

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

May 9, 2022

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DOCKET OFFICE

IN RE:

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

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Docket No. 14-00118

JOINT NOTICE OF CHATTANOOGA GAS COMPANY AND
VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC
REGARDING EXTENSION OF SPECIAL CONTRACT

Pursuant to the Order Approving Special Contract issued in this docket on March 9, 2015 (“Special Contract Order”), Chattanooga Gas Company (“CGC” or “Company”) and Volkswagen Group of America Chattanooga Operations, LLC (“Volkswagen”) respectfully notify the Tennessee Public Utility Commission (“Commission”) of the extension of the special negotiated contract for natural gas services between CGC and Volkswagen and, as set forth further below, CGC hereby advises the Commission that the 2014 Special Contract continues to meet the requirements for a long-term special contract for this successive five-year contract term extension.

In 2009 in Docket 09-00174, the Commission approved a special contract for the necessary extension of CGC’s gas line to the Volkswagen property to serve the Volkswagen manufacturing facility that at that time was to be constructed in CGC’s service territory (“2009 Special Contract”). The 2009 Special Contract in part addressed the method for computing the allowable investment for supplying natural gas to the Volkswagen property and for allowing Volkswagen to pay the contribution in aid of construction (“CIAC”) in monthly installments over ten (10) years. The

CIAC associated with that 2009 Special Contract has now been fully reimbursed. This 2009 Special Contract is no longer operative or effective.

Thereafter, on October 23, 2014, in this docket, CGC and Volkswagen jointly petitioned this Commission for approval of a special contract between CGC and Volkswagen for natural gas services (“2014 Special Contract”). As described by the Commission in its Special Contract Order, the 2014 Special Contract provides that Volkswagen may purchase natural gas from CGC periodically under terms and rates similar to CGC’s Rate Schedule F-1, with modifications – the main modification being the rates Volkswagen would pay. Those rates were below the otherwise applicable tariff rate, but above CGC’s incremental cost to serve. At the time CGC and Volkswagen submitted the joint petition for approval, Volkswagen had invested more than \$1 billion in its Chattanooga operations, and directly employed more than 2,300 people. The Volkswagen investment had also indirectly created approximately 8,000 regional jobs.

The Consumer Advocate and Protection Division of the Office of Attorney General (“CAPD”) intervened in this docket on December 9, 2014. On December 18, 2014, the CAPD filed a letter stating they had no opposition to the 2014 Special Contract. More specifically, the CAPD wrote that it “determined that the rates and charges set forth in the Special Contract do not adversely affect the Chattanooga Gas consumers. Moreover, the Special Contract will benefit all citizens of the Chattanooga area since it will enable Volkswagen to continue and expand its already successful operations in Chattanooga.”

The original term of the 2014 Special Contract runs through May 31, 2022. However, as the Commission recognized at page 3 of the Special Contract Order, the 2014 Special Contract provides 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.” Pursuant

to Section 1 of the 2014 Special Contract, “Term,” there is no currently effective notice of intention to terminate. Thus, pursuant to its terms and the Special Contract Order, the 2014 Special Contract is renewed and continued for an additional term of five (5) years commencing on June 1, 2022, through May 31, 2027.

In approving the 2014 Special Contract, the Commission found it to be consistent with its Rule 1220-04-01-.07, and unanimously voted to approve. In granting its approval, the Commission “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.” Special Contract Order, at 4. This filing is the required notice of such extension, and below CGC and Volkswagen hereby demonstrate how the 2014 Special Contract continues to meet the terms of the Commission’s Special Contract Order.

In the Joint Request initiating the process for the approval of the 2014 Special Contract, CGC and Volkswagen provided valuable information regarding the background for why a special contract was appropriate under the unique and special circumstances associated with the economic development package that helped to bring Volkswagen to Tennessee, and the plans that Volkswagen had for investment and employment at its new car manufacturing plant. In the years since, it is fair to say that Volkswagen has not just met but exceeded its goals for its Chattanooga manufacturing plant.

While initially projecting to invest over \$1 billion and employing over 2,300 people for its initial car line, Volkswagen has far exceeded these projections. Currently, Volkswagen has invested over \$2.2 billion in its operations in Chattanooga and is employing more than 3,600 workers. Volkswagen’s investment in Chattanooga includes support for the production of the Atlas line of sport utility vehicles (“SUVs”) and an investment of \$466 million to date (of a total

\$607 million in Chattanooga) for production of Volkswagen's new, battery electric vehicle, the ID.4 SUV. Volkswagen will hire up to an additional 1,000 people to support ID.4 production.

Standing alone, these numbers are impressive, with Volkswagen being one of the largest employers in the region. But the true economic impact of Volkswagen's ground-breaking decision to locate in the Chattanooga area extends far beyond just Volkswagen. Volkswagen is a major driver in the larger economic expansion and growth that has occurred in the greater Chattanooga-Cleveland area these last dozen years. In addition to direct investment and employment, Volkswagen has indirectly caused the benefit of approximately 14,000 regional jobs and additional capital investment in support of the plant. Volkswagen's operations in Tennessee have produced the anticipated results and benefits, including the growth of supply chain entities, growing and expanding the number of employees and car lines, indirect benefits, tax benefits, and associated residential growth.

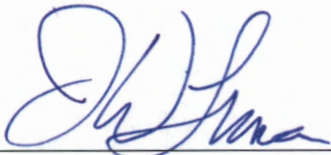
As noted in CGC and Volkswagen's original Joint Request for Approval of the 2014 Special Contract, the incentive package used to promote the Chattanooga site that Volkswagen ultimately chose for its manufacturing plant included CGC's agreement to pursue a special contract for Volkswagen through the Commission. That incentive-based 2014 Special Contract included the five-year extension provisions. Extension of the Special Contract will allow Volkswagen to continue the expansion and growth of the Chattanooga plant and all the benefits associated with that growth. Going forward, Volkswagen will continue to be a major force for continued economic expansion and development in the overall Chattanooga-Cleveland area. Volkswagen's new ID.4 model and other projects in development demonstrate Volkswagen's long-term commitment to the greater Chattanooga community with significant benefits throughout Tennessee. These plans mean

that the purpose of the original incentives offered by CGC through the 2014 Special Contract will continue to provide significant benefits to everyone in the area and throughout Tennessee.

The 2014 Special Contract was above CGC's incremental cost of service. The special contract rates going forward under the contract extension term will also be above CGC's incremental cost of service.

Pursuant to the terms of the Special Contract Order, CGC and Volkswagen hereby notify the Commission that service by CGC to Volkswagen continues to be in the public interest, and that the parties have agreed to the extension of the 2014 Special Contract, according to its terms, for five years, commencing June 1, 2022, through May 31, 2027, as set forth therein.

RESPECTFULLY SUBMITTED this 9th day of May, 2022,



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