

**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**

**REBUTTAL TESTIMONY OF  
  
JOHN M. COGBURN  
  
ON BEHALF OF  
  
CHATTANOOGA GAS COMPANY**

1   **Q.     Please state your name, title, and business address.**

2   A.     I am John M. Cogburn, Director of Regulatory Reporting and Strategic Planning

3         for Southern Company Gas. My business address is Ten Peachtree Place NE,

4         Atlanta, GA 30309.

5   **Q.     On whose behalf are you testifying in this case?**

6   A.     I am testifying on behalf of Chattanooga Gas Company (“Company” or “CGC”).

7   **Q.     Are you the same John M. Cogburn who filed direct and revised direct**

8         **testimony in this case on behalf of Chattanooga Gas?**

9   A.     I am.

10  **Q.     Have you reviewed the direct testimony entered on behalf of The Consumers**

11         **Protection and Advocate Division of the Office of the Tennessee Attorney**

12         **General (“CPAD”)?**

13  A.     I have reviewed the testimony.

14  **Q.     Are there any issues raised by the CPAD testimony you wish to rebut?**

15  A.     Yes. CPAD Witness William H. Novak does not directly address the substance of

16         my direct testimony, which is the Company’s request for the Commission to

17         expressly articulate and adopt the necessary ratemaking methodologies in this case

18         that will support the Company’s later to be filed annual rate review under the

19         alternative regulatory methods (“ARM”) statute. However, in a footnote Mr.

20         Novak makes a comment on this subject that must be rebutted.

21  **Q.     What conclusion does Mr. Novak draw that you would like to rebut?**

22  A.     In Footnote 2 of his testimony, found on page five, Mr. Novak draws the conclusion

23         that the Company’s filing has not set out the necessary ratemaking methodologies,

1 implying that CGC could not later file for an annual rate review based upon the  
2 record in this rate case. This conclusion is based on Mr. Novak's personal  
3 characterization of CGC's rate case documentation as insufficient due to what he  
4 claims are minimal amounts of supporting documentation and workpapers in the  
5 Company's filing.

6 **Q. And you disagree with Mr. Novak's characterization and conclusions?**

7 A. Yes. As several of CGC's witnesses discuss in their respective rebuttal testimonies,  
8 CGC fully complied with the Commission's minimum filing guidelines ("MFGs"),  
9 which CGC accomplished in its initial filing initiating this case. When you  
10 combine the MFGs with the ten sets of direct testimony and exhibits, the nearly 800  
11 discovery responses CGC has provided, and now CGC's submission of 14 sets of  
12 rebuttal testimony and exhibits, it is unreasonable to assert that CGC has failed to  
13 present its methodology, much less dismiss our entire case in a footnote.  
14 Collectively, the testimonies, exhibits, schedules, and other documentation CGC  
15 has filed detail the various methodologies CGC has utilized in presenting its case  
16 to the Commission.

17 It is also important to note that Mr. Novak's own testimony refutes his own  
18 broad conclusion given his agreement with or disputes about CGC's well-presented  
19 methodologies. For example, while Mr. Novak prefers his own simpler regression  
20 analysis methodology for billing determinants and weather normalization, he does  
21 not find CGC's multilinear regression methodology to be wrong since it produced  
22 results similar to his analysis; and as Mr. Heath Brooks shows in his rebuttal,  
23 CGC's methodology for billing determinants and weather normalization are in fact

1 more sophisticated and better documented than Mr. Novak's regression analysis.  
2 Mr. Novak accepts without qualification the methodologies used for both CGC's  
3 lead-lag study provided by Mr. Michael Adams and the depreciation study  
4 presented by Mr. Dane Watson.

5 With respect to the class of service cost study prepared for CGC by Witness  
6 Daniel Yardley, Mr. Novak does not challenge the methodology used in the study  
7 or the documentation supporting it, rather he simply rejects the study out of hand  
8 because he says the Commission has never approved a class of service cost study.  
9 Of course, Mr. Novak completely misses the point here – CGC is not proposing  
10 adoption of the class of service cost study. As Mr. Yardley explains in his  
11 testimony, he used the study as a basis for the methodology he developed for his  
12 rate design much as the Commission did in setting rates in CGC's 2009 rate case  
13 decision. See Yardley Rebuttal, at 4-6.

14 Finally, where CPAD's witnesses disagree with the overall rate case  
15 methodology used by Mr. Tucker (five-year average versus CGC budget as  
16 adjusted), CGC's cost of capital, the allocation methodology employed by the  
17 service company and the lack of a formal cost allocation manual, or the inclusion  
18 of certain numbers that lead into the revenue requirement, as CGC rebuttal  
19 witnesses Mr. Tucker, Mr. Morley, Mr. Garvie, Ms. Santolin, Dr. Vander Weide,  
20 Mr. MacLeod, and others report in their rebuttal, CGC has presented its  
21 methodology with respect to each of these items and there is a sound basis for them  
22 supported by extensive documentation. In the aggregate, whatever shortcomings  
23 may have been presented in CGC's initial case as filed, unquestionably the

1 discovery process has more than filled in the blanks regarding any deficiencies, a  
2 fact that Mr. Novak acknowledges on the next page of his testimony.

3 **Q. Does Mr. Novak draw from that conclusion regarding the lack of ratemaking**  
4 **methodologies that the Commission cannot adopt the Company's request to**  
5 **include the methodologies upon which it establishes rates in this case for use**  
6 **in an ARM?**

7 A. He does not draw that conclusion directly, but, in Footnote 3, on page 6, Mr. Novak  
8 recommends that the minimum filing requirements for an ARM filing should be  
9 established by Commission. He does not, however, elaborate on what specifically  
10 these minimum filing requirements should include.

11 **Q. Can the Commission still adopt the Company's recommendation to establish**  
12 **ratemaking methodologies in its final order in this case even if Mr. Novak and**  
13 **the Company disagree with regard to whether or not the company has filed**  
14 **ratemaking methodologies in its direct case?**

15 A. Yes, the Commission can do that. CGC is simply asking the Commission to apply  
16 the various ratemaking methodologies used by CGC's witnesses in calculating cost  
17 of capital, rate base, revenues, expenses, etc., and set rates. That is what the  
18 Commission does in ratemaking.

19 **Q. Does your rebuttal testimony in anyway change the request you made of the**  
20 **Commission in your direct testimony?**

21 A. No it does not. The Commission will ultimately set rates based upon its acceptance  
22 or rejection of the various methodologies presented by the parties in this case. This  
23 is exactly what the Commission did in deciding the Company's 2009 rate case. For

1 example, on bad debt expense, the Commission said at page 22 of the November 8,  
2 2010, Order, “The panel voted unanimously to adopt the agreed upon bad debt  
3 expense of \$229,587 because the panel concluded the Company's methodology was  
4 reasonable based on historical trends of this expense component.” Similarly, on  
5 page 30, in discussing how the Company used estimated taxes and the Consumer  
6 Advocate used actual expenses, the Commission concluded, “The panel found that  
7 the Consumer Advocate's methodology to calculate Property Tax expense was  
8 reasonable because it updated the property valuation and properly prorated the tax  
9 through the end of the attrition period.” Finally, with respect to rate design, the  
10 Commission at page 57, said:

11 The panel found that the Company's current  
12 methodology for recovering the portion of fixed  
13 charges through volumetric rates by charging  
14 customers less per 100 cubic feet (ccf) when  
15 increasing usage did not provide encouragement for  
16 conservation. Therefore, the panel voted  
17 unanimously to replace the Company's declining  
18 block volumetric rate structure with a single  
19 volumetric rate of \$0.11591 per therm.

20 We are asking that in the final order in this case you do what you normally do in a  
21 litigated rate case – explain the methodology you use for each of the rate case  
22 components that go into final rates. The methodology you use for each of these  
23 components will then be used in evaluating and setting rates in any subsequent  
24 annual rate review process. Since only the Commission can set rates, it’s the  
25 Commission that has the exclusive authority to set the methodology that supports  
26 its rate decision.

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

28 **A.** Yes.