CONDITIONS

CHATTANOOGA GAS COMPANY

GAS TARIFF

TRA NO. 1

~~SIXTH SEVENTH~~- REVISED SHEET NO.35A

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the ~~Tennessee Regulatory Authority~~Tennessee Public Utility Commission as well as the contractual provisions contained in the contract for service hereunder.

ISSUED: ~~MARCH 6, 2013~~_OCTOBER 20, 2017
ISSUED BY: WENDELL DALLAS, VP

EFFECTIVE: ~~MAY 1, 2013~~ DECEMBER 1, 2017

RATE SCHEDULE V-2

Residential Natural Gas Vehicle Service (Continued)

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

BILLING ADJUSTMENTS

Bills for service under this Rate Schedule shall be adjusted for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Public Utility Commission Rules and Regulations and shall be subject to other adjustments, charges and/or credits including but not limited to the WNA, and the Interruptible Margin Credit Rider as determined to be applicable and approved by the Tennessee Public Utility Commission for service provided under the Residential General Service Rate Schedule R-1.

SPECIAL TERMS AND CONDITIONS

The collection and remittance of any federal or state tax or fee imposed on compressed natural gas dispensed for use as motor fuel from facilities located on the Customer's premise shall be the responsibility of the Customer.

The gas supplied under any agreement is supplied by the Company and purchased by the Customer upon the express condition that the gas so supplied, after it passes the metering equipment of the Company, or other point of delivery, becomes the property of the Customer to be used only as herein provided; and the Company shall not, in any event, be liable for loss or damage to any person or property whatsoever, resulting directly or indirectly from the use, misuse or presence of the said gas on the Customer's premises, or elsewhere, after it passes the Company's metering equipment or other point of delivery; or for any loss or damage resulting from the presence, character or condition of the piping or appliances of the Customer; or for any loss or damage by reason of the construction, maintenance or use of the service pipe from the entrance upon the Customer's property to the metering equipment or point of delivery, nor for the inspection of repairs thereof. The Company expressly reserves the right to include, in the contract with the Customer, provisions regarding the Company's or the Customer's liability as determined appropriate by the Company.

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Public Utility Commission.

GENERAL TERMS AND CONDITIONS

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Public Utility Commission as well as the contractual provisions contained in the contract for service hereunder.

WEATHER NORMALIZATION ADJUSTMENT

(WNA) RIDER COMPONENTS

<u>RATE SCHEDULE</u>	<u>WEIGHTED BASE RATE (\$THERM)</u>	<u>HEAT SENSITIVE FACTOR - HSF (THERM)</u>	<u>BASE LOAD - BL (THERM)</u>	
<u>(R-1) RESIDENTIAL GENERAL SERVICE Winter (November-April)</u>	<u>0.11591</u>	<u>0.16990</u>	<u>9.309</u>	N
<u>(R-4) MULTI-FAMILY HOUSING SERVICE Winter (November - April)</u>	.217669	.084580	14.628	
<u>(C-1) SMALL COMMERCIAL AND INDUSTRIAL GENERAL SERVICE Winter (November-April)</u>	<u>0.18581</u>	<u>0.27570</u>	<u>28.058</u>	N
<u>(C-2) MEDIUM COMMERCIAL AND INDUSTRIAL GENERAL SERVICE Winter (November - April)</u>	.176772	2.5160	471.807	

WEATHER NORMALIZATION ADJUSTMENT

(WNA) RIDER COMPONENTS

<u>RATE SCHEDULE</u>	<u>WEIGHTED BASE RATE (\$THERM)</u>	<u>HEAT SENSITIVE FACTOR - HSF (THERM)</u>	<u>BASE LOAD - BL (THERM)</u>
<u>(R-1) RESIDENTIAL GENERAL SERVICE</u> Winter (November-April)	0.11591	0.16990	9.309
<u>(R-4) MULTI-FAMILY HOUSING SERVICE</u> Winter (November - April)	.217669	.084580	14.628
<u>(C-1) SMALL COMMERCIAL AND INDUSTRIAL GENERAL SERVICE</u> Winter (November-April)	0.18581	0.27570	28.058
<u>(C-2) MEDIUM COMMERCIAL AND INDUSTRIAL GENERAL SERVICE</u> Winter (November - April)	.176772	2.5160	471.807

**ALIGNMENT AND USAGE ADJUSTMENT
(AUA) RIDER**

APPLICABILITY

~~The Alignment and Usage Adjustment (AUA) shall adjust the rates for the applicable Rate Schedules to reconcile actual base revenue recoveries per customer to the benchmark level established by the Tennessee Regulatory Authority. The AUA shall apply to the following Rate Schedules:~~

DELETE

~~_____ R-1: Residential General Service
_____ C-1: Commercial and Industrial Small General Service
_____~~

PURPOSE

~~The purpose of the AUA is to establish on an annual basis a base revenue adjustment, positive or negative, to permit the Company to recover the approved level of base revenues per customer. The AUA provides the Company with the proper incentive to promote conservation and energy efficiency by ensuring that the Company neither over-collects or under-collects base revenues due to changes in average customer consumption levels in between base rate case proceedings.~~

DEFINITIONS

~~For Purpose of this Rider:~~

~~"Authority" shall mean the Tennessee Regulatory Authority.~~

~~"Actual Base Revenue per Customer" shall be determined on a monthly basis by dividing the actual base revenue for a Customer Class Group by the respective Actual Number of Customers as recorded on the Company's books.~~

~~"Actual Number of Customers" shall be determined on a monthly basis for each Customer Class Group to which the AUA applies. The Actual Number of Customers shall equal the aggregate actual booked number of customers for the month as recorded on the Company's books of account.~~

~~"Benchmark Base Revenue per Customer" shall mean the allowed average Revenue Per Customer ("RPC") for a given month and Customer Class Group.~~

~~"Calculation Period" shall be the twelve consecutive months from June 1 of one calendar year through May 31 of the following calendar year.~~

~~"Customer Class" shall mean the group of customers all taking service pursuant to the same Rate Schedule.~~

~~"Customer Class Group" shall mean the group of Rate Schedules combined for purposes of calculating the Revenue Normalization Adjustment amounts. For purposes of determining and applying the AUA, customers shall be aggregated into two separate Customer Class Groups as follows:~~

~~Customer Class Group I: Residential customers taking service pursuant to Rate Schedule R-1
Customer Class Group II: Commercial & Industrial customers taking service pursuant to Rate Schedules C-1~~

ALIGNMENT AND USAGE ADJUSTMENT
(AUA) RIDER
(Continued)

"Recovery Period" shall mean the twelve month period beginning on the August 1st of one calendar year immediately following the conclusion of the Annual Period through July 31st of the following calendar year.

"Revenue per Customer" shall mean the average total base revenues divided by the corresponding number of customer bills.

"Relevant Rate Order" shall mean the final order of the Authority in the most recent litigated rate case of Chattanooga Gas Company (Company) fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

BENCHMARK BASE REVENUE PER CUSTOMER

The Benchmark Base RPC shall be determined separately for each month and Customer Class Group. The Benchmark Base RPC for the applicable Customer Class Group shall be determined by first multiplying the then effective base rates for each Customer Class by the corresponding test period billing determinants utilized to design base rates to yield benchmark base revenues by Customer Class. The base rates and the associated billing determinants shall be those established by the Authority in the Company's most recent base rate case pursuant to a Relevant Rate Order. The resulting benchmark base revenues by Customer Class for all Rate Schedules within the same Customer Class Group shall be added together and divided by the total test period number of customers for the corresponding Customer Classes in order to yield the applicable Benchmark Base RPC. The Benchmark Base RPC for each Customer Class Group by month are as follows:

<u>Month</u>	<u>Residential (R-1)</u>	<u>Commercial (C-1)</u>
<u>June</u>	<u>\$14.48</u>	<u>\$31.73</u>
<u>July</u>	<u>14.24</u>	<u>30.47</u>
<u>August</u>	<u>14.28</u>	<u>29.96</u>
<u>September</u>	<u>14.23</u>	<u>29.84</u>
<u>October</u>	<u>15.18</u>	<u>30.07</u>
<u>November</u>	<u>21.87</u>	<u>42.10</u>
<u>December</u>	<u>27.30</u>	<u>57.43</u>
<u>January</u>	<u>31.39</u>	<u>72.07</u>
<u>February</u>	<u>30.46</u>	<u>72.57</u>
<u>March</u>	<u>26.75</u>	<u>62.05</u>
<u>April</u>	<u>22.28</u>	<u>48.63</u>
<u>May</u>	<u>15.82</u>	<u>33.03</u>
<u>Total Annual</u>	<u>\$248.28</u>	<u>\$539.95</u>

ALIGNMENT AND USAGE ADJUSTMENT
(AUA) RIDER
(Continued)

CALCULATION OF AUA ADJUSTMENT

At the end of the Calculation Period, the Company shall determine for each Customer Class Group the base revenue deficiency or excess to be surcharged or credited to customers pursuant to the AUA mechanism. The revenue deficiency or excess shall be calculated by subtracting the Actual Base Revenue per Customer from the Benchmark Base Revenue per Customer for each month and multiplied by the corresponding monthly Actual Number of Customers. The AUA Revenue Adjustment shall be aggregated for all months during the Calculation Period.

The AUA shall be computed for each Customer Class Group pursuant to the following formula:

$$\text{AUA}_{eg} = \frac{((\text{BRPC} - \text{ARPC}) \times \sum_{j=1}^n \text{ACUSTS}_j) \pm I \pm \text{RA}}{\text{TVOL}}$$

Where

<u>AUA_{eg}</u>	=	<u>The Revenue Decoupling Adjustment for the Customer Class Group.</u>
<u>ARPC</u>	=	<u>The Actual Base Revenue Per Customer for the applicable Customer Class Group and month for the most recently completed Calculation Period.</u>
<u>BRPC</u>	=	<u>The Benchmark Base Revenue Per Customer for the applicable Customer Class Group and month.</u>
<u>j</u>	=	<u>The total number of Rate Schedules included in the Customer Class Group.</u>
<u>ACUSTS</u>	=	<u>The Actual number of customers for the applicable Customer Class Group and month for the most recently completed Calculation Period.</u>
<u>I</u>	=	<u>Interest on the end of month AUA Account balance. The interest rate for each month used shall be the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the month preceding the month of the Calculation Period.</u>
<u>RA</u>	=	<u>Reconciliation Adjustment for prior period over or under recovery of the AUA for the applicable Customer Class Group.</u>
<u>TVOL</u>	=	<u>Forecast throughput Volumes inclusive of all firm sales and firm transportation throughput for the applicable Customer Class Group.</u>

This Alignment and Usage Adjustment (AUA) Rider shall be effective for the Calculation Periods with the first beginning June 1, 2010 and the corresponding Recovery Period with the first beginning July 1, 2011. The AUA Rider shall continue in effect on an experimental basis until made permanent, terminated, or otherwise modified by Order of the Tennessee Regulatory Authority.

ALIGNMENT AND USAGE ADJUSTMENT
(AUA) RIDER
(Continued)

RECONCILIATION OF AUA REVENUE RECOVERIES

The revenues billed, or credits applied, net of taxes and assessments, through the application of the AUA Rate shall be accumulated for each month of the Recovery Period and applied against the AUA revenue excess or deficiency from the Calculation Period. The excess or deficiency shall include any cumulative balances remaining from prior periods. Any balance existing at the conclusion of the Recovery Period, positive or negative, shall be reflected as a Reconciliation Adjustment to be included in the AUA for the subsequent Recovery Period. The amount to be recovered through the AUA in any one Recovery Period shall not exceed 2% of total margin for the corresponding Calculation Period.

FILING WITH AUTHORITY

No later than June 1st of each year, the Company will file with the Authority for approval of rates to be effective under the AUA Rider accompanied by the computations and information required by this Rider.