

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 9, 2015

IN RE:

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

**DOCKET NO.
14-00118**

ORDER APPROVING SPECIAL CONTRACT

This matter came before Director James M. Allison, Director Kenneth C. Hill, and Director Robin Bennett, of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on January 12, 2015 for consideration of the *Joint Request of Chattanooga Gas Company and Volkswagen Group of America Chattanooga Operations, LLC for Approval of a Special Contract* (“*Joint Request*”) filed on October 23, 2014.

BACKGROUND

Chattanooga Gas Company (“CGC” or the “Company”) and Volkswagen Group of America Chattanooga Operations, LLC (“Volkswagen”) filed a *Joint Request* for Authority approval of a special contract for natural gas services between CGC and Volkswagen. On December 3, 2014, an order was issued convening a contested case and appointing a hearing officer. The Consumer Advocate and Protection Division of the Office of the Attorney General (“CAPD”) filed a petition to intervene on December 9, 2014, which was granted by the Hearing Officer on December 15,

2014.¹ On December 18, 2014, the CAPD filed a letter stating they have no opposition to the Special Contract. According to the CAPD, they have determined that the rates and charges do not adversely affect CGC consumers and will benefit all citizens of the Chattanooga area since it will enable Volkswagen to continue and expand its already successful operations in Chattanooga.²

THE JOINT REQUEST

Volkswagen is an existing CGC customer.³ The Company is not currently servicing Volkswagen under the Special Contract terms but under the Company's Tariff Rate Schedule F-1 (Commercial and Industrial Large Volume Firm Sales Service).⁴ CGC and Volkswagen have negotiated and reached an agreement for a Special Contract. The Special Contract provides that Volkswagen may purchase natural gas from the Company periodically under terms and rates that are similar to the Company's Rate Schedule F-1 (Commercial and Industrial Large Volume Firm Sales Service) with minor modifications. The main modification between the Special Contract and the Company's Rate Schedule F-1 is the rates that Volkswagen will pay. The Special Contract states that the monthly billed amounts shall be in addition to any amounts for main extension charges or otherwise payable by Customer under separate contracts with CGC. The Special Contract also specifies that Volkswagen will be billed based on the metered volume of gas delivered to its facility with no adjustment for intrastate fuel use or lost and unaccounted gas.⁵ According to the Company, this provision is consistent with the provision of service under all of CGC's rate schedules and that all customers are billed based on metered volumes without adjustment for intrastate fuel use or lost or unaccounted for gas.⁶

¹ See *Order Granting Consumer Advocate's Petition to Intervene* (December 15, 2014).

² See Filing (December 18, 2014).

³ *Joint Request*, p. 2 (October 23, 2014).

⁴ *CGC's Data Response*, STF-1-04 (December 10, 2014).

⁵ *Joint Request*, Exhibit 1, p. 6 (October 23, 2014).

⁶ *CGC's Data Response*, STF-1-06 (December 10, 2014).

The initial term of the special contract will begin after Authority approval and end May 31, 2022. The Special Contract will continue, thereafter, for successive terms of five years unless written notice of cancellation is given by either party at least 180 days prior to the end of the Initial Term or any of the Renewal Terms.⁷

FINDINGS AND CONCLUSIONS

TRA Rule 1220-4-1-.07, states:

Special contracts between public utilities and certain customers prescribing and providing rates, services and practices not covered by or permitted in the general tariffs, schedules, 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.

Following precedents set in prior dockets,⁸ the panel noted that the Authority has established and considers four criteria. The criteria are whether:

1. Customer by-pass is imminent;
2. Such by-pass would be uneconomic;
3. The contract rates and terms are just and reasonable and are not unjustly preferential or unduly discriminatory; and
4. The contract rates are the highest that could be negotiated.

After reviewing the *Joint Request* in light of the established criteria, based on the evidence in the record, the panel found that the proposed special contract is consistent with TRA Rule 1220-4-1-.07. Thereafter, the panel voted unanimously to approve the special contract filed October 23,

⁷ *Joint Request*, Exhibit 1, pp. 2-3 (October 23, 2014).

⁸ See e.g. *In re: Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for Approval of Negotiated Gas Redelivery Agreement with Visteon Corporation*, Docket No. 01-00530, *Order Approving Negotiated Gas Redelivery Agreement* (November 28, 2001); *In re: Petition of Nashville Gas Company for Extension of Negotiated Gas Redelivery Agreement with State Industries*, Docket No. 02-01270, *Order Approving Negotiated Gas Redelivery Agreement* (April 3, 2003); *In re: Petition of Nashville Gas Company for Extension of Negotiated Gas Redelivery Agreement with Bridgestone/Firestone Industries*, Docket No. 02-01271, *Order Approving Amendment to Negotiated Gas Redelivery Agreement* (April 4, 2003); *In re: Application of Piedmont Natural Gas Company, Inc. for Approval of Negotiated Gas Redelivery Agreement with Bridgestone/Firestone*, Docket No. 10-00015, *Order Granting Approval of Special Contract* (October 28, 2010).

2014 between CGC and Volkswagen that is effective upon Authority approval and with an initial term ending May 31, 2022. The panel noted that it is aware that the special contract contains a clause allowing the initial term of the contract to be extended by Volkswagen for successive terms of five years unless written notice of cancellation is given by either party at least 180 days prior to the end of the initial term or any renewal term. The panel directed CGC to file in this docket a notice demonstrating that it continues to meet the requirements for a long-term special contract for each successive five-year term that the contract is extended.

IT IS THEREFORE ORDERED THAT:

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

Director James M. Allison, Director Kenneth C. Hill, and Director Robin Bennett concur.

ATTEST:



Earl R. Taylor, Executive Director