

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-373 SUPPLEMENTAL REQUEST**

Question:

Refer to the Company's amended response to CPAD 1-157.

- (a) Provide a comprehensive set of updated MFG files and supporting workpapers which incorporate the revisions set forth in the Company's amended response to CPAD 1-157.
- (b) State whether the Company is proposing to offset NOLCs against ADIT for ratemaking purposes. If the Company is proposing such an offset, provide a narrative explanation, along with the source and support for the Company's position and supporting workpapers for the amount(s) of the Tennessee NOLC and ADIT (and supporting allocations).
- (c) To the extent that the Company proposes to offset NOLCs against ADIT by means of a regulatory asset, provide the source and support (including any TPUC order) for any such asset.

Response:

- (a) See CPAD-1-373a Attachment for the comprehensive set of updated MFG 69-8 files and supporting workpapers which incorporate the revisions set forth in the Company's amended response to CPAD 1-157.
- (b) The Company has not included the NOL as part of the ADIT balance for the attrition period. However, the Company has/will offset NOL against ADIT for the 2017 and 2018 taxable periods. For the period ended 7.1.16 to 12.31.16 (stub 2), CGC generated a net operating loss of \$1,502,275. Out of the total NOL, \$277,223 was utilized in 2016 stub 2 return, \$708,805 will be carried back to stub 1 tax return (period ending 1.1.16 to 6.30.16) and \$516,247 is carried forward to 2017 and 2018. An amended 2016 stub 1 tax return will be filed in 2018 with the carried back amount.  
  
The associated ADIT related to the NOL is \$356,494. See CPAD-1-373b Attachment for a copy of CGC's 2016 Stub 2 return which shows the calculation of the NOL of \$1,502,275.
- (c) See the Company's response to part b. above.

Contact Person: Gary Tucker

<b>1120</b> Form Department of the Treasury Internal Revenue Service	<b>U.S. Corporation Income Tax Return</b> For calendar year 2016 or tax year beginning <u>07 02</u> , 2016, ending <u>12 31</u> , 2016 Information about Form 1120 and its separate instructions is at <a href="http://www.irs.gov/form1120">www.irs.gov/form1120</a> .	OMB No. 1545-0123 <b>2016</b>	
<b>A Check if:</b> 1a Consolidated return (attach Form 851) <input type="checkbox"/> b Life/nonlife consolidated return <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (see instructions) <input type="checkbox"/> 4 Schedule M-3 attached <input checked="" type="checkbox"/>	Name, Number, street, and room or suite no. If a P.O. box, see instructions. City or town, state, or province, country and ZIP code or foreign postal code Chattanooga Gas Company 241 Ralph McGill Boulevard, NE Bin 10139 Atlanta GA 30308-3374	<b>B Employer identification number</b> 62-1366126 <b>C Date incorporated</b> 10 01 1988 <b>D Total assets (see instructions)</b> \$ 205,236,999	
E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input checked="" type="checkbox"/> Address change			
<b>Income</b> 1a Gross receipts or sales 1b Retained earnings 1c Balance forward 2 Cost of goods sold 3 Gross profit 4 Dividends (Schedule C, line 19) 5 Interest 6 Gross rents 7 Gross royalties 8 Capital gain net income (attach Schedule D (Form 1120)) 9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) 10 Other income (see instructions-- attach statement) STATEMENT 1 11 <b>Total income.</b> Add lines 3 through 10	1a 29,977,567 1b 0 1c 29,977,567 2 15,771,151 3 14,206,416 4 0 5 5,663 6 0 7 0 8 0 9 -77,127 10 383,787 11 14,518,739	<b>Deductions</b> 12 Compensation of officers (see instructions-- attach Form 1125-E) 13 Salaries and wages (less employment credits) 14 Repairs and maintenance 15 Bad debts 16 Rents 17 Taxes and licenses STATEMENT 2 18 Interest 19 Charitable contributions 20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) 21 Depletion 22 Advertising 23 Pension, profit-sharing, etc., plans 24 Employee benefit programs 25 Domestic production activities deduction (attach Form 8903) 26 Other deductions (attach statement) STATEMENT 3 27 <b>Total deductions.</b> Add lines 12 through 26 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11. 29a Net operating loss deduction (see instructions) b Special deductions (Schedule C, line 20) c Add lines 29a and 29b	12 0 13 1,518,230 14 424,873 15 29,152 16 76,547 17 1,853,096 18 1,286,562 19 0 20 6,048,340 21 0 22 31,350 23 9,227 24 539,848 25 0 26 4,203,789 27 16,021,014 28 -1,502,275 29a 0 29b 0 29c 0
<b>Payments and Credits</b> 30 Taxable income. Subtract line 29c from line 28 (see instructions) 31 Total tax (Schedule J, Part I, line 11) 32 Total payments and refundable credits (Schedule J, Part II, line 21) 33 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/> 34 Amount owed. If line 32 is smaller than the total of lines 31 and 33, enter amount owed 35 Overpayment. If line 32 is larger than the total of lines 31 and 33, enter amount overpaid 36 Enter amount from line 35 you want: Credited to 2017 estimated tax 0 Refunded 0	30 -1,502,275 31 0 32 0 33 0 34 0 35 0 36 0		
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
<b>Sign Here</b> Signature of officer _____ Date _____ Title _____ May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
<b>Paid Preparer Use Only</b> Print/Type preparer's name _____ Preparer's signature _____ Date _____ Check <input type="checkbox"/> if self-employed PTIN _____ Firm's name _____ Firm's EIN _____ Firm's address _____ Phone no. _____			

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<b>Schedule C Dividends and Special Deductions</b> (see instructions)		(a) Dividends received	(b) %	(c) Special deductions (a) x (b)	
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock) . . . . .	0	70	0	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock) . . . . .	0	80	0	
3	Dividends on debt-financed stock of domestic and foreign corporations . . . . .	0	see instructions	0	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities . . . . .	0	42	0	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities . . . . .	0	48	0	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs . . . . .	0	70	0	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs . . . . .	0	80	0	
8	Dividends from wholly owned foreign subsidiaries . . . . .	0	100	0	
9	<b>Total.</b> Add lines 1 through 8. See instructions for limitation . . . . .			0	
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958 . . . . .	0	100	0	
11	Dividends from affiliated group members . . . . .	0	100	0	
12	Dividends from certain FSCs . . . . .	0	100	0	
13	Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12 . . . . .	0			
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471) . . . . .	0			
15	Foreign dividend gross-up . . . . .	0			
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 . . . . .	0			
17	Other dividends . . . . .	0			
18	Deduction for dividends paid on certain preferred stock of public utilities . . . . .			0	
19	<b>Total dividends.</b> Add lines 1 through 17. Enter here and on page 1, line 4 . . . . . ▶	0			
20	<b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b . . . . . ▶				0

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**Schedule J Tax Computation and Payment** (see instructions)**Part I - Tax Computation**

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>		
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2	0
3	Alternative minimum tax (attach Form 4626)		3	0
4	Add lines 2 and 3		4	0
5a	Foreign tax credit (attach Form 1118)	5a	0	
b	Credit from Form 8834 (see instructions)	5b	0	
c	General business credit (attach Form 3800)	5c	0	
d	Credit for prior year minimum tax (attach Form 8827)	5d	0	
e	Bond credits from Form 8912	5e	0	
6	<b>Total credits.</b> Add lines 5a through 5e		6	0
7	Subtract line 6 from line 4		7	0
8	Personal holding company tax (attach Schedule PH (Form 1120))		8	0
9a	Recapture of investment credit (attach Form 4255)	9a	0	
b	Recapture of low-income housing credit (attach Form 8611)	9b	0	
c	Interest due under the look-back method-- completed long-term contracts (attach Form 8697)	9c	0	
d	Interest due under the look-back method-- income forecast method (attach Form 8866)	9d	0	
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e	0	
f	Other (see instructions-- attach statement)	9f	0	
10	<b>Total.</b> Add lines 9a through 9f		10	0
11	<b>Total tax.</b> Add lines 7, 8, and 10. Enter here and on page 1, line 31		11	0

**Part II- Payments and Refundable Credits**

12	2015 overpayment credited to 2016	12	0
13	2016 estimated tax payments	13	0
14	2016 refund applied for on Form 4466	14	0
15	Combine lines 12, 13, and 14	15	0
16	Tax deposited with Form 7004	16	0
17	Withholding (see instructions)	17	0
18	<b>Total payments.</b> Add lines 15, 16, and 17	18	0
19	Refundable credits from:		
a	Form 2439	19a	0
b	Form 4136	19b	0
c	Form 8827, line 8c	19c	0
d	Other (attach statement-- see instructions)	19d	0
20	<b>Total credits.</b> Add lines 19a through 19d	20	0
21	<b>Total payments and credits.</b> Add lines 18 and 20. Enter here and on page 1, line 32	21	0

**Schedule K Other Information** (see instructions)

1	Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____	Yes	No
2	See the instructions and enter the:		
a	Business activity code no. ▶ 221210		
b	Business activity ▶ NATURAL GAS DISTRIBUTION		
c	Product or service ▶ NATURAL GAS		
3	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	X	
	If "Yes," enter name and EIN of the parent corporation ▶ 58-0690070		
	THE SOUTHERN COMPANY		
4	At the end of the tax year:		
a	Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G)	X	
b	Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G)		X

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F6.00.01 - US1120P3

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**Schedule K Other Information** continued (see instructions)

	Yes	No	
<b>5</b> At the end of the tax year, did the corporation:			
<b>a</b> Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on <b>Form 851</b> , Affiliations Schedule? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X	
(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock
			0.000
			0.000
			0.000
<b>b</b> Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.		X	
(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital
			0.000
			0.000
			0.000
<b>6</b> During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)		X	
If "Yes," file <b>Form 5452</b> , Corporate Report of Nondividend Distributions.			
If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.			
<b>7</b> At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of the corporation's stock entitled to vote or (b) the total value of all classes of the corporation's stock?		X	
For rules of attribution, see section 318. If "Yes," enter:			
(i) Percentage owned <input type="text" value="0.000"/> and (ii) Owner's country <input type="text"/>			
(c) The corporation may have to file <b>Form 5472</b> , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached <input type="text"/>			
<b>8</b> Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>			
If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.			
<b>9</b> Enter the amount of tax-exempt interest received or accrued during the tax year <input type="text" value="0"/>			
<b>10</b> Enter the number of shareholders at the end of the tax year (if 100 or fewer) <input type="text" value="1"/>			
<b>11</b> If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/>			
If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election won't be valid.			
<b>12</b> Enter the available NOL carryover from prior tax years (do not reduce it by any deduction on line 29a.) <input type="text" value="0"/>			
<b>13</b> Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year and its total assets at the end of the tax year less than \$250,000?		X	
If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. <input type="text" value="0"/>			
<b>14</b> Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement (see instructions)?		X	
If "Yes," complete and attach Schedule UTP.			
<b>15a</b> Did the corporation make any payments in 2016 that would require it to file Form(s) 1099?	X		
<b>b</b> If "Yes," did or will the corporation file all required Forms 1099?	X		
<b>16</b> During this tax year, did the corporation have an 80% or more change in ownership, including a change due to redemption of its own stock?		X	
<b>17</b> During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?		X	
<b>18</b> Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than \$1 million?		X	
<b>19</b> During the corporation's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code?		X	

Form 1120 (2016)

F6.00.01 US1120P4

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<b>Schedule L Balance Sheets per Books</b>		Beginning of tax year		End of tax year	
<b>Assets</b>		(a)	(b)	(c)	(d)
1	Cash		0		5
2a	Trade notes and accounts receivable	0		10,080,561	
b	Less allowance for bad debts	( 0 )	0	( 225,502 )	9,855,059
3	Inventories		0		12,363,444
4	U.S. government obligations		0		0
5	Tax-exempt securities (see instructions)		0		0
6	Other current assets (attach statement)		0	STATEMENT 4	10,347
7	Loans to shareholders		0		0
8	Mortgage and real estate loans		0		0
9	Other investments (attach statement)		0		0
10a	Buildings and other depreciable assets	0		265,838,450	
b	Less accumulated depreciation	( 0 )	0	( 93,527,661 )	172,310,789
11a	Depletable assets	0		0	
b	Less accumulated depletion	( 0 )	0	( 0 )	0
12	Land (net of any amortization)		0		0
13a	Intangible assets (amortizable only)	0		6,369,079	
b	Less accumulated amortization	( 0 )	0	( 0 )	6,369,079
14	Other assets (attach statement)		0	STATEMENT 5	4,328,276
15	Total assets		0		205,236,999
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable		0		15,926,070
17	Mortgages, notes, bonds payable in less than 1 year		0		0
18	Other current liabilities (attach statement)		0	STATEMENT 6	32,484,821
19	Loans from shareholders		0		0
20	Mortgages, notes, bonds payable in 1 year or more		0		52,258,425
21	Other liabilities (attach statement)		0	STATEMENT 7	44,668,534
22	Capital stock: a Preferred stock	0		0	
	b Common stock	0	0	10,000	10,000
23	Additional paid-in capital		0		50,427,535
24	Retained earnings - Appropriated (attach statement)		0		0
25	Retained earnings - Unappropriated		0		11,824,892
26	Adjustments to shareholders' equity (attach statement)		0		0
27	Less cost of treasury stock		( 0 )		( 2,363,278 )
28	Total liabilities and shareholders' equity		0		205,236,999

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return**

Note: The corporation may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	0	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	0		Tax-exempt interest \$	0
3	Excess of capital losses over capital gains	0			0
4	Income subject to tax not recorded on books this year (itemize):	0			0
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$	0	a	Depreciation \$	0
b	Charitable contributions \$	0	b	Charitable contributions \$	0
c	Travel & entertainment \$	0			0
		0			0
6	Add lines 1 through 5	0	9	Add lines 7 and 8	0
			10	Income (page 1, line 28) - line 6 less line 9	0

**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1	Balance at beginning of year	0	5	Distributions: a Cash	143,064
2	Net income (loss) per books	1,172,232		b Stock	0
3	Other increases (itemize):			c Property	0
	STATEMENT 8	10,795,724	6	Other decreases (itemize):	0
4	Add lines 1, 2, and 3	11,967,956	7	Add lines 5 and 6	143,064
			8	Balance at end of year (line 4 less line 7)	11,824,892

Form 1120 (2016)

F6.00.01 - US1120P5

Form **1125-A**  
(Rev. October 2016)  
Department of the Treasury  
Internal Revenue Service

## Cost of Goods Sold

▶ Attach to Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B.  
▶ Information about Form 1125-A and its instructions is at [www.irs.gov/form1125a](http://www.irs.gov/form1125a).

OMB No. 1545-0123

Name Chattanooga Gas Company		Employer identification number 62-1366126
1	Inventory at beginning of year .....	0
2	Purchases .....	17,034,398
3	Cost of labor .....	0
4	Additional section 263A costs (attach schedule) .....	0
5	Other costs (attach schedule) ..... STATEMENT 9	11,100,197
6	<b>Total.</b> Add lines 1 through 5 .....	28,134,595
7	Inventory at end of year .....	12,363,444
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions .....	15,771,151

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost

(ii) ☐ Lower of cost or market

(iii) ☒ Other (Specify method used and attach explanation.) ▶ WEIGHTED AVERAGE COST

b Check if there was a writedown of subnormal goods ..... ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ..... ☐

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO ..... **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity? See instructions ..... ☒ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ..... ☐ Yes ☒ No

For Paperwork Reduction Act Notice, see separate instructions.

Form **1125-A** (Rev. 10-2016)

ERF

**SCHEDULE B**  
**(Form 1120)**  
(Rev. December 2014)  
Department of the Treasury  
Internal Revenue Service

**Additional Information for Schedule M-3 Filers**

OMB No. 1545-0123

▶ **Attach to Form 1120.**  
▶ **See instructions on page 2.**

Name	Employer identification number (EIN)
Chattanooga Gas Company	62-1366126

	Yes	No
1 Do the amounts reported on Schedule M-3 (Form 1120), Part II, lines 9 or 10, column (d), reflect allocations to this corporation from a partnership of income, gain, loss, deduction, or credit that are disproportionate to this corporation's capital contribution to the partnership or its ratio for sharing other items of the partnership? . . . . .		X
2 At any time during the tax year, did the corporation sell, exchange, or transfer any interest in an intangible asset to a related person as defined in section 267(b)? . . . . .		X
3 At any time during the tax year, did the corporation acquire any interest in an intangible asset from a related person as defined in section 267(b)? . . . . .		X
4a During the tax year, did the corporation enter into a cost-sharing arrangement with any related foreign party on whose behalf the corporation did not file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations? . . . . .		X
b At any time during the tax year, was the corporation a participant in a cost-sharing arrangement with any related foreign party on whose behalf the corporation did not file Form 5471? . . . . .		X
5 At any time during the tax year, did the corporation make any change in accounting principle for financial accounting purposes? See instructions for the definition of change in accounting principle . . . . .	X	
6 At any time during the tax year, did the corporation make any change in a method of accounting for U.S. income tax purposes? . . . . .		X
7 At any time during the tax year, did the corporation own any voluntary employees' beneficiary association (VEBA) trusts that were used to hold funds designated for employee benefits? . . . . .		X
8 At any time during the tax year, did the corporation use an allocation method for indirect costs capitalized to self-constructed assets that varied from its financial method of accounting? . . . . .	X	
9 At any time during the tax year, did the corporation treat for tax purposes indirect costs, as defined in Regulations sections 1.263A-1(e)(3)(ii)(F), (G), and (H), as mixed-service costs, as defined in Regulations section 1.263A-1(e)(4)(ii)(C)? . . . . .	X	
10 Did the corporation, under section 118 or 362(c) and the related regulations, take a return filing position characterizing any amount as a contribution to the capital of the corporation during the tax year by any non-shareholders? Amounts so characterized may include, without limitation, incentives, inducements, money, and property. . . . .	X	

For Paperwork Reduction Act Notice, see Instructions for Form 1120.

Schedule B (Form 1120) (Rev. 12-2014)



**SCHEDULE G  
(Form 1120)**  
(Rev. December 2011)  
Department of the Treasury  
Internal Revenue Service

**Information on Certain Persons Owning the  
Corporation's Voting Stock**

▶ Attach to Form 1120.  
▶ See instructions.

OMB No. 1545-0123

Name

Chattanooga Gas Company

Employer identification number (EIN)

62-1366126

**Part I**

**Certain Entities Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4a).  
Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Percentage Owned in Voting Stock
THE SOUTHERN COMPANY	580690070	CORPORATION	US	100.000

**Part II**

**Certain Individuals and Estates Owning the Corporation's Voting Stock.** (Form 1120, Schedule K, Question 4b). Complete columns (i) through (iv) below for any individual or estate that owns directly 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote (see instructions).

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Percentage Owned in Voting Stock

For Paperwork Reduction Act Notice,  
see the Instructions for Form 1120.

Schedule G (Form 1120) (Rev. 12-2011)

F6.00.01 USSCHGP1

ERF

Schedule M-3 (Form 1120) 2016

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Name of corporation (common parent, if consolidated return) Chattanooga Gas Company	Employer identification number 62-1366126
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Check applicable box(es): (1) ☐ Consolidated group (2) ☐ Parent corp (3) ☐ Consolidated eliminations (4) ☐ Subsidiary corp (5) ☐ Mixed 1120/L/PC group  
Check if a sub-consolidated: (6) ☐ 1120 group (7) ☐ 1120 eliminations

Name of subsidiary (if consolidated return)	Employer identification number
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**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach statements for lines 1 through 12)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations	0	0	0	
2 Gross foreign dividends not previously taxed	0	0	0	0
3 Subpart F, QEF, and similar income inclusions		0	0	0
4 Section 78 gross-up		0	0	0
5 Gross foreign distributions previously taxed	0	0	0	
6 Income (loss) from equity method U.S. corporations	0	0	0	
7 U.S. dividends not eliminated in tax consolidation	0	0	0	0
8 Minority interest for includible corporations	0	0	0	
9 Income (loss) from U.S. partnerships	0	0	0	0
10 Income (loss) from foreign partnerships	0	0	0	0
11 Income (loss) from other pass-through entities	0	0	0	0
12 Items relating to reportable transactions	0	0	0	0
13 Interest income (see instructions)	5,663	0	0	5,663
14 Total accrual to cash adjustment	0	0	0	0
15 Hedging transactions	0	0	0	0
16 Mark-to-market income (loss)	0	0	0	0
17 Cost of goods sold (see instructions)	15,771,151	0	0	15,771,151
18 Sale versus lease (for sellers and/or lessors)	0	0	0	0
19 Section 481(a) adjustments	0	0	0	0
20 Unearned/deferred revenue	0	0	0	0
21 Income recognition from long-term contracts	0	0	0	0
22 Original issue discount and other imputed interest	0	0	0	0
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities	0	0	0	
b Gross capital gains from Schedule D, excluding amounts from pass-through entities		0	0	0
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		0	0	0
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses		-77,127	0	-77,127
e Abandonment losses		0	0	0
f Worthless stock losses (attach statement)		0	0	0
g Other gain/loss on disposition of assets other than inventory		0	0	0
24 Capital loss limitation and carryforward used		0	0	0
25 Other income (loss) items with differences (attach statement)	30,007,786	70,775	0	30,078,561
26 Total income (loss) items. Combine lines 1 through 25	14,242,298	-6,352	0	14,235,946
27 Total expense/deduction items (from Part III, line 38)	-8,178,921	-3,446,747	778,592	-10,847,076
28 Other items with no differences STATEMENT 11	-4,891,145			-4,891,145
29a Mixed groups, see instructions. All others, combine lines 26 through 28	1,172,232	-3,453,099	778,592	-1,502,275
b PC insurance subgroup reconciliation totals	0	0	0	0
c Life insurance subgroup reconciliation totals	0	0	0	0
30 Reconciliation totals. Combine lines 29a through 29c	1,172,232	-3,453,099	778,592	-1,502,275

Note. Line 30, column (a), must equal Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

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Schedule M-3 (Form 1120) 2016

Schedule M-3 (Form 1120) 2016

Page **3**

Name of corporation (common parent, if consolidated return) Chattanooga Gas Company		Employer identification number 62-1366126
Check applicable box(es): (1) <input type="checkbox"/> Consolidated group (2) <input type="checkbox"/> Parent corp (3) <input type="checkbox"/> Consolidated eliminations (4) <input type="checkbox"/> Subsidiary corp (5) <input type="checkbox"/> Mixed 1120/L/PC group		
Check if a sub-consolidated: (6) <input type="checkbox"/> 1120 group (7) <input type="checkbox"/> 1120 eliminations		
Name of subsidiary (if consolidated return)		Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return-Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	-290,710	0	290,710	
2 U.S. deferred income tax expense	822,155	0	-822,155	
3 State and local current income tax expense	-62,293	0	0	-62,293
4 State and local deferred income tax expense	283,326	0	-283,326	
5 Foreign current income tax expense (other than foreign withholding taxes)	0	0	0	0
6 Foreign deferred income tax expense	0	0	0	
7 Foreign withholding taxes	0	0	0	0
8 Interest expense (see instructions)	1,333,746	-92,868	45,684	1,286,562
9 Stock option expense	0	0	0	0
10 Other equity-based compensation	0	0	0	0
11 Meals and entertainment	5,702	0	-2,324	3,378
12 Fines and penalties	0	0	0	0
13 Judgments, damages, awards, and similar costs	0	0	0	0
14 Parachute payments	0	0	0	0
15 Compensation with section 162(m) limitation	0	0	0	0
16 Pension and profit-sharing	142,355	-133,128	0	9,227
17 Other post-retirement benefits	47,983	146,586	0	194,569
18 Deferred compensation	0	0	0	0
19 Charitable contribution of cash and tangible property	0	0	0	0
20 Charitable contribution of intangible property	0	0	0	0
21 Charitable contribution limitation/carryforward		0	0	0
22 Domestic production activities deduction		0	0	0
23 Current year acquisition or reorganization investment banking fees	0	0	0	0
24 Current year acquisition or reorganization legal and accounting fees	0	0	0	0
25 Current year acquisition/reorganization other costs	0	0	0	0
26 Amortization/impairment of goodwill	0	0	0	0
27 Amortization of acquisition, reorganization, and start-up costs	0	0	0	0
28 Other amortization or impairment write-offs	0	0	0	0
29 Reserved				
30 Depletion	0	0	0	0
31 Depreciation	3,255,485	2,792,855	0	6,048,340
32 Bad debt expense	60,079	-30,927	0	29,152
33 Corporate owned life insurance premiums	0	0	0	0
34 Purchase versus lease (for purchasers and/or lessees)	0	0	0	0
35 Research and development costs	0	0	0	0
36 Section 118 exclusion (attach statement)	0	0	0	0
37 Other expense/deduction items with differences (attach statement) STATEMENT 12	2,581,093	764,229	-7,181	3,338,141
38 Total expense/deduction items. Combine lines 1 through 37. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	8,178,921	3,446,747	-778,592	10,847,076

Form <b>4562</b> Department of the Treasury Internal Revenue Service (99) Name(s) shown on return Chattanooga Gas Company	<b>Depreciation and Amortization</b> (Including Information on Listed Property) ▶ Attach to your tax return. ▶ Information about Form 4562 and its separate instructions is at <a href="http://www.irs.gov/form4562">www.irs.gov/form4562</a> .	OMB No. 1545-0172 <b>2016</b> Attachment Sequence No. 179
	Business or activity to which this form relates NATURAL GAS DISTRIBUTION	Identifying number 62-1366126

**Part I Election To Expense Certain Property Under Section 179**

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	500,000
2	Total cost of section 179 property placed in service (see instructions)	2	0
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,010,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	500,000
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
		0	0
		0	0
7	Listed property. Enter the amount from line 29	7	0
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	0
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	0
10	Carryover of disallowed deduction from line 13 of your 2015 Form 4562	10	0
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	0
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	0
13	Carryover of disallowed deduction to 2017. Add lines 9 and 10, less line 12	13	0

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property.)** (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	3,059,538
15	Property subject to section 168(f)(1) election	15	0
16	Other depreciation (including ACRS)	16	0

**Part III MACRS Depreciation (Don't include listed property.)** (See instructions.)

**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2016	17	2,922,410
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

**Section B - Assets Placed in Service During 2016 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only - see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property		136,843	0.0	HY	S/L	11,403
b 5-year property		1,003	0.0	HY	200 DB	33
c 7-year property		7,349	0.0	HY	200 DB	738
d 10-year property		0	0.0			0
e 15-year property		1,287,340	0.0	HY	150 DB	23,818
f 20-year property		1,697,119	0.0	HY	150 DB	30,400
g 25-year property		0	25 yrs.		S/L	0
h Residential rental property		0	27.5 yrs.	MM	S/L	0
		0	27.5 yrs.	MM	S/L	0
i Nonresidential real property		0	39 yrs.	MM	S/L	0
		0	0.0	MM	S/L	0

**Section C - Assets Placed in Service During 2016 Tax Year Using the Alternative Depreciation System**

20a Class life		0	0.0		S/L	0
b 12-year		0	12 yrs.		S/L	0
c 40-year		0	40 yrs.	MM	S/L	0

**Part IV Summary** (See instructions.)

21	Listed property. Enter amount from line 28	21	0
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	6,048,340
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	0

Chattanooga Gas Company

62-1366126

Form 4562 (2016)

Page 2

**Part V Listed Property** (Include automobiles, certain other vehicles, certain aircraft, certain computers, and property used for entertainment, recreation, or amusement.)**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.**Section A - Depreciation and Other Information** (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed?		<input type="checkbox"/> Yes <input type="checkbox"/> No		24b If "Yes," is the evidence written?		<input type="checkbox"/> Yes <input type="checkbox"/> No		
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)					25		0	
26 Property used more than 50% in a qualified business use:								
		0.00%	0	0	0.0		0	0
		0.00%	0	0	0.0		0	0
		0.00%	0	0	0.0		0	0
27 Property used 50% or less in a qualified business use:								
		0.00%	0	0	0.0	S/L-	0	
		0.00%	0	0	0.0	S/L-	0	
		0.00%	0	0	0.0	S/L-	0	
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1.					28		0	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1.					29		0	

**Section B - Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (do not include commuting miles)	0	0	0	0	0	0	0	0	0	0	0	
31 Total commuting miles driven during the year	0	0	0	0	0	0	0	0	0	0	0	
32 Total other personal (noncommuting) miles driven	0	0	0	0	0	0	0	0	0	0	0	
33 Total miles driven during the year. Add lines 30 through 32	0	0	0	0	0	0	0	0	0	0	0	
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

**Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

**Note:** If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2016 tax year (see instructions):					
		0			0
		0			0
43 Amortization of costs that began before your 2016 tax year				43	0
44 Total. Add amounts in column (f). See the instructions for where to report				44	0

Form 4562 (2016)

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US4562P2

Form **4797**  
Department of the Treasury  
Internal Revenue Service (99)

**Sales of Business Property**  
(Also Involuntary Conversions and Recapture Amounts  
Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return.

▶ Information about Form 4797 and its separate instructions is at [www.irs.gov/form4797](http://www.irs.gov/form4797).

OMB No. 1545-0184

**2016**

Attachment  
Sequence No. 27

Name(s) shown on return

Chattanooga Gas Company

Identifying number

62-1366126

- 1 Enter the gross proceeds from sales or exchanges reported to you for 2016 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20. See instructions. . . . . 1 0

**Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft- Most Property Held More Than 1 Year** (see instructions)

2	(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
	BUSINES PROPERTY	VARIOUS	VARIOUS	2,850	258,472	338,449	-77,127
				0	0	0	0
				0	0	0	0
				0	0	0	0

- 3 Gain, if any, from Form 4684, line 39. . . . . 3 0

- 4 Section 1231 gain from installment sales from Form 6252, line 26 or 37. . . . . 4 0

- 5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824. . . . . 5 0

- 6 Gain, if any, from line 32, from other than casualty or theft. . . . . 6 0

- 7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: . . . . . 7 -77,127

**Partnerships (except electing large partnerships) and S corporations.** Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

**Individuals, partners, S corporation shareholders, and all others.** If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you didn't have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

- 8 Nonrecaptured net section 1231 losses from prior years. See instructions. . . . . 8 0

- 9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return. See instructions. . . . . 9 0

**Part II Ordinary Gains and Losses** (see instructions)

- 10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

			0	0	0	0
			0	0	0	0
			0	0	0	0
			0	0	0	0

- 11 Loss, if any, from line 7. . . . . 11 ( 77,127 )

- 12 Gain, if any, from line 7 or amount from line 8, if applicable. . . . . 12 0

- 13 Gain, if any, from line 31. . . . . 13 0

- 14 Net gain or (loss) from Form 4684, lines 31 and 38a. . . . . 14 0

- 15 Ordinary gain from installment sales from Form 6252, line 25 or 36. . . . . 15 0

- 16 Ordinary gain or (loss) from like-kind exchanges from Form 8824. . . . . 16 0

- 17 Combine lines 10 through 16. . . . . 17 -77,127

- 18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:

a If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions. . . . . 18a

b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14. . . . . 18b

For Paperwork Reduction Act Notice, see separate instructions.

Form 4797 (2016)

Chattanooga Gas Company

62-1366126

Form 4797 (2016)

Page 2

**Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255**  
(see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
A		
B		
C		
D		

	Property A	Property B	Property C	Property D
<b>These columns relate to the properties on lines 19A through 19D. ►</b>				
20 Gross sales price (Note: See line 1 before completing.)	20 0	0	0	0
21 Cost or other basis plus expense of sale	21 0	0	0	0
22 Depreciation (or depletion) allowed or allowable	22 0	0	0	0
23 Adjusted basis. Subtract line 22 from line 21.	23 0	0	0	0
24 Total gain. Subtract line 23 from line 20.	24 0	0	0	0
<b>25 If section 1245 property:</b>				
a Depreciation allowed or allowable from line 22	25a 0	0	0	0
b Enter the <b>smaller</b> of line 24 or 25a	25b 0	0	0	0
<b>26 If section 1250 property:</b> If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.				
a Additional depreciation after 1975. See instructions	26a 0	0	0	0
b Applicable percentage multiplied by the <b>smaller</b> of line 24 or line 26a. See instructions	26b 0	0	0	0
c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c 0	0	0	0
d Additional depreciation after 1969 and before 1976	26d 0	0	0	0
e Enter the <b>smaller</b> of line 26c or 26d	26e 0	0	0	0
f Section 291 amount (corporations only)	26f 0	0	0	0
g Add lines 26b, 26e, and 26f	26g 0	0	0	0
<b>27 If section 1252 property:</b> Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).				
a Soil, water, and land clearing expenses	27a 0	0	0	0
b Line 27a multiplied by applicable percentage. See instructions	27b 0	0	0	0
c Enter the <b>smaller</b> of line 24 or 27b.	27c 0	0	0	0
<b>28 If section 1254 property:</b>				
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion. See instructions	28a 0	0	0	0
b Enter the <b>smaller</b> of line 24 or 28a	28b 0	0	0	0
<b>29 If section 1255 property:</b>				
a Applicable percentage of payments excluded from income under section 126. See instructions	29a 0	0	0	0
b Enter the <b>smaller</b> of line 24 or 29a. See instructions.	29b 0	0	0	0

**Summary of Part III Gains.** Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24	30	0
31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	0
32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6.	32	0

**Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less**  
(see instructions)

	(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years.	33 0	0
34 Recaptured depreciation. See instructions	34 0	0
35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report.	35 0	0

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US4797P2

Form 4797 (2016)

Form <b>8916-A</b>  Department of the Treasury Internal Revenue Service	<b>Supplemental Attachment to Schedule M-3</b>  ► Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S. ► Information about Form 8916-A and its instructions is at <a href="http://www.irs.gov/form1120">www.irs.gov/form1120</a> .	OMB No. 1545-0123  <b>2016</b>
Name of common parent Chattanooga Gas Company		Employer identification number 62-1366126
Name of subsidiary		Employer identification number

Part I Cost of Goods Sold				
Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions . . . . .	0	0	0	0
2 Amounts attributable to:				
a Stock option expense . . . . .	0	0	0	0
b Other equity based compensation . . . . .	0	0	0	0
c Meals and entertainment . . . . .	0	0	0	0
d Parachute payments . . . . .	0	0	0	0
e Compensation with section 162(m) limitation . . . . .	0	0	0	0
f Pension and profit sharing . . . . .	0	0	0	0
g Other post-retirement benefits . . . . .	0	0	0	0
h Deferred compensation . . . . .	0	0	0	0
i Reserved . . . . .				
j Amortization . . . . .	0	0	0	0
k Depletion . . . . .	0	0	0	0
l Depreciation . . . . .	0	0	0	0
m Corporate owned life insurance premiums . . . . .	0	0	0	0
n Other section 263A costs . . . . .	0	0	0	0
3 Inventory shrinkage accruals . . . . .	0	0	0	0
4 Excess inventory and obsolescence reserves . . . . .	0	0	0	0
5 Lower of cost or market write-downs . . . . .	0	0	0	0
6 Other items with differences (attach statement) . . . . .	0	0	0	0
7 Other items with no differences . . . . .	-15,771,151			-15,771,151
8 <b>Total cost of goods sold.</b> Add lines 1 through 7 in columns a, b, c, and d. Enter totals on the applicable Schedule M-3. See instructions. . . . .	-15,771,151	0	0	-15,771,151



Form 8916-A (2016)

Page **2**

<b>Part II Interest Income</b>					
	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income	0	0	0	
2	Interest income from hybrid securities	0	0	0	0
3	Sale/lease interest income	0	0	0	0
4a	Intercompany interest income - From outside tax affiliated group	0	0	0	0
4b	Intercompany interest income - From tax affiliated group	0	0	0	0
5	Other interest income	5,663	0	0	5,663
6	Total interest income. Add lines 1 through 5 in columns a, b, c, and d. Enter total on the applicable Schedule M-3. See instructions.	5,663	0	0	5,663

<b>Part III Interest Expense</b>					
	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities	0	0	0	0
2	Lease/purchase interest expense	0	0	0	0
3a	Intercompany interest expense - Paid to outside tax affiliated group	0	0	0	0
3b	Intercompany interest expense - Paid to tax affiliated group	1,273,665	-92,868	45,684	1,226,481
4	Other interest expense	60,081	0	0	60,081
5	Total interest expense. Add lines 1 through 4 in columns a, b, c, and d. Enter total on the applicable Schedule M-3. See instructions.	1,333,746	-92,868	45,684	1,286,562

Form **8916-A** (2016)

11-Sep-2017 12:55:58

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 1 - FORM 1120, PG 1, LN 10

OTHER INCOME

LINE 10: OTHER INCOME

CONTRIBUTIONS IN AID OF CONSTR	100,994
MISCELLANEOUS OTHER INCOME	7,793
MANAGEMENT FEES	275,000
TOTAL	<u>383,787</u>

11-Sep-2017 12:56:00

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 2 - FORM 1120, PG 1, LN 17

TAXES

LINE 17: TAXES

STATE TAXES BASED ON INC - CURRENT	(62,293)
STATE TAXES BASED ON NET WORTH	190,548
PAYROLL TAXES	97,789
MUNICIPAL GROSS RECEIPTS TAXES	266,258
AD VALOREM TAXES	1,163,053
MISCELLANEOUS OTHER TAXES	197,741
TOTAL	<u>1,853,096</u>

11-Sep-2017 12:56:01

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 3 - FORM 1120, PG 1, LN 26

OTHER DEDUCTIONS

LINE 26: OTHER DEDUCTIONS

OPERATING EXPENSES	14,483
UTILITIES	176,481
MISC OFFICE EXPENSES	117,925
OUTSIDE SERVICES EMPLOYED	338,292
TRAVEL	38,877
MEALS & ENTERTAINMENT (100%)	1,054
MEALS & ENTERTAINMENT	2,324
SUPERVISION AND ENGINEERING EXPENSES	111,037
DUES AND MEMBERSHIPS	28,397
FACILITY EXPENSES	2,227
INSURANCE	89,342
ALLOCATED COSTS	2,232,354
CAPITALIZED COSTS	(119,460)
MISCELLANEOUS DEDUCTIONS	6,985
CIVIC ACTIVITY	5,413
CONSUMER EDUCATION	8,376
LNG EXPENSES	179,141
REMOVAL COST	206,598
CONTRACT LABOR	746,836
BANK CHARGES	13,844
TRAINING, MEETINGS & SEMINARS	3,263
TOTAL	<u>4,203,789</u>

11-Sep-2017 12:56:01

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 4 - FORM 1120, PG 5, SCH L, LN 6, END  
OTHER CURRENT ASSETS - ENDING

LINE 6: OTHER CURRENT ASSETS - ENDING  
OTHER PREPAID EXPENSES

10,347

11-Sep-2017 12:56:02

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 5 - FORM 1120, PG 5, SCH L, LN 14, END  
OTHER ASSETS - ENDING

LINE 14: OTHER ASSETS	
REGULATORY ASSETS	289,027
CONSTRUCTION IN PROGRESS	3,986,943
MISCELLANEOUS DEFERRED DEBITS	10,085
OTHER MISCELLANEOUS ASSETS	42,221
TOTAL	<u>4,328,276</u>

11-Sep-2017 12:56:02

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 6 - FORM 1120, PG 5, SCH L, LN 18, END  
OTHER CURRENT LIABILITIES - ENDING

LINE 18: OTHER CURRENT LIABILITIES

TAXES ACCRUED	650,739
SEVERANCE PAY PLAN	10,000
ACCRUED PAYROLL	89,215
PERFORMANCE PAY PLAN	114,017
CUSTOMER DEPOSITS	1,935,766
MEDICAL INSURANCE RESERVE	35,907
TAXES - OTHER	526,252
ACCRUED EXPENSES	25,986,424
OTHER ACCRUALS	2,388,788
INTEREST ACCRUED	747,713
TOTAL	<u>32,484,821</u>

11-Sep-2017 12:56:03

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 7 - FORM 1120, PG 5, SCH L, LN 21, END  
OTHER LIABILITIES - ENDING

LINE 21: OTHER LIABILITIES

CUSTOMER ADVANCE FOR CONSTRUCTION	270,871
OTHER DEFERRED CREDITS	3,750
FED DEFERRED INC TAXES - NONCURRENT	36,309,288
REGULATORY LIABILITIES	1,093,552
ST DEFERRED TAXES PAYABLE - NONCURR	4,254,469
ACCRUED PENSIONS	2,348,426
POST RETIREMENT BENEFITS	(568,846)
FUEL CLAUSE RECOVERY	957,024
TOTAL	<u>44,668,534</u>



11-Sep-2017 12:56:03

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 8 - FORM 1120, SCH M-2, LN 3  
OTHER INCREASES

LINE 3: OTHER INCREASES  
MERGERS

10,795,724

11-Sep-2017 12:56:04

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 9 - FORM 1125-A, LINE 5  
OTHER COSTS

LINE 5: OTHER COSTS  
COGS: MERGER

11,100,197

11-Sep-2017 12:56:04

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STMT 10 - SCH M-3, PART II, LINE 25  
OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

COLUMN A:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

GROSS SALES	29,979,067
CONTRIBUTIONS IN AID OF CONSTR	28,719
TOTAL	<u>30,007,786</u>

COLUMN B:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

DEFERRED REVENUE PROVISION	(1,500)
CIAC PROVISION	72,275
TOTAL	<u>70,775</u>

COLUMN C:

LINE 25: OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES	<u>0</u>
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COLUMN D:

TOTAL OF COLUMNS A, B AND C	<u>30,078,561</u>
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11-Sep-2017 12:56:05

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 11 - SCH M-3, PART II, LINE 28

LINE 28: OTHER INC (LOSS) EXP ITEMS WITH NO DIFF

MISCELLANEOUS OTHER INCOME	7,793
MANAGEMENT FEES	275,000
RENTS - A & G	(76,547)
STATE TAXES BASED ON NET WORTH	(190,548)
PAYROLL TAXES	(97,789)
MUNICIPAL GROSS RECEIPTS TAXES	(266,258)
MISCELLANEOUS OTHER TAXES	(197,741)
ADVERTISING	(31,350)
EMPLOYEE BENEFIT PROGRAMS	(3,459)
MISCELLANEOUS EMPLOYEE BENEFITS	(22,140)
GROUP INSURANCE	(319,680)
OPERATING EXPENSES	(14,483)
UTILITIES	(176,481)
MISC OFFICE EXPENSES	(117,925)
OUTSIDE SERVICES EMPLOYED	(338,292)
TRAVEL	(38,877)
FACILITY EXPENSES	(2,227)
INSURANCE	(89,342)
ALLOCATED COSTS	(2,232,354)
MISCELLANEOUS DEDUCTIONS	(6,985)
CONSUMER EDUCATION	(8,376)
LNG EXPENSES	(179,141)
CONTRACT LABOR	(746,836)
BANK CHARGES	(13,844)
TRAINING, MEETINGS & SEMINARS	(3,263)
TOTAL	<u>(4,891,145)</u>

11-Sep-2017 12:56:05

2016 FEDERAL FORM 1120 TAX RETURN

Chattanooga Gas Company  
62-1366126  
Year: 2016

STATEMENT 12 - SCH M-3, PART III, LINE 37  
OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

COLUMN A:

LINE 37: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SALARIES & WAGES	1,506,758
MISCELLANEOUS REPAIRS	220,744
AD VALOREM TAXES	907,914
DUES AND MEMBERSHIPS	29,002
CAPITALIZED COSTS	(95,314)
CIVIC ACTIVITY	11,989
TOTAL	<u>2,581,093</u>

COLUMN B:

LINE 37: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

PERFORMANCE PAY PLAN FEEDBACK	11,472
A&G ACCRUAL	(24,146)
PROPERTY TAX PROVISION	255,139
REMOVAL COSTS FEEDBACK	206,598
SUPERVISION AND ENGINEERING EXPENS	111,037
REPAIR EXPENSE	204,129
TOTAL	<u>764,229</u>

COLUMN C:

LINE 37: OTHER EXPENSE/DED ITEMS WITH DIFFERENCES

SECTION 162 / 274	(6,576)
CLUB DUES	(605)
TOTAL	<u>(7,181)</u>

COLUMN D:

TOTAL OF COLUMNS A, B AND C

3,338,141

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-382 SUPPLEMENTAL REQUEST**

Question:

Refer to the Company's response to CPAD 1-347, and specifically refer to attachment CPAD 1-347c Attachment Supplement Request. For each of the following referenced types of costs, provide a complete definition of each of such type of costs incurred and charged within the following accounts, differentiating between the types of services provided within each account. In addition, explain the benefit of such costs to CGC ratepayers.

- (a) 671005 Allocated Call Center MGT.
- (b) 671416 Allocated Call Center.
- (c) 672568 Allocated Call Center SCS.

Response:

AGSC and SCS assist Southern Company Gas System Companies by providing billing, mailing, remittance processing, call center and customer communication services for customers; by providing credit and collections support and analysis; by providing support for response to customer complaints and by providing customer service surveys to improve service and efficiency. The services provided are the same for each account, as the accounts only differ in regards to the departments that charge to the accounts and in some instances the allocation factors used to charge costs to affiliates. Below is an explanation of each account

- Account 671005 – Allocated Call Center MGT – represents customer experience management costs incurred and allocated to affiliates receiving customer experience services. The services provided are described above, and the costs allocated represent the costs remaining after direct charged and direct assigned that are allocated using the call volumes ratio.

Account 671416 – Allocated Call Center - represents customer experience non-management costs incurred and allocated to affiliates receiving customer

**CHATTANOOGA GAS COMPANY**  
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experience services. The services provided are described above, and the costs allocated represent the costs remaining after direct charged and direct assigned that are allocated using the end use customers ratio or call volume ratio. Depending on the department allocating costs, the end use customer ratio or call volume ratio is used based on the better cost causation relationship for the applicable customer experience management department.

Account 672568 – Allocated Call Center SCS - Southern Company Services, Inc. (SCS) currently performs certain aspects of different services that have been agreed upon between AGL Services Company (AGSC) and Chattanooga Gas Company (CGC) in the AGL Services Agreement. All of the services that SCS currently performs to CGC through AGSC were previously provided AGSC. SCS began providing services to CGC through AGSC after the acquisition of AGL Resources Inc. (now Southern Company Gas) by The Southern Company in July 2016. For most of the services, the transition of certain aspects of the services to SCS occurred throughout the second half of 2016 and further in 2017. SCS performs certain aspects of different services rather than entire service, and in 2017 as SCS Customer Care employees that were transitioning to the Southern Company Gas' AGSC and providing services to SCG, expenses associated with those employees also were charged to this account.

CGC does not have its own stand-alone customer experience function. Therefore, the benefits of the customer experience functions are that CGC customers receive quality customer service at a reasonable cost from a centralized service provider that can leverage best practices, procedures and functions across the Southern Company Gas organization.

Contact Person: Gary Tucker

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-377**

Question:

Refer to the Company's response to CPAD 1-282 (which was received 4/25/2018). Specifically refer to attachment CPAD 1-282 Attachment Supplement Request. Define the following items as referenced within this attachment and provide a discussion supporting the rationale for inclusion in the balance of ADIT recognized for ratemaking purposes:

- (a) "PP Treatment of TN excise tax as a credit on gross receipts" (Excel line 11). The response for this item should include a discussion of why the State ADIT reflects a debit, while the Federal ADIT reflects a credit.
- (b) State Amortization.
- (c) Amortization.

Response:

- (a) The State deferred tax asset reflects a debit amount because it is the state tax impact of the pretax amount reflected in 'PP Treatment of TN excise tax' (27,858,739 \*8.985%). The Federal amount is a credit because it is the federal tax offset for state taxes (27,858,739 \* -1.89%).

See the Company's response to CPAD-2-31 for additional information regarding this line item.

- (b) State Amortization – This line item relates to the net unamortized liability related to state tax rate changes and balance true-ups. Inclusion as a reduction to rate base is appropriate to reflect amounts not yet credited to rate payers.
- (c) Amortization – This line item relates to the net unamortized liability related to federal tax rate changes and balance true-ups. Inclusion as a reduction to rate base is appropriate to reflect amounts not yet credited to rate payers.

Contact Person: Gary Tucker



**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-375 SUPPLEMENTAL REQUEST**

Question:

Refer to the Company's amended response to CPAD 1-157a, and specifically to the tab titled "Attachment CPAD 1-157a OCI". Explain fully and with specificity the Company's inclusion of ADIT associated with OCI. Include in your response the Company's ratemaking source and support for recognition of ADIT associated with 'Actuarial Gas/Loss' and 'Reclass Actuarial' line items within this worksheet, and an explanation of how these two items result in book/tax timing differences.

Response:

The accounting treatment for pensions is set forth by generally accepted accounting principles ("GAAP"), which require that a company recognize in its financial statements the difference between the accumulated post-retirement benefits obligation ("ABO") and the plan assets through a charge to other comprehensive income (OCI) on the balance sheet.

For regulatory rate making purposes, the appropriate amount to include is the net prepaid asset or accrued liability which is the difference between the pension expense recognized and pension funding. The amount included on the Company's books is a pension liability, consistent with GAAP. This amount includes unrecognized pension gains and losses, and prior service costs. To eliminate the unrecognized components, the Company includes the offset which is recorded to OCI in accordance with GAAP.

The pension liability creates a deferred tax asset since the pension liability represents a future expense deduction for income tax purposes. A deferred tax liability is recorded for the amount charged to OCI to properly reflect the net deferred tax impact of recording the difference between the ("ABO") and the plan assets.

Contact Person: Gary Tucker

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-374 SUPPLEMENTAL REQUEST**

Question:

Refer to the Company's amended response to CPAD 1-157, and specifically refer to the file titled CPAD 1-157a. Provide this file with all cell references intact for all tabs.

Response:

See CPAD-1-374 Attachment which is an update of CPAD-1-157a Attachment, tab Attachment CPAD-1-157a Unpro. The attachment has been updated to provide the cell references as requested, to provide additional tabs to provide support for the references and to correct the calculation of the depreciation component on line number 13. The calculation was changed to take into account the fact that the federal and state timing differences are not the same. The federal and state tax basis amounts differ because historically bonus depreciation is allowed for federal tax purposes and not for state purposes. The restatement of the balances to the statutory rate in the originally filed response to CPAD-1-157 did not take the basis differences into account. The calculation of the restatement is provided in the attachment.

Also, see the notes below regarding data provided in CPAD-1-374 Attachment.

- Tab Attachment CPAD-1-157a Unpro: For support for the NOL amounts on line number 40, please see the Company's response to CPAD-1-373.
- Tab Attachment CPAD-1-157a Fed: Amounts in columns A through K are derived from the Company's tax software. See the Company's response to CPAD-1-378 for a copy of the tax reports that reconcile to the amounts provided in columns A through K.
- Tab Attachment-1-157a State: Amounts in columns A through K are derived from the Company's tax software. See the Company's response to CPAD-1-378 for a copy of the tax reports that reconcile to the amounts provided in columns A through K.
- Tab Attachment-1-157a Fed. Offset: Amounts in columns A through K are derived from the Company's tax software. See the Company's response to CPAD-1-378 for a copy of the tax reports that reconcile to the amounts provided in columns A through K.

**CHATTANOOGA GAS COMPANY**  
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**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

- Tab Attachment-1-157a Pro Amort: support for hard coded amounts in columns A, B, and C is provided in Attachments CPAD-1-157b and Attachment CPAD-1-157c.

Contact Person: Gary Tucker

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-385 SUPPLEMENTAL REQUEST**

Question:

Refer to the Company's response to CPAD 1-347, and specifically refer to attachment CPAD 1-347c. For each of the following referenced types of costs, provide a complete definition of each of such type of costs incurred and charged within the following accounts, differentiating between the types of services provided within each account. In addition, explain the benefit of such costs to CGC ratepayers.

- (a) 671422 Allocated Financial Services.
- (b) 671522 Allocated Financial Serv Pay.
- (c) 672553 Allocated Financial Services SCS.

Response:

AGSC and SCS provide various services to Southern Company Gas System Companies including corporate tax, treasury, corporate accounting and reporting, general ledger maintenance and all accounting recordkeeping, processing certain accounts such as accounts payable, cash, management, and others as may be deemed necessary, including hedging policy and oversight, financial planning and regulatory support (for all natural gas distribution affiliates and other Southern Company Gas System Companies that interact with regulators or regulated companies). In addition, AGSC and SCS maintain relationships with the financial community and provides shareholder services for the benefit of Southern Company Gas System Companies. Each Southern Company Gas System Company may also maintain its own corporate and accounting group and engage AGSC and SCS to provide advice and assistance on accounting matters, including the development of accounting practices, procedures and controls, the preparation and analysis of financial reports and the filing of financial reports with regulatory bodies, on a system-wide basis. The services provided are primarily the same for each account, as the accounts primarily differ in regards to the departments that charge to the accounts. There are some instances in which specific services are provided and associated costs allocated to an account that may differ from another account.

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

Below is an explanation of each account:

- 671422 Allocated Financial Services - Allocation of the remaining financial services after the allocation of direct charge and direct assigned costs. Costs are allocated using the composite ratio, and are allocated primarily to all affiliates of Southern Company Gas receiving financial services. The specific costs allocated are related to Treasury, SEC Compliance, Corporate Tax, Financial Accounting, Internal Controls, AP, and Financial Planning services provided to the applicable affiliates of Southern Company Gas.
- 671522 Allocated Financial Serv Pay - Costs are allocated using the employee count ratio, and are allocated to all affiliates of Southern Company Gas receiving financial services. The specific costs allocated are related to payroll services provided to the applicable affiliates of Southern Company Gas.
- 672553 Allocated Financial Services SCS. - Allocation of the Southern Company Services charges. Costs are allocated using the composite ratio, and are allocated primarily to all affiliates of Southern Company Gas receiving financial services from SCS. Southern Company Services, Inc. (SCS) currently performs certain aspects of different services that have been agreed upon between AGL Services Company (AGSC) and Chattanooga Gas Company (CGC) in the AGL Services Agreement. All of the services that SCS currently performs to CGC through AGSC were previously provided by AGSC. SCS began providing services to CGC through AGSC after the acquisition of AGL Resources Inc. (now Southern Company Gas) by The Southern Company in July 2016. For most of the services, the transition of certain aspects of the services to SCS occurred throughout the second half of 2016 and further in 2017. SCS performs certain aspects of different services rather than entire service (for example, certain financial reporting aspects and treasury functions within the financial services).

CGC does not have its own stand-alone financial services function. Therefore, the benefits of the financial services functions are that CGC customers receive accounting, treasury, investor relations and payroll functions which would otherwise be required for CGC absent a centralized financial services service provider. These benefits include treasury functions that provide capital and operational financing that allow CGC to provide safe and reliable utility service; financial accounting, accounting compliance and research and financial reporting

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

that allow CGC to be in compliance with accounting rules and regulations; and gas and revenue accounting functions that allow CGC to accurately and timely track gas costs incurred and recovered, WNA and RNA mechanisms and management reporting. All of these functions are provided at a reasonable cost from a centralized service provider that can leverage best practices, procedures and functions across the Southern Company Gas organization.

Contact Person: Gary Tucker

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-384 SUPPLEMENTAL REQUESTS**

Question:

Refer to the Company's response to CPAD 1-347, and specifically refer to attachment CPAD 1-347c. For each of the following referenced types of costs, provide a complete definition of each of such type of costs incurred and charged within the following accounts, differentiating between the types of services provided within each account. In addition, explain the benefit of such costs to CGC ratepayers.

- (a) 671430 Allocated Rates and Regulatory.
- (b) 672515 Allocated Rates and Regulatory SOPS.
- (c) 672565 Allocated Regulatory – SCS.

Response:

AGSC and SCS assist the Southern Company Gas System Companies in the analysis of their rate structures and in the formulation of rate policies, rate design, tariff administration and advises and assists Southern Company Gas System Companies in proceedings before regulatory bodies involving the rates and operations of Southern Company Gas System Companies and of other competitors where such rates and operations directly or indirectly affect the Southern Company Gas System Companies. This service provider also assists in regulatory accounting and financial reporting for each Southern Company Gas regulated gas distribution utility. The services provided are the same for each account, as the accounts only differ in regards to the departments that charge to the accounts and the affiliates to which the costs are charged. Below is an explanation of each account:

- 671430 Allocated Rates and Regulatory - Allocation of the remaining rates and regulatory costs after the allocation of direct charge and direct assigned costs. Costs are allocated using the end use customer ratio, and are allocated to all seven gas distribution utilities of Southern Company Gas. The departments allocating these costs provide Regulatory Accounting, Rates and Regulatory Affairs services to all seven gas distribution utilities; therefore, their costs are allocated to all seven utilities as well.

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
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**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

- 672515 Allocated Rates and Regulatory SOPS - Allocation of the remaining rates and regulatory costs after the allocation of direct charge and direct assigned costs. Costs are allocated using the end use customer ratio, and are allocated only to Atlanta Gas Light, Florida City Gas and Chattanooga Gas. The departments allocating these costs provide services only to the above three utilities; therefore, their costs are only allocated to those three utilities as well.
  
- 672565 Allocated Regulatory – SCS. - Costs are allocated using the end use customer ratio, and are allocated to all seven gas distribution utilities of Southern Company Gas. Southern Company Services, Inc. (SCS) currently performs certain aspects of different services that have been agreed upon between AGL Services Company (AGSC) and Chattanooga Gas Company (CGC) in the AGL Services Agreement. All of the services that SCS currently performs to CGC through AGSC were previously provided AGSC. SCS began providing services to CGC through AGSC after the acquisition of AGL Resources Inc. (now Southern Company Gas) by The Southern Company in July 2016. For most of the services, the transition of certain aspects of the services to SCS occurred throughout the second half of 2016 and further in 2017. SCS performs certain aspects of different services rather than entire service, and in 2017 as SCS Regulatory employees that were transitioning to the Southern Company Gas' AGSC and providing services to SCG, expenses associated with those employees also were charged to this account.

CGC does not have its own stand-alone rates and regulatory function. Therefore, the benefits of the rates and regulatory functions are that CGC customers receive timely financial regulatory reporting and rate design and tariffs administration functions at a reasonable cost from a centralized service provider that can leverage best practices, procedures and functions across the Southern Company Gas organization.

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Contact Person: Gary Tucker



**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-383 SUPPLEMENTAL REQUEST**

Question:

Refer to the Company's response to CPAD 1-347, and specifically refer to attachment CPAD 1-347c. For each of the following referenced types of costs, provide a complete definition of each of such type of costs incurred and charged within the following accounts, differentiating between the types of services provided within each account. In addition, explain the benefit of such costs to CGC ratepayers.

- (a) 671423 Allocated Gas Supply.
- (b) 671451 Allocated Gas Supply – SOPS.
- (c) 672512 Allocated Gas Supply AGLC CGC.
- (d) 672536 Allocated Gas Supply Reg NonReg.

Response:

AGSC provides gas control, scheduling, capacity planning and monitoring services. AGSC manages a centralized gas control center which provides natural gas delivery for natural gas distribution affiliates. AGSC also provides scheduling functions between the natural gas distribution affiliates and the pipelines for their daily supply. AGSC provides capacity planning services for each natural gas distribution affiliate including identifying present and future gas requirements to meet the needs of each natural gas distribution affiliate. AGSC provides monitoring of natural gas storage facilities and telecommunications networks. AGSC also coordinates the management of gas supply for natural gas distribution affiliates who offer retail services and coordinates gas transmission and storage services for all natural gas distribution affiliates to ensure the most efficient use of services and to capture economies of scale as a larger purchaser in the market. Individually, natural gas distribution affiliates may, however, remain as the contract party under any agreement.

The services provided are primarily the same for each account, as the accounts primarily differ in regards to the departments that charge to the accounts, the gas distribution affiliates that receive the charges and in some instances the allocation factors used to charge costs to affiliates. Below is an explanation of each account:

# LUNA LAW GROUP

A PROFESSIONAL LIMITED LIABILITY COMPANY

ATTORNEYS AT LAW

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SUITE 300  
NASHVILLE, TENNESSEE 37201

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J.W. Luna  
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May 25, 2018

Chairman David Jones  
c/o Sharla Dillon  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

Re: Chattanooga Gas Company  
TPUC Docket No. 18-00017

Dear Chairman Jones:

Chattanooga Gas Company ("CGC") is filing today its remaining responses to CPAD's discovery request entitled Second Supplement to First Discovery Request.

Additionally included in this filing are revisions to two previously filed responses as follows: CPAD-1-282 and CPAD-2-036.

Included herein on CD (set of 5 CDs enclosed) are the following public documents:

Responses to CPAD's Second Supplement to First Discovery Request:

CPAD-1-373  
CPAD-1-374  
CPAD-1-375  
CPAD-1-377  
CPAD-1-382  
CPAD-1-383  
CPAD-1-384  
CPAD-1-385

Updates to previously filed Responses to the CPAD's First Discovery:

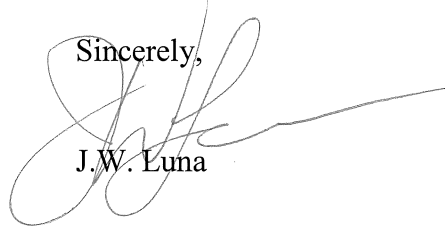
CPAD-1-282  
CPAD-2-036

May 25, 2018

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Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to be 'J.W. Luna', written over the printed name.

J.W. Luna

Enclosures

cc: Monica Smith-Ashford, Esq.  
Vance Broemel, Esq.  
Wayne Irvin, Esq.  
Henry Walker, Esq.  
Floyd Self, Esq.

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

**CPAD-1-282 AMENDED 5-23-2018 SUPPLEMENTAL REQUEST**

Question:

Refer to the spreadsheet included with the Company's response to MFG 69 regarding account balances. Specifically refer to the "MFG 69-8 Pg 2 of 5" tab of this spreadsheet that provides supporting data for the Company's forecasted ADIT. Provide the source and support for the federal and state amounts contained in Columns C and D of this spreadsheet that are presented as hard-coded numbers.

Response:

See CPAD-1-282 Attachment Supplement Request. Please note, the information provided is generated from the Company's income tax software system.

Amended 5.23.2018

Please see CPAD-1-282 Attachment (Amended 5.23.2018) for the source and support for the federal and state amounts contained in MFG 69, tab MFG 69-8 Pg 2 of 5, Columns C and D. The original filing, CPAD-1-282 Attachment, included incorrect amounts for the Federal and State depreciation timing differences.

Contact Person: Gary Tucker

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-2**

**CPAD-2-36 AMENDED 5-23-2018**

Question:

Refer to MFG 69-1, as filed by the Company. Specifically refer to Tab "ADITs MFG 69-8 page 1 of 5" within that MFG.

- (a) Provide a complete explanation for the inclusion of the word "Proration" in Excel rows 11 and 12.
- (b) To the extent there are basis differences embedded within the items identified as property on lines 8 and 11 of this worksheet, segregate such balances between basis and non-basis (temporary) differences.

Response:

- a. Proration is a method of calculating the average rate base associated with federal depreciation related accumulated deferred income taxes ("ADIT"). Proration is required by the Internal Revenue Code ("IRC") when the effective dates of new rates occurs before the end of the attrition period. The proration formula furthers the objectives of the normalization rules set forth by the IRC. The normalization rules are in place to ensure regulated utilities do not flow tax benefits to customers earlier than when the Company recognizes those tax benefits. If the Company doesn't comply with the normalization rules, the IRS could disallow the tax benefit of accelerated tax depreciation and required the Company to use straight line depreciation for tax purposes. The pro rata portion (i.e. proration) is determined by multiplying any increase or decrease of a deferred tax liability subject to normalization by a fraction, the numerator of which is the number of days remaining in the period at the time such increase or decrease is to be accrued, and the denominator of which is the total number of days in the period (or future portion).
- b. See CPAD-2-36 Attachment. The amounts provided in the attachment reconcile to the unadjusted (non-prorated) attrition period depreciation expense provided in MFG 69-8, page 3 of 5.

Amended 5.23.2018

Please see CPAD-2-36 Attachment (Amended 5.23.2018). The attachment has been updated for an error identified in the Federal and State "Method/Life" timing differences provided in CPAD-2-36 Attachment.

Contact Person: Gary Tucker

**CHATTANOOGA GAS COMPANY**  
**Docket No. 18-00017**  
**Chattanooga Gas Company's 2018 Rate Case**

**Consumer Protection and Advocate Division (CPAD)**  
**Data Request Set: CPAD-1**

- 671423 Allocated Gas Supply – Allocation of the remaining gas supply costs after the allocation of direct charge and direct assigned costs. Costs are allocated using the end use customer ratio, and are allocated to all seven gas distribution utilities of Southern Company Gas. The departments allocating these costs provide Gas Supply and System Operation services to all seven gas distribution utilities; therefore, their costs are allocated to all seven utilities as well.
- 671451 Allocated Gas Supply – SOPS - Allocation of the remaining gas supply costs after the allocation of direct charge and direct assigned costs. Costs are allocated using the end use customer ratio, and are allocated only to Atlanta Gas Light, Florida City Gas and Chattanooga Gas. The departments allocating these costs provide Gas Supply and System Operation services only to the above three utilities; therefore, their costs are only allocated to those three utilities as well.
- 672512 Allocated Gas Supply AGLC CGC - Allocation of the remaining gas supply costs after the allocation of direct charge and direct assigned costs. Costs are allocated using the end use customer ratio, and are allocated only to Atlanta Gas Light and Chattanooga Gas. The departments allocating these costs provide Gas Supply and System Operation services only to the above two utilities; therefore, their costs are only allocated to those two utilities as well.
- 672536 Allocated Gas Supply Reg NonReg - Allocation of the remaining gas supply costs after the allocation of direct charge and direct assigned costs. These specific costs are related to storage and peaking services and are regulated (seven gas distribution utilities) and non-regulated affiliates of Southern Company Gas.

CGC does not have its own stand-alone gas supply and capacity management function. Therefore, the benefits of the gas supply and capacity management functions are that CGC customers receive reliable, safe and efficient gas supply at a reasonable cost from a centralized service provider that can leverage best practices, procedures and functions across the Southern Company Gas organization.

Contact Person: Gary Tucker