

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

July 16, 2018

IN RE:

**CHATTANOOGA GAS COMPANY
PETITION FOR APPROVAL OF AN
ADJUSTMENT IN RATES AND
TARIFF; THE TERMINATION OF
THE AUA MECHANISM AND THE
RELATED TARIFF CHANGES AND
REVENUE DEFICIENCY
RECOVERY; AND AN ANNUAL
RATE REVIEW MECHANISM**

**Docket No.
18-00017**

**FIRST DISCOVERY REQUESTS OF CHATTANOOGA GAS COMPANY
TO THE CONSUMER PROTECTION AND ADVOCATE DIVISION OF THE OFFICE
OF THE ATTORNEY GENERAL OF TENNESSEE**

To: Consumer Protection and Advocate Division
Office of Attorney General and Reporter
c/o Wayne Irvin, Esq.
Vance Broemel, Esq.
Daniel Whitaker, Esq.
315 Deaderick Street
Nashville, TN 37243

These discovery requests are hereby served upon the Consumer Protection and Advocate Division (“CPAD” or “Consumer Advocate”) of the Office of the Attorney General and Reporter of the State of Tennessee by Chattanooga Gas Company (“CGC” or “Company”) pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11, and the Order of the Tennessee Public Utility Commission (“TPUC”) in this docket dated March 23, 2018. CGC requests that full and complete responses be provided

pursuant to the Tennessee Rules of Civil Procedure and the orders of the TPUC. The CPAD's responses are to be produced at the offices of the Luna Law Group, PLLC, 333 Union Street, Suite 300, Nashville, TN 37201, on or before July 20, 2018. As available, emailed copies of responses are requested to be provided to Mr. Luna and Mr. Self.

PRELIMINARY MATTERS AND DEFINITIONS

Each discovery request calls for all knowledge, information, and material available to the CPAD, as a party, whether it be the CPAD, in particular, or knowledge, information, or material possessed or available to the CPAD through its employees, representatives, agents, experts, or consultants.

These discovery requests are to be considered continuing in nature as is required by the Tennessee rules, and are to be supplemented from time to time as information is received by the CPAD or any of its employees, representatives, agents, experts, or consultants which would make a prior response inaccurate, incomplete, or incorrect.

For each discovery request, provide the name of the witness(es) or employee(s) responsible for compiling and providing the information contained in each response.

For purposes of these discovery requests, the term "you" shall mean and include the CPAD and all employees, agents, and representatives thereof.

As used herein, the term "document" shall have the broadest possible meaning under applicable law. "Document" as used herein means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, electronic, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, work paper, spreadsheet, email note, photograph, tape recording, computer disk or record, or other data compilation in any

form without limitation. You shall produce the original and each copy, regardless of origin or location, of any document, including but not limited to any book, pamphlet, periodical, publication, letter, correspondence, note, report, survey, summary, draft, work paper, memorandum (including memoranda, note or report of a meeting or conversation), projection, comparison, evaluation, telephone call records, transcripts, witness statements, minutes or statistical compilation, spreadsheet, photograph, videotape, audio tape, computer disk, other electronic record or tape or printout, e-mail or electronic email files, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when.

If you produce documents in response to these discovery requests, produce the original of each document or, in the alternative, produce a copy of each original document and identify the location of the original document. If the original document is itself a copy, that copy should be produced as the original.

If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different document and each must be identified and produced.

As used herein, the terms “and” and “or” shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

As used herein, the term “communication” means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal

conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

If you contend that you are entitled to refuse to fully answer any of the discovery requests, state the exact legal basis for each such refusal.

If any of the discovery requests are not answered on the basis of privilege or immunity, include in your response to each such request a written statement evidencing:

- a. A complete explanation of the privilege being asserted;
- b. The nature of the communication, document, or information;
- c. The date of the communication, document, or information;
- d. The identity of the persons present at such communication or who prepared the document or information; and
- e. A brief description of the communication, document, or information sufficient to allow the Authority to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

“Identify” or “identifying” or “identification” when used herein with respect to any document means to provide a description of the document, including but not limited to the type of document (e.g., letter, memorandum, etc.), the date of the document, the title or label of the document, the identity of the person(s) who authored the document, was a recipient of the

document, or possessed a copy of the document, and the current location of the document.

“Identify” or “identifying” or “identification” when used herein with respect to any person or entity means without limitation the name of the person or entity and the current contact information (including but not limited to the daytime telephone number and address).

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure, and the person instructing that the information be excluded.

CGC FIRST DISCOVERY REQUESTS TO CPAD

DISCOVERY REQUEST NO. 1:

On Page 20, Lines 1-3, of Mr. Novak’s Direct Testimony, Mr. Novak states, “The Commission has a long-established policy of only allowing rate recovery of the minimum required contribution for pension and other post-employee benefits (OPEB) expense.” This testimony in Footnote 29 then references one docket, Commission Docket 92-14631, Investigation of Proper Regulatory Treatment of Other Post-Employment Benefits for Utilities Regulated by the Tennessee Public Service Commission. Please provide the following information:

- a. Is it Mr. Novak’s position that the Commission has allowed only the rate recovery of the minimum required contribution for pension and OPEB expense in every Tennessee rate case before the TPUC or its predecessor agencies since 1992 and thereafter? Please explain your response.
- b. Identify all Tennessee utility rate case decisions regarding OPEB expenses since 1992 and thereafter. For purposes of responding to this request, for each rate case identify the docket number, name of the utility, type of utility (natural gas, electric, telephone, water), date of the applicable rate case order, state “Minimum Only” or “Other” whereby the TPUC or predecessor agency allowed recovery of only the minimum contribution for pension and OPEBs (i.e., “Minimum Only”) or allowed something other than the minimum (“Other”), and identify the page number of the order reflecting such decision. Further, please provide a complete copy of each of the rate case orders identified in response to this request if such order is not currently available on the TPUC website.

Response:

DISCOVERY REQUEST NO. 2:

Provide a back-cast going back to January of 2010 illustrating the performance accuracy of the regressions utilized by Mr. Novak to project volumes for the CPAD attrition year for R-1, C-1, and C-2, similar to that provided by Chattanooga Gas Company in response to CPAD-1-247.

Response:

DISCOVERY REQUEST NO. 3:

Please label the statistical measures on the “Parameters2” tab labeled as “Weather Normalization Regression Statistics” and “Annual Usage Regression Statistics” in the following work-papers provided by witness Novak:

- a. R-1 Residential Revenues
- b. R-4 Multi-Family Revenues
- c. C-1 Commercial Revenues
- d. C-2 Commercial Revenues

Response:

DISCOVERY REQUEST NO. 4:

Provide copies of Mr. Novak’s prior testimony that are identified on Attachment WHN-1 addressing natural gas cost allocation and rate design matters including, but not limited to, the following cases (there were no links for these as was indicated on the exhibit):

- a. Atmos Energy Corporation, Tennessee Docket No. 07-00105.
- b. Piedmont Natural Gas, Tennessee Docket No. 11-00144.
- c. Atmos Energy Corporation, Tennessee Docket No. 14-00146.
- d. B&W Gas Company, Tennessee Docket No. 15-00042.
- e. Vectren Energy Delivery, Ohio Docket No. 07-1080-GA-AIR.
- f. CenterPoint Energy, Texas Docket No. GUD 9902.

Response:

DISCOVERY REQUEST NO. 5:

On Page 9, Lines 9-12, of Dr. Klein's Direct Testimony filed on July 3, 2018, Dr. Klein states that, "The Tennessee regulators have applied the double-leverage approach to capital structures for regulated subsidiaries of parent companies to take into account the parent-subsidary relationship. This approach has been applied to all regulated public utility industries since at least the 1970s." Please provide the following:

- a. Is it Dr. Klein's position that the double leverage approach has been applied by Tennessee regulators in every rate case since the 1970s where the regulated utility was a subsidiary of a parent company? Please explain your response.
- b. Identify all Tennessee rate case decisions where the capital structure was at issue for a utility that was a subsidiary of a parent entity and whether the double-leverage approach was or was not applied (including cases where double-leverage could have been raised but was not; this request also includes stipulated capital structures). For purposes of responding to this request, for each rate case identify the docket number, name of the utility, type of utility (natural gas, electric, telephone, water), date of the applicable rate case order, state "Yes" or "No" whether the TPUC or predecessor agency applied the double-leverage approach to the capital structure to take into account the parent-subsidary relationship ("Yes") or did not ("No"), and identify the page number of the order whereby the double-leverage approach was or was not applied. Further, please provide a complete copy of each of the rate case orders identified in response to this request if such order is not currently available on the TPUC website.

Response:

DISCOVERY REQUEST NO. 6:

On Page 18, Line 24-25, and p. 19, Lines 1-2, of Mr. Dittmore's Direct Testimony, Mr. Dittmore states, "The Commission adopted a Stipulation and Agreement in Docket No. 12-00049, a Tennessee American Water Company rate case that excluded Return on Equity costs from the calculation of Daily Operating Expenses, and therefore it was completely excluded from determination of CWC [cash working capital] in that case." Please respond to the following:

- a. It is Mr. Dittmore's position that the TPUC and predecessor agencies have always excluded return on equity costs from the calculation of Daily Operating Expenses, and therefore from cash working cash? Please explain your answer.

- b. Identify all Tennessee rate case decisions since 2010 and thereafter where cash working capital was at issue for a utility and whether return on equity was excluded or included from the calculation of daily operating expenses. For purposes of responding to this request, for each rate case identify the docket number, name of the utility, type of utility (natural gas, electric, telephone, water), date of the applicable rate case order, state “Yes” or “No” whether the TPUC or predecessor agency excluded return on equity (“Yes”) or did not (“No”), and identify the page number of the order reflecting such decision. Further, please provide a complete copy of each of the rate case orders identified in response to this request if such order is not currently available on the TPUC website.

Response:

DISCOVERY REQUEST NO. 7:

On Page 26, Lines 9-15, of Mr. Dittmore’s Direct Testimony filed on July 3, 2018, Mr. Dittmore states that, “CGC proposes to amortize its balance of “Unprotected” ADIT to the cost of service over a five-year period.... I propose using a three-year amortization period.... Further, the three-year period is consistent with the period used to amortize rate case costs.” Please provide the following:

- a. Is there any applicable statute, rule, order, or other regulatory requirement that requires a three-year amortization instead of a five-year amortization? If so, please identify such requirements.
- b. Is there any applicable statute, rule, order, or other regulatory requirement that requires that the amortization period for the unprotected ADIT must be the same as the rate case amortization period? If so, please identify such requirements.

Response:

DISCOVERY REQUEST NO. 8:

On Page 32, Lines 18-19, Mr. Dittmore states, “The purpose of a CAM [cost allocation manual] for a regulated entity is two-fold. First, it provides formal specific guidance to employees on the procedures to follow in tracking costs and allocating such costs to the appropriate organization. The existence of the manual, along with periodic training and reinforcement, signifies that compliance with documented procedures is a priority. Secondly, the CAM should be used to support the reasonableness of such allocation methodologies and processes before the state regulators. The lack of a CAM raises questions as to whether either of these objectives is a priority within SCG.” On Page 33, Lines 3-4, Mr. Dittmore further states, “I recommend TPUC require future CGC cost allocations to be supported by a fully transparent and documented CAM.” Please provide the following:

- a. Is there any currently applicable statute, rule, order, or other regulatory requirement that requires a natural gas utility to have a cost allocation manual? If so, please identify such specific authority.
- b. Can the Commission in this rate case docket require CGC to utilize a CAM for any future rate cases? If so, please identify such authority by statute or rule. If not, by what authority can the TPUC require CGC to file a CAM? Please explain your answer.
- c. Can the Commission in this rate case docket require CGC to utilize a CAM for any future annual rate review CGC may seek under § 65-5-103(6)(A)? Please explain your answer. In explaining your answer, please expressly discuss how a CAM that does not exist can be a “methodology adopted in its most recent rate case”?
- d. Has the Commission previously required a regulated utility to create, file, or have an approved CAM? If so, please identify all such instances by docket number, name of the utility, type of utility (natural gas, electric, telephone, water), the date of the applicable order, and the page of the order whereby such an obligation was required.
- e. Provide a complete copy of all orders identified in response to this request if such order is not currently available on the TPUC website.

Response:

DISCOVERY REQUEST NO. 9:

Provide Attachment WHN-7, CGC Excess Revenue Calculations 2011-2016 in Excel format including without limitation the functionality of working cells and formula.

Response:

DISCOVERY REQUEST NO. 10:

Provide copies of all documents referenced in Mr. Novak’s testimony.

Response:

DISCOVERY REQUEST NO. 11:

Provide copies of all documents, analysis, and studies relied on by Mr. Novak in preparing his testimony that have not been previously provided.

Response:

DISCOVERY REQUEST NO. 12:

Provide the backup and other support for the fixed compensation benefit rate as provided in Consumer Advocate Schedule No. 4-3.

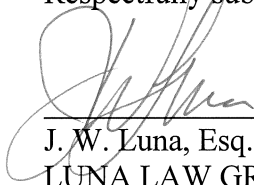
Response:

DISCOVERY REQUEST NO. 13:

For the period 2010 to date, for each TPUC or predecessor agency base rate case docket identify by utility the total number of data requests submitted by CPAD to each such utility. Specifically, this request includes, but is not limited to, Tennessee Docket Nos. 11-00144, 14-00146, and 16-0000.

Response:

Respectfully submitted,



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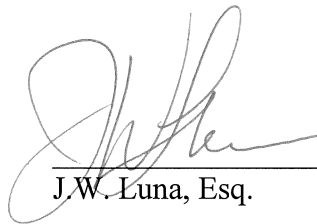
CERTIFICATE OF SERVICE

I hereby certify that on this 16th of July, 2018, a true and correct copy of the foregoing was served on the persons below by electronic mail:

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