

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

August 3, 2018

IN RE:

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**CHATTANOOGA GAS COMPANY)
PETITION FOR APPROVAL OF)
AN ADJUSTMENT IN RATES AND)
TARIFF; THE RECOVERY OF)
THE AUA MECHANISM)
REVENUE DEFICIENCY; AND)
THE IMPLEMENTATION OF)
ALTERNATIVE REGULATORY)
METHODS)**

Docket No.

18-00017

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**REBUTTAL TESTIMONY OF

CHRISTOPHER BELLINGER

ON BEHALF OF

CHATTANOOGA GAS COMPANY**

1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Will you please state your name and business address?**

3 A. My name is Christopher Bellinger. My business address is 10 Peachtree Place NE,
4 Atlanta, GA 30309

5 **Q. By whom and in what capacity are you employed?**

6 A. I am the Manager, Gas Supply, Southern Operations, for Southern Company Gas
7 (“SCG”). In my position with Southern Company Gas, I am responsible for
8 managing the gas supply for the customers of Chattanooga Gas Company (“CGC”
9 or “Company”) and other local gas distribution companies in the southern region
10 of Southern Company Gas.

11 **Q. Will you please summarize your educational and professional background?**

12 A. I have my Bachelor of Business Administration in Finance from the University of
13 Georgia. I have worked for Southern Company Gas for 13 years in the gas supply
14 for Southern Operations, starting as an analyst and working my way up to my
15 current manager position. Prior to Gas Supply, I worked for Sequent for about three
16 years.

17 **Q. What is the purpose of your testimony?**

18 A. My testimony responds to the testimony of the of Mr. Randy Carter, of Talley
19 Construction, and Mr. David Klinger, of McKee Foods Corp., presented on behalf
20 of the Chattanooga Regional Manufacturers Association. Mr. Carter has objected
21 to the new penalty gas provisions of CGC’s proposed tariff. Mr. Klinger also
22 objects to the penalty gas provisions of the proposed tariff and he has questioned
23 gas supply availability and off system sales in the eastern portion of CGC’s service

1 area based upon CGC's requirement that an expansion of service to McKee could
2 occur only upon the payment of a capital contribution by McKee. While Mr.
3 Hickerson in his rebuttal will address some of the tariff and business issues
4 associated with the issues raised by these customers, my testimony will focus on
5 the gas supply perspective.

6 **II. REBUTTAL TO MR. CARTER, TALLEY CONSTRUCTION**

7 **Q. On page 6, Mr. Carter contends that CGC did not seek approval from the**
8 **Tennessee Public Utilities Commission (TPUC) when CGC decided to suspend**
9 **sales of incremental gas to interruptible customers. Do you agree?**

10 **A.** No, I do not. CGC is not required to seek approval from the TPUC to offer or
11 suspend sales of incremental gas to interruptible customers. As is provided for in
12 CGC's Tariff at Sheet 25A:

13 When the Company determines that volumes of gas are
14 available to be purchased and transported to Customers
15 under this Rate Schedule, then the Company shall, at its
16 option, be authorized to charge the incremental rate in lieu
17 of the published PGA rate for I-1 Customers for such
18 volumes distributed to those Customers who have been
19 offered and who have agreed to pay such incremental rate in
20 lieu of having their gas service curtailed. On days when gas
21 is not being withdrawn from the Company's Liquid Natural
22 Gas (LNG) facility for system supply, the incremental rate
23 shall be the applicable index rate plus the variable pipeline
24 charges. On those days when gas is being withdrawn from
25 the LNG facility, the incremental rate will be increased to
26 reflect the cost of gas used in the liquefaction and
27 vaporization process.

28
29 **Q. On page 6, Mr. Carter states to avoid the higher penalty rate, Talley**
30 **Construction will have to over-buy natural gas supply for their forecasted gas**
31 **requirements on daily balancing days. Is this accurate?**

1 A. No. A daily balancing order for under supplying the system does not require Talley
2 Construction to “over-buy” or purchase more natural gas supply. A daily balancing
3 order only requires a customer to deliver to the CGC distribution system an amount
4 of natural gas equal to the amount it consumes each day. CGC is entrusted with
5 ensuring safe and reliable delivery of natural gas to its customers. Customers that
6 deliver less natural gas supply than they consume put the entire distribution system
7 at risk for losing customers and incurring substantial penalties from the pipelines
8 that serve CGC.

9 **Q. Further on page 6, Mr. Carter contends that daily balancing orders cause**
10 **Talley Construction to buy more expensive gas than it needs. Is this accurate?**

11 A. I can’t speak for what Talley Construction does, but a daily balancing order does
12 not have to require Talley Construction to purchase more expensive natural gas.
13 Talley Construction makes its own business decisions on the amount and the cost
14 its willing pay for natural gas supply it needs to meet its operational requirements.
15 If Talley Construction cannot procure enough natural gas to meet its operational
16 requirements or is unwilling to pay the prevailing market price for natural gas it can
17 burn its standby fuel or curtail its operations until the daily balancing order is
18 canceled.

19 **Q. So what advice or recommendations would you make to Talley Construction**
20 **as a customer of CGC in order to minimize or avoid potential future penalties?**

21 A. These are all individual business decisions that need to account for economic as
22 well as operational decisions. That said, Talley Construction has several different
23 options available to it. On days where there is a daily balancing order in effect,

1 Talley Construction can adjust their operations to align with the amount of natural
2 gas they have delivered to CGC. As provided for in CGC's Tariff at Sheet 30A,
3 Talley Construction can use standby fuel to reduce or eliminate their natural gas
4 consumption and continue their operations or they can curtail their operations to a
5 level where they only burn the amount of natural gas they delivered to CGC.

6 **III. REBUTTAL TO MR. KLINGER, McKEE FOODS**

7 **Q. On page 6 of his testimony, Mr. Klinger contends the tariff proposals that**
8 **increase the penalty charges in the T-1 interruptible tariff will be very punitive**
9 **and increase McKee Food's costs and risks associated with managing natural**
10 **gas supply. Is this accurate?**

11 A. No. The proposed increase in penalty charges is no more punitive than the penalty
12 charges McKee Food's would incur for noncompliance of balancing orders in
13 competing markets located near CGC's service territory. The tariff proposals to
14 increase the penalty charges for the T-1 rate schedule are necessary to ensure
15 CGC's ability to provide safe and reliable delivery of natural gas to its customers.
16 The proposed increase to the penalty charges for T-1 interruptible customers are in
17 line with the penalties CGC would incur for noncompliance of Operational Flow
18 Orders for under-delivering or over-delivering supply issued by the pipelines that
19 serve CGC. If CGC's natural gas supply delivery incentives are lower or less
20 punitive than competing markets, then the T-1 interruptible customers or the
21 marketers that serve them will be incentivized to under- or over-deliver natural gas
22 supply to CGC to serve other markets with higher daily balancing penalties or
23 where they can sell their gas supply at a higher price.

1 **Q. So what advice or recommendations would you make to McKee Foods as a**
2 **large customer of CGC with respect to the gas supply and penalty issues Mr.**
3 **Klinger has raised?**

4 A. McKee has essentially the same types of business decisions it can make as do all
5 such similarly situated customers – when there is a curtailment order, modify
6 operations to align with the amount of gas they have scheduled to be delivered to
7 CGC, use standby fuel, or reduce or eliminate their natural gas consumption. The
8 bottom line is that in order for CGC to provide safe and reliable delivery of natural
9 gas to its customers, each customer on the system needs to manage their operations
10 and align their natural gas consumption to the amount of natural gas they deliver
11 each day.

12 **IV. CONCLUSION**

13 **Q. Does this conclude your rebuttal testimony?**

14 A. Yes.