

LUNA LAW GROUP

A PROFESSIONAL LIMITED LIABILITY COMPANY

ATTORNEYS AT LAW

333 UNION STREET
SUITE 300
NASHVILLE, TENNESSEE 37201

TELEPHONE (615) 254-9146
TELECOPIER (615) 254-7123
WWW.LUNALAWNASHVILLE.COM

J.W. Luna
jwluna@LunaLawNashville.com

June 12, 2018

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

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

Dear Chairman Jones:

CGC is hereby filing responses in three categories. First, CGC is providing Responses to what CPAD has entitled as their Third Supplement to First Discovery Request. These responses have already been provided by e-mail to the CPAD. Included are responses to all of these requests with the exception of CPAD-1-396 and CPAD-1-397 that are still being worked on.

Second, CGC is filing an explanation and narrative to CGC's Response filed on June 1, 2018 to TPUC's Request dated May 16, 2018, commonly called "TPUC Workbook". This explanation is designed to make it easier to track the revisions from the originally filed MFGs 25, 69 and 72.

Third, pursuant to the procedural schedule in this matter, CGC is filing written responses to informal discovery. As background information, CGC arranged at the request of CPAD for several of its witnesses to meet with various CPAD staff and their witnesses to answer any questions that CPAD might have. Two CGC witnesses were made available on May 24 and May 25, 2018, and one other CGC witness and a senior CGC regulatory official met at CPAD's office on May 31, 2018 and June 1, 2018. In the course of these four days, many questions were answered and a few other questions required additional research and written responses. Included in today's filing are the written responses provided to date to CPAD.

Consistent with prior filings in this matter, CGC will be hand delivering 5 sets of CDs containing public information and 5 sets of confidential CDs being filed pursuant to the Protective Order in this matter.

Contained in the public CDs are the following documents in three categories described above.

June 12, 2018

Page 2

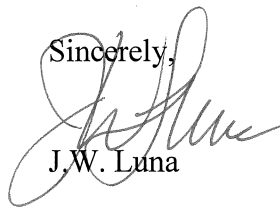
- Category I – Responses to CPAD’s 3rd Supplement to 1st Discovery:
 - o CPAD-1-395
 - o CPAD-1-398
 - o CPAD-1-399
 - o CPAD-1-400
 - o CPAD-1-401
 - o CPAD-1-402
 - o CPAD-1-403
 - o CPAD-1-404
 - o CPAD-1-405
 - o CPAD-1-406
 - o CPAD-1-407
- Category II – Narrative Explanation of Changes in TPUC Workbook
- Category III – Written answers to CPAD’s questions from the meetings described above:
 - o CPAD-1-041
 - o CPAD-1-148
 - o CPAD-1-337
 - o CPAD-1-356
 - o CPAD-1-374

Contained on the confidential CDs are exhibits to the following responses:

- CPAD-1-148
- CPAD-1-356

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

Sincerely,



J.W. Luna

Enclosures

cc: Monica Smith-Ashford, Esq.
Vance Broemel, Esq. (via hand delivery)
Wayne Irvin, Esq. (via hand delivery)
Henry Walker, Esq. (via U.S. Mail)
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-1-395 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 1-2b regarding historical Plant in Service by account. It appears that starting in August 2013, the Company began including a line for plant that was completed but not yet classified. However, the data included in this response indicates that the detailed amounts total to the sum of both the classified and unclassified plant. Explain how this plant could be "unclassified" if it is already assigned to a particular account.

Response:

The term "classified" in this case refers to the accounting terminology per the FERC Uniform System of Accounts (USOA). Per the instructions, Account 106 Completed Construction-Gas "this account shall include the total of the balances of work orders for gas plant which have been completed and placed in service but which work orders have not been classified for transfer to the detailed gas plant accounts."

In the Company's application of the instruction, the Construction Not Classified account (unclassified) consists of projects that have been completed, but have not yet been closed out and classified in the detailed gas plant accounts. These projects have late wait periods that allow additional charges to be incurred before they are finalized and classified as in service. However, asset identifications are assigned to these projects, even though the projects have not been finalized but are in service.

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-1-398 SUPPLEMENTAL REQUEST

Question:

Refer to the spreadsheet included in MFG 65 regarding Special Projects for 2019. Update this response to include capital expenditures for July through December 2019.

Response:

See Attachment CPAD-1-398.

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-1-399 SUPPLEMENTAL REQUEST

Question:

Refer to the spreadsheets included in MFG 65 regarding Special Projects for 2018 and 2019. To the extent possible, categorize these Special Projects by plant account.

Response:

See CPAD-1-399 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

CPAD-1-400 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 1-336 regarding allocated plant and provide the following information.

- a. Identify each entity that was allocated costs from AGL Services Company (GL29) from January 2010 through December 2017.
- b. For each entity identified above, provide the annual income statement from 2010 through 2017 in the same format as the "(D) & (E) Inc Stmt All (12.2017)" tab of the response to CPAD 1-336, along with the monthly allocation factor for each entity.
- c. For each entity identified above, provide the annual number of customers from 2010 through 2017.
- d. For each entity identified above, provide the annual net investment (plant less accumulated depreciation) from 2010 through 2017.

Response:

(a) CGC objects to this request in that it is overly broad, unduly burdensome, expensive, oppressive, and excessively time consuming and not reasonably calculated to lead to the discovery of admissible evidence nor is the information being sought relevant to the subject matter of this docket as set forth in the Petition. Notwithstanding the foregoing and without waiving its objections, CGC states:

Subject to and without waiving this objection, please see the Company's revised response to CPAD-1-148 for a copy of the Company's affiliate transaction report for the twelve-month ending period September 2017. This report provides service company costs allocated to affiliate companies by service provider. Additionally, please refer to the Company's initial response to CPAD 1-148, attachments 1-148a – 1-148c, which provide, by month and by affiliate, allocated comparisons of actual to budget allocated costs for 2015 – 2017. These attachments provide the affiliates that were allocated costs during those three years.

(b) through (d): CGC objects to this request in that it seeks information and/or documents from other entities that are not within CGC's possession, custody, or control. This request is overly broad, unduly burdensome, expensive,

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

oppressive, and excessively time consuming and not reasonably calculated to lead to the discovery of admissible evidence nor is the information being sought relevant to the subject matter of this docket as set forth in the Petition. This request is seeking detailed financial information regarding every company allocated costs by AGL Services Company, none of which, other than CGC, are subject to the jurisdiction of this Commission. The time periods and level of detail requested is irrelevant. Notwithstanding the foregoing and without waiving its objections, CGC states:

Please see the Company's response to CPAD-1-144 for the allocation factors used by the Company to allocate service company costs. The response provides the end use customers, which are used to allocate costs from certain service providers to the distribution utilities of GAS.

Also see the Company's response to CPAD-1-347. This response includes the composite ratio allocation and its components. This includes the income statement requested in part (b) above and net investments, requested in part (d) above, which includes total assets less intercompany accounts as a component of the composite ratio.

Finally, it is important to note that the company does not have allocation factors by entity as requested in part (b) above. Rather, AGSC allocates costs by service provider, and the allocation factors used are dependent on the service provider providing the services. Please refer to CPAD 1-13 for the services agreement, specifically Exhibit I of the agreement which is the Policies and Procedures Manual for allocating costs from AGSC to its affiliates receiving services. This manual provides the list of service providers and the specific services they provide as well as the allocation factor used by each service provider.

Contact Person: Gary Tucker; objections provided by Counsel.

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-1-401 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 1-336 regarding allocated plant. Provide a narrative response for the source and calculations on each tab of this spreadsheet.

Response:

The following is a narrative explanation of CPAD-1-336 Attachment Supplemental Request.

Attachment CPAD-1-336 includes 9 tabs, a detailed description of each tab is provided below.

- CGC TPUC MFG item 71-1: This tab provides the projected balances of GL accounts 113100(Non-Utility Plant-in-Service) and 113110(Non-Utility CCNC) which are the in-service plant balances of AGL Services Company (AGSC). Columns C-U are the projected balances. These balances are based on December 2017 actual balances (see tab (A) WP 1.1 FA Data(Dec2017)) plus Projected Additions (columns AA-AS) less Projected Retirements (columns AU-BM). A 13-month average, by FERC, of the Projected Regulated Assets is provided in column W and multiplied by the allocation rate of 1.90%(cell B60). The allocated service company regulated asset amounts by FERC account are found in column X and will be the total portion of AGSC assets allocated to Chattanooga Gas Company.

Columns AB through AS include Projected Additions for 2018 and 2019. The projected additions are taken from the 2018 and 2019 capital budgeted, The source of these projected capital expenditures is provided on tab (B) WP AGSC CAPEX 2018 and tab (B) WP AGSC CAPEX 2019. Columns AU through BM are the Projected Retirements for 2018 and 2019. The Projected Retirements are shown monthly by FERC account for 2018 and 2019 and are calculated by using a four-year average for the time periods ended June 2014, 2015, 2016 and 2017. The calculations are provided on tab (C) 1.3 RETIREMENT RATE CALC and the data source for these calculations can be found on tab (C) WP #113100 PPlant 1020 RPT.

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

- (A) WP 1.1 FA DATA(DEC2017): Tab provides the December 2017 service company activity and balances by FERC account for GL accounts 113100 and 113110. The balances, totaling \$118,930,665, are used in column Con tab CGC TPUC MFG item 71-1. Also, there are non-applicable assets included in the data that are removed at the bottom of the tab. The non-applicable assets, totaling \$25,957,684(source: tab (A) WP NON-APPL ASSETS (12.2017)), are subtracted from the ending balance of \$118,930,665, yielding a net total plant balance at December 2017 of \$92,972,981.
- (A) WP NON-APPL ASSETS (12.2017): Tab provides a pivot table format summary of all the December 2017 fixed assets activity by FERC account into (3) categories based on usage of each asset. These categories are AGLC Website, Allocable and VNG Assigned. The VNG assigned and AGLC website are specific to those entities and are therefore not allocated to CGC.
- (A) AGSC NON-APPL ASST (12.2017): Tab includes the service company detailed plant balance (accounts 113100 and 113110) as of December 2017; the source of this data is the Company's plant subledger. This tab is the source data used identify the Non-Applicable Assets by FERC account as of December 2017. This data is presented in pivot table format on tab (A) WP NON-APPL ASSETS (12.2017).
- (B) WP AGSC CAPEX 2018: Tab provides the budgeted capital expenditure projections by FERC account for the 2018 period. The monthly expenditures for Rate Base Investment Overhead are allocated to each line based on their proportion of total expenses (excluding overhead expenses).
- (B) WP AGSC CAPEX 2019: Tab provides the budgeted capital expenditure projections by FERC account for the 2019 period. The monthly expenditures for Rate Base Investment Overhead are allocated to each line based on their proportion of total expenses (excluding overhead expenses).
- (C) 1.3 RETIREMENT RATE CALC: Tab includes the calculation of projected retirement activity for the service company for 2018 and 2019. The average service company retirement activity for the past four years is used as the basis to project retirement activity for 2018 and 2019. This calculation adds the yearly activity at June 2014, 2015, 2016 and 2017 by FERC account to compute total activity. The total activity is then divided

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

by four years for each FERC account to provide the average annual retirement activity. The average annual retirement is then divided by 12-months to determine the monthly average activity by FERC account. Also, included in this tab are the VNG assigned assets that are removed from this calculation. VNG asset retirements that occurred between periods June 2014 through June 2017 are removed from the corresponding FERC account. These amounts are excluded from the retirement calculation because the VNG specific assigned assets have already been removed from the beginning point of the projection as of December 31, 2017. FERC accounts that have VNG assets that have been removed are identified by blue font in its respective data period. The data source use for this calculation can be found on tab (C) WP #113100 PPlant 1020 RPT.

- (C) WP #113100 PPlant 1020 RPT: Tab provides the source of service company retirement activity for the periods ending June 2014, 2015, 2016 and 2017; the source of this data is the Company's plant subledger.
- (D) & (E) Inc Stmt All (2017): Tab provides the income statement for both Chattanooga Gas Company and AGSC for the period ended December 2017. This is the source of data used to provide the allocation expenses for both companies. The allocation expenses for these companies is then used to compute the allocation rate by dividing the Chattanooga Gas Company allocated expense by total AGSC allocated expense (\$5,229,945/\$274,687,176) yielding an allocation rate of 1.90% as shown on lines 58, 59 and 60 of tab CGC TPUC MFG Item 71-1. The allocation rate is then used to calculate Chattanooga Gas Company's portion of service company assets (as shown on tab CGC TPUC MFG Item 71-1(line 64)).

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-1-402 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 1-336 regarding allocated plant. Specifically refer to the "(A) WP NON-APPL ASSETS (12.2017)" tab of this spreadsheet that provides a calculation of the Non-Applicable Assets at 12-31-17. Provide this same information by month from January 2010 through December 2017.

Response:

The analysis requested is not available. The analysis performed to segment service company assets between non-applicable and applicable assets is not performed on a monthly basis. This analysis is typically only performed when preparing a rate case and would only include a review of the last actual month on which the projected plant balance is based as provided in the Company's response to CPAD-1-336.

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-1-403 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 2-22, specifically to the 2017 12 tab within the Confidential Attachment 2-022. For each of the following accounts, provide the balance split by affiliate that comprises the total asset value. This response would include the balance by affiliate that ties to the total account value.

- a. 113100 – Non-utility Plant in Service
- b. 113110 – Non-Utility CCNC
- c. 113120 – Non-Utility Construction WIP
- d. 113200 Accumulated Depreciation Non-Utility Plant

Response:

The balances in the above accounts, included in response to CPAD 2-22, represent amounts on the books and records of AGSC and are related to AGSC assets and asset related accounts. AGSC does not calculate an allocation of AGSC plant to all affiliates on a routine or periodic basis. Rather, AGSC calculates allocated AGSC plant for regulatory compliance filings (these could be monthly, quarterly or not at all depending on the jurisdiction) and when filing a rate case.

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-1-404 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 2-43 indicating that it has misclassified a \$504,214 adjustment identified as 401k benefits, when \$314,642 of this amount should have been identified as an adjustment to account 670509 Health-Distributed. Provide the source and support, including all related workpapers, for such increase in account 670509, along with a full and complete explanation for such payroll related cost increase. Further, in your response, include a detailed breakout of the specific types of costs comprising this balance.

Response:

As a point of clarification, the amounts included in the FERC adjustment column of MFG 25-1 are related to the expenses allocated to Chattanooga Gas Company (CGC) from AGL Services Company (AGSC).

The \$314,642 is not the increase in account 670509, but rather the total amount of health benefit costs allocated from AGSC to CGC in the attrition period.

Account 670509 Health – Distributed is used to distribute health benefits charged to a human resources department (1426 - AGSC HR Benefits) to other AGSC departments (to properly load the benefits costs to each department). There is an equal offset for the charge which is a credit to account 670501 Health Benefits Offset. The components of health benefits include accounts 670500 Group Insurance – Medical, 670502 Flex Benefits Deductions, 670506 Group Insurance – Dental, 670507 Group Insurance – Vision, 670508 Group Insurance-Life/AD&D/LTD, 670515 HSA Employer Contributions, 670555 Group Insurance - Pharmacy(Rx), 670596 Preventive Care Incentives, 670597 Tobacco Incentives & Surcharge. Benefits costs are recorded to these accounts with department 1426.

To allocate the health benefits noted above to the correct AGSC department, a debit is made to account 670501 Health Benefits Offset and a credit to account 670509 Health – Distributed which directs the charges to the appropriate department.

See Attachment CPAD-1-404 for attrition and test period health benefit amounts by account for the change in health benefit costs.

Here is an example of the distribution process described above:

1. \$1,000 posted to 670500 Group Insurance - Medical to dept 1426.

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

2. A calculation is performed that will post the following:
 - a. **(\$1,000)** posted to **670501 Health Benefits Offset** dept 1426
 - b. **\$500** posted to AGSC Dept 1 to **670509 Health – Distributed**
 - c. **\$500** posted to AGSC Dept 2 to **670509 Health – Distributed**

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-1-405 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 2-33, specifically to the Gross Timing and Rate tab. Regarding the timing differences for "Pension-Other" and "Accrued Post Retirement Benefits", provide the portion of each that relates to accruals charged to O&M costs versus those capitalized.

Response:

The Company does not break out the timing differences between O&M expenses versus those capitalized.

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-1-406 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 1-356. The purpose of this request is to obtain financial evidence which would validate the fact that minimal to no corporate costs are allocated to the following non-regulated entities, thus resulting in an increased amount of corporate costs allocated to CGC. As the response stands, CGC has failed to justify its lack of corporate cost allocations to non-affiliates. Provide a copy of the 2016 and 2017 Trial Balance and Income Statements for the following entities:

- a. Nicor Gas Exploration
- b. Gas Utility Finance Corp
- c. AGL Rome Holding Inc
- d. Appliance Bus FL Service
- e. Pivotal Jefferson Island Storage and Hub
- f. Georgia Gas Company
- g. Georgia Natural Gas Company

Response:

CGC objects to this request in that it seeks information and/or documents from other entities that are not within CGC's possession, custody, or control. Moreover, this request is not reasonably calculated to lead to the discovery of admissible evidence nor is the subject matter of the request relevant to the subject matter of this action as set forth in the Petition. Notwithstanding the foregoing and without waiving its objections, CGC states: See the further response to the original CPAD-1-356 now identified as CPAD-1-356 Further Response 6-11-2018 and the corresponding attachment identified as CPAD-1-356 CONFIDENTIAL Attachment Further Response 6-11-2018 which provide the requested information for the identified entities.

Contact Person: Gary Tucker; objections provided by Counsel.

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-1-407 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to CPAD 2-55. Provide all documents identified which provide projections of the impact of the AGL Resources transaction on the Operating costs (direct and indirect) of CGC.

Response:

There are no documents available that are responsive to this request.

Contact Person: David Meiselman

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-1-41 SUPPLEMENTAL REQUEST

Question:

Refer to the Company's response to MFG-71 regarding common plant that is allocated to Chattanooga. Provide the source and support for the Tennessee allocation factors used to allocate common plant and associated accumulated depreciation by account by month from January 2010 through December 2017.

Response:

Please refer to Attachment CPAD-1-41 for the source, support, and calculations for the allocation factors used to allocate common plant and the associated accumulated depreciation for the periods January 31, 2010 through December 31, 2017. Note the amounts are derived from the Company's Internal General Ledger (PeopleSoft) and PowerPlant systems.

Revised 6.8.2018:

A further explanation of the service company allocation factor included in the Company's filing has been provided below.

Consistent with the monthly TPUC filings, the Company allocates rate base items from the service company utilizing a 12-month ended allocation factor. The allocation factor is based on the Company's allocated costs compared to total service company allocated costs as detailed in the consolidated income statement. The use of a 12-month ended allocation factor serves to remove the variability that exists on a month to month basis.

In the Company's current base rate case filing, the factor was developed using the latest available data at the time of the filing, which was for the 12-month ended period December 2017. This factor was then applied to the rate base items for both the historical and projected periods.

Please see revised Attachment CPAD-1-41 (Rev. 6.8.2018), the attachment has been updated to include the income statements used to develop the allocation factors from 2010 through 2017.

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-1-148

Question:

Provide a copy of all AGSC costing reports identifying the costs charged to each affiliate by month for the period 2015 – 2017. These reports should also include all variance analysis comparing budgeted to actual costs including the narrative explanation for such variances.

Response:

Please refer to CONFIDENTIAL Attachments CPAD-1-148a, CPAD-1-148b, and CPAD-1-148c for a listing of charges from AGSC to individual business units. The contents of the files are:

Attachment Name	Contents
Attachment CPAD-1-148a CONFIDENTIAL	January to December 2017 Budget to Actual Analysis of Allocations
Attachment CPAD-1-148b CONFIDENTIAL	January to December 2016 Budget to Actual Analysis of Allocations
Attachment CPAD-1-148c CONFIDENTIAL	January to December 2015 Budget to Actual Analysis of Allocations

Please note that variance analyses are not performed on allocations from AGSC.

The attachments have been redacted in entirety. Public disclosure versions have not been provided. Due to the voluminous nature of the information requested, it has been provided in electronic format only. Hard copies of the attachments have not been provided.

Further Response (June 11, 2018)

In addition to the reports provide above, please see CPAD-1-148d CONFIDENTIAL Attachment Further Response 6-11-2018 and CPAD-1-148e CONFIDENTIAL Attachment Further Response 6-11-2018 for service company costs allocated to affiliate companies by service provider. CPAD-1-148d CONFIDENTIAL Attachment Further Response 6-11-2018 includes service company costs that are direct charge and allocated to the Company. CPAD-1-148e CONFIDENTIAL Attachment Further Response 6-11-2018 includes service company costs that are direct assigned to the Company. Both of these attachments are for the twelve-month ending period September 2017.

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

Also, see CPAD-1-148f CONFIDENTIAL Attachment Further Response 6-11-2018 for the 2017 year-to-date service company invoice to CGC. The invoice provides total service company allocated (direct charge, direct assign and allocated) costs broken down by service provider. There are three broad categories of service providers. The service providers listed under Distribution Operations primarily serve the gas distribution companies. The service providers listed under Corporate serves all active companies. Finally, the service providers listed under Regulated and Non-Regulated Operations primarily serve non-regulated companies.

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

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-1-337 SUPPLEMENTAL REQUEST

Question:

Refer to the spreadsheet included with the Company's response to MFG 71-2 regarding the allocated depreciation reserve cost to Chattanooga Gas Company and provide the following information:

- a. The source and support for the current depreciation rates (Column B) that are presented here as hard-coded numbers.
- b. The source and support by subaccount for the \$31,619,026 in Accumulated Depreciation at December 31, 2017 (Column C) that is presented here as hard-coded numbers.
- c. The source and support by subaccount for the projected provision to accumulated depreciation from January 2018 through June 2019 (Columns AA to AR) that are presented here as hard-coded numbers.
- d. The source and support by subaccount for the projected retirements in accumulated depreciation from January 2018 through June 2019 (Columns AU to BL) that are presented here as hard-coded numbers.

Response:

- a. Please see CPAD-1-337 Attachment Supplement Request (Tab: 71.2 DPR RATE(ACTUALS)) for the source and support for the current depreciation rates that are presented in (Column B) of MFG 71-2.
- b. Please see CPAD-1-337 Attachment Supplement Request (Tab: B; Column I) for the source and sub-accounts for the \$31,619,026 in Accumulated Depreciation at December 31, 2017 (Column C) of MFG 71-2.
- c. Please see CPAD-1-337 Attachment Supplement Request (Tab: B; Column AL to BC) for the source and support by subaccount for the projected provision to accumulated depreciation from January 2018 through June 2019 (Columns AA to AR) of MFG 71-2.
- d. Please see CPAD-1-337 Attachment Supplement Request (Tab: B; Column BK to CB)) for the source and support by subaccount for the

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

projected retirements in accumulated depreciation from January 2018 through June 2019 (Columns AU to BL) of MFG 71-2.

Please see CPAD-1-337 Attachment Supplement Request, Tab:71.1 PROJ RETIREMENT RATE for the calculation of average retirement amounts used.

Further Response (6-11-2018):

In addition to the original response, the Company is updating this response to provide further detail regarding the AGL Services Company assets used in provision of service to VNG that are still retained on the books of AGSC and are therefore not allocable to Chattanooga Gas Company (CGC). Please see the first tab of CPAD-1-337b Attachment Further Response 6-11-2018 for a summary of the VNG assets on AGSC's books, the attachment includes the utility account, asset id, description and plant-in-service balance and accumulated depreciation as of December 31, 2017 for each asset. The second tab is the source of the first tab and includes the details of all AGSC assets and is used as the source for the summary in the first tab.

The original attachment to the original CPAD-1-337 response has been relabeled and refiled as CPAD-1-337a Attachment Further Response 6-11-2018.

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-1-356 SUPPLEMENTAL REQUEST

Question:

1-356. Refer to the Company's response to CPAD 1-148a. Provide a copy of the 2016 and 2017 Trial Balance and the 2017 Income Statement (or similar document identifying annual revenues and expenses) for the following entities:

- a. Nicor Gas Exploration
- b. Gas Utility Finance Corp
- c. AGL Rome Holding Inc
- d. Appliance Bus FL Service
- e. Pivotal Jefferson Island Storage and Hub
- f. Georgia Gas Company
- g. Georgia Natural Gas Company

Response:

CGC objects to this request in that it seeks information and/or documents from other entities that are not within CGC's possession, custody, or control. Moreover, this request is not reasonably calculated to lead to the discovery of admissible evidence nor is the subject matter of the request relevant to the subject matter of this action as set forth in the Petition. Notwithstanding the foregoing and without waiving its objections, CGC states: The seven companies identified in this supplemental request are some of the companies identified in CGC's response to CPAD-1-148a that receive allocations from the Services Company. CPAD-1-148 is a confidential document that provides the budgeted and actual allocations from the Services Company to CGC and other companies. In other words, these are not companies that allocated costs to CGC; rather the Services Company charged certain costs to CGC, these seven companies, and approximately 65 other companies. While the amounts allocated to each company may be relevant, a point CGC is not necessarily conceding, CPAD's request for the trial balance and income statements from these seven companies is no more relevant to this proceeding than the trial balance and income statement of the other companies also listed on that attachment, some of which are regulated local distribution gas utilities and the rest are a variety of unregulated wholesale, marketing, midstream, and other businesses. As CGC has indicated in other responses, the only entity allocating costs to CGC is the Services Company.

[continued next page]

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

Further Response (6-11-2018):

CGC is revising its original response to provide additional information. Please see CPAD-1-356 CONFIDENTIAL Attachment Further Response 6-11-2018 for the balance sheet and income statement for 2016 and 2017 for the requested entities.

Contact Person: Gary Tucker; objections provided by Counsel.

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

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
Docket No. 18-00017
Chattanooga Gas Company's 2018 Rate Case

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.

Revised 6.6.2018

The following is the narrative explanation of Attachment CPAD-1-374.

Attachment CPAD-1-374 is an update of CPAD-1-157a Attachment. The attachment includes 14 tabs, a detailed description of each tab is provided below.

- Tax Cuts and Jobs Act MFG 69-13 – Tab provides balance of the regulatory tax liability and the related accumulated deferred income tax (ADIT) on excess deferred income taxes (EDITs) resulting from the Tax Cuts and Jobs Act (Tax Reform). The amounts are updated from the original filing. The tab also includes the Company's proposed amortization of the protected and unprotected EDIT. As shown on the amortization lines, the Company has proposed a five-year amortization of the unprotected EDIT balances. Support for the data in this tab is included in the workbook.
- Attachment CPAD-1-157a Summary – Tab provides the net (non-grossed up) EDIT and the gross up calculation of the protected and unprotected EDITs which link to the first tab. The net EDIT grossed up results in the regulatory tax liability. The difference is the resulting ADIT. Support for the net EDIT amounts are included in the remaining tabs of the workbook as referenced.
- Attachment CPAD-1-157a Unpro – Tab provides the calculation of the Company's EDIT at December 2017. As noted in the Company's response to CPAD-1-157, the ADITs for CGC are recorded at the state effective rate. Therefore, this tab restates the ADITs using the state statutory rate. Columns A through D, lines 1 through 21 provide the amounts at the effective tax rate. Columns E through G provide the recalculation of the amounts at the statutory rate. The EDIT related to items identified as protected is \$14,774,721 as shown on line 23. The total of the amount identified as unprotected is \$2,504,977 as shown on line 27. Please note, the unprotected amount includes \$844,806 which is the difference between the protected amounts per the general ledger and the protected amounts per the tax sub-ledger. The quantification of EDIT on the tab

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

includes components that were not included in the Company's year-end calculation of EDITs, but should have been included. Notes accompany these components are provided in the tab, see line items 54 through 58.

- Attachment CPAD-1-157a OCI – Tab provides greater detail of the recalculation of the pension OCI ADIT amounts provided in tab Attachment CPAD-1-157a Unpro from the state effective rate to the state statutory rate and for the calculation of the EDIT amount. Support for the data in this tab is included in the workbook.
- Attachment CPAD-1-157a Protect – Tab includes a summary of the protected ADITs based on the tax subledger and the calculation of the EDITs on the protected ADITs. Support for the data in this tab is included in the workbook.
- Attachment CPAD-1-157a Fed – This tab includes the cumulative federal tax timing differences for the ADITs identified by the Company as protected and the calculation of the EDITs associated with the timing differences. The amounts are extracted from the Company's tax subledger – Powertax.
- Attachment-1-157a State - Tab includes the cumulative state tax timing differences for the ADITs identified by the Company as protected. As noted in the tab, *The EDIT on this tab is not used since the result is a comparison of the recorded state income tax at the effective rate and the statutory rate which results in an excess deferred income tax for state income tax. There is no such excess for regulatory purposes since the statutory income taxes are used for regulatory purposes.* The amounts are extracted from the Company's tax subledger – Powertax.
- Attachment-1-157a Fed. Offset – Tab includes the cumulative federal impact of state tax timing differences for the ADITs identified by the Company as protected and the calculation of the EDITs associated with the timing differences. In order to calculate the EDITs, the tab also includes restatement of the state tax timing difference from the effective to statutory rate. The amounts are extracted from the Company's tax subledger – Powertax.

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

- Attachment-1-157a Pro Amort – Tab provides the 2018 and 2019 amortization of the EDITs identified by the Company using the average rate assumption method (ARAM). The original calculation of the EDIT amortization amounts included the change in state ADITs from the effective to the statutory rate. Therefore, the tab includes a recalculation of the state offset amortization based on the statutory rate. The calculation of the factor used to adjust the state amortization is provided on tab Attachment-1-157a Fed. Offset. The amounts are extracted from the Company's tax subledger – Powertax.
- Attach-1-157a DEC 2017 Recon – Tab provides a reconciliation of the December 2017 ADIT and EDIT (identified in account 259999) amounts provided in the workbook on tab CPAD-1-157a Unpro to the balance sheet.
- Attach-1-157a Bal Sht 13MTH – Tab includes the Company's balance sheet from December 2016 through December 2017.
- Attach-1-157a Timing Diff @ 35 – Tab includes all cumulative federal and state timing differences that tie to the Company's ADIT amount per book for December 2017 assuming a 35% federal tax rate. Please note, this includes the calculation of state taxes using the effective rate rather than the statutory rate. As noted in the tab, *Timing differences provided in the column labeled Pre-tax are derived from the Company's tax software.*
- Attach-1-157a Timing Diff @ 21 – Tab includes all cumulative federal and state timing differences that tie to the Company's ADIT amount per book for December 2017 assuming a 21% federal tax rate. Please note, this includes the calculation of state taxes using the effective rate rather than the statutory rate. As noted in the tab, *Timing differences provided in the column labeled Pre-tax are derived from the Company's tax software.*
- Attach-1-157a Depr Calc – Tab includes a restatement of the ADITs and EDITs for depreciation at the statutory rate as provided on tab Attachment CPAD-1-157a Unpro. As noted in the Company's response to CPAD-1-374, *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*

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

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.

Contact Person: Gary Tucker

1. **CGC TPUC MFG Item 72-1 (Rev 6/4/2018), tab Taxes** – The payment date in cell O46 associated with gross receipts tax was incorrect, the cell has been updated with the correct date which resulted in a new taxes other than income taxes lead day. The updated lead day has been incorporated into the revised revenue requirement and exhibits provided in CGC TPUC MFG Item 25-1 (Rev 6/1/2018) – see tab Lead/Lag RDJ 2-3, cell G28. This adjustment is also discussed in the Company’s response to CPAD-2-23.
2. **CGC TPUC MFG Item 72-1 (Rev 6/4/2018), tab Pass-Thru Taxes** – The calculation of the lead day for franchise fees has been recalculated in rows 14 through 31. The Company filed a franchise fee lead day calculated on a monthly basis, the calculation has been revised to reflect quarterly payments. The updated lead day has been incorporated into the revised revenue requirement and exhibits provided in CGC TPUC MFG Item 25-1 (Rev 6/1/2018) – see tab Sales Tax Coll MFG 25-6, cell B17.
3. **CGC TPUC MFG Item 69 (Rev 6/1/2018), tab CWIP MFG 69-2** – The CWIP ending balance provided in cell I22 has been updated to include account 100123. The updated balance has been incorporated into the revised revenue requirement and exhibits provided in CGC TPUC MFG Item 25-1 (Rev 6/1/2018) – see tab Rate Base RDJ 2-1, cell E14. This adjustment is also discussed in the Company’s response to CPAD-1-276.
4. **CGC TPUC MFG Item 69 (Rev 6/1/2018), tabs ADITs MFG 69-8 Pg 1of5 through ADITs MFG 69-8 Pg 4of5** – Updates to the tabs are noted in the Company’s response to CPAD-1-373. In addition to the updates, the response to 373 includes full support and details for the calculated amounts and a reconciliation to the originally filed amounts. The updated balance has been incorporated into the revised revenue requirement and exhibits provided in CGC TPUC MFG Item 25-1 (Rev 6/1/2018) – see tab Rate Base RDJ 2-1, cell E23.
5. **CGC TPUC MFG Item 69 (Rev 6/1/2018), tabs Tax Cuts & Jobs Act MFG 69-13** – Support and details for the Company’s update to row 11 is provided in response to CPAD-1-374. The updated balance has been incorporated into the revised revenue requirement and exhibits provided in CGC TPUC MFG Item 25-1 (Rev 6/1/2018) – see tab Rate Base RDJ 2-1, cell E22 and E23 for the rate base adjustments and tab Excise & Fed Inc Tax RDJ 1-3, cell E53 for the income statement adjustment.
6. **CGC TPUC MFG Item 69 (Rev 6/1/2018), tab Accum Depr MFG 69-9** – Rows 12 through 17 have been corrected for an error in the calculation of allocated accumulated depreciation. The correction does not impact the revenue requirement or exhibits. See the Company’s response to CPAD-1-281 for details regarding this correction. Please see the Company’s response to CPAD-1-377 for full support and details for the allocated accumulated reserve.
7. **CGC TPUC MFG Item 69 (Rev 6/1/2018), tab Plant in Service MFG 69-1** – Rows 14 through 19 have been corrected for an error in the calculation of allocation plant in service. The correction does not impact the revenue requirement or exhibits. See the Company’s response to CPAD-1-287 for details regarding this correction. Please see the Company’s response to CPAD-1-377 for full support and details for the allocated plant in service.
8. **CGC TPUC MFG Item 69 (Rev 6/1/2018), tab Reserves MFG 69-5 Pg 1of2** – Cells H26 through H37 of this tab were updated to include recoveries of previously past due and written-off amounts. The updated cells resulted in a revised Estimated Reserve Balance and Estimated Bad Debt Expense excluding damage billing. The updated balance and expense have been incorporated into the revised revenue requirement and exhibits provided in CGC TPUC MFG

Item 25-1 (Rev 6/1/2018) – see tab Working Capital RDJ 2-2, cell D22 for the revised Estimated Reserve Balance and tab IS Detail MFG 25-2, cell AD160 for the revised Estimated Bad Debt Expense excluding damage billing. This adjustment is also discussed in the Company's response to CPAD-2-50.

9. **CGC 2018 Rate Case Revenue Model (Rev 6/4/2018)** – The Company's revenue model has been updated for changes identified during the discovery process. See the Company's response to CPAD-1-200, CPAD-1-364, CPAD-1-367, and CPAD-2-26 for a detailed discussion of the changes to revenue. Please see CGC 2018 Rate Case Revenue Model (Rev 6/4/2018), tab Hyperion, cell AI29 for the revised total attrition period revenue that reflects the changes identified in the DRs noted above. The updated revenues have been incorporated into the revised revenue requirement and exhibits provided in CGC TPUC MFG Item 25-1 (Rev 6/1/2018) – see tab IS Detail MFG 25-2, cell AD52.
10. **CGC TPUC MFG Item 25-1 (Rev 6/1/2018), tab IS Detail MFG 25-2** – The Company has removed amounts related to lobby expense. Please see cells X105, X119, and X337 for the removal of lobby expense from the Company's cost of service. Please see the Company's response to CPAD-2-60 for further details regarding this adjustment.
11. The following are a list of updates made to **CGC TPUC MFG Item 25-1 (Rev 6/1/2018)** and **CGC TPUC MFG Item 69 (Rev 6/1/2018)** that have minimal or no impact to the revenue requirement, but have been included for presentation purposes.
 - a. **CGC TPUC MFG Item 69 (Rev 6/1/2018), tab Reserves MFG 69-5 Pg 1 of 2** – Changed line item description of row 50 to *Attrition Period Margin* from *Attrition period margin less damage billings*. See the Company's response to CPAD-1-322 for additional details regarding this adjustment.
 - b. **CGC TPUC MFG Item 25-1 (Rev 6/1/2018), tab IS Detail MFG 25-2** – Moved regulatory adjustment, amortization of rate case costs from line item Miscellaneous Expense to line item Regulatory Commission Exp (cell AB299). See the Company's response to CPAD-1-386 for additional details regarding this adjustment.
 - c. **CGC TPUC MFG Item 25-1 (Rev 6/1/2018), tab IS Detail MFG 25-2** – Moved line item Pension Benefits Offset from 401 Benefits category to Pension Benefits category (row 216) and moved line item Health – Distributed from Pension Benefits category to Health Benefits category (row 193). See the Company's response to CPAD-2-43 for additional details regarding these adjustments.