

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:)	
)	
CHATTANOOGA GAS COMPANY)	
PETITION FOR APPROVAL OF AN)	DOCKET NO. 18-00017
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)	

POST-HEARING BRIEF OF
THE CHATTANOOGA REGIONAL MANUFACTURERS ASSOCIATION

The Chattanooga Regional Manufacturers Association (“CRMA”) generally supports the position of the Consumer Advocate Division in this case. CRMA has also, however, focused on two issues of unique concern to CRMA’s members: (1) the inability of interruptible customers to purchase “incremental”¹ gas from Chattanooga Gas Company (“CGC”) and (2) CGC’s proposal to increase substantially the fines imposed on those interruptible customers who – unable to buy incremental gas – purchase more gas than they are authorized to buy on days when sales are restricted.

The first issue was discussed at length during the hearing, especially during the testimony of CGC witness Mr. James Bellinger. He explained that CGC offers incremental gas for sale to CGC’s interruptible customers pursuant to CGC’s tariff. Bellinger Rebuttal at 2. Under the tariff, CGC is obligated to offer such sales only when CGC determines that a sufficient supply of gas is available. Id. He acknowledged that CGC has not sold any incremental gas to CGC’s

¹ CGC defines incremental gas as gas supply that is over and above the amount needed for ‘design day and reserve margin requirements.’ Santolin Rebuttal at 4. Incremental gas is stored in CGC’s LNG tank. Id.

interruptible customers since January, 2014, but acknowledged that in recent years CGC has provided a large amount of incremental gas to CGC's unregulated affiliate, Pivotal LNG, for sale to non-jurisdictional customers. Mr. Bellinger refused to say whether CGC has an obligation to implement its tariff regarding the sale of incremental gas in a "reasonable" manner.

Because of concerns raised during the hearing both by CRMA and by Director Hill regarding the sale of incremental gas, CGC's attorney made the following announcement at the conclusion of the company's case:

And then, finally, to Mr. Walker's concerns in cross-examination from some of those large customers, and I'm sure others as well, this incremental gas issue - - what's available, what's not, what's really going on there. We would also like to make a proposal for a monthly reporting mechanism that would, in essence, capture the number of inquiries by day, volumes that were requested each day, and the volumes that were approved . . . that were for sale, and that way the staff and the Consumer Advocate, and the association would have means of seeing exactly what it is that the company is doing with respect to this incremental gas, making it available to the large industrial customers and other customers that are interested. So we'll detail that information in our posthearing brief, but we look forward to the opportunity going forward to work with the staff and other parties to develop, and where approval by you is necessary, bring that back but, otherwise institute some of these reporting mechanisms in order to help facilitate our transparency on those issues.

Transcript of August 22, 2018, at 21-22.

CMRA appreciates the company's effort to address this issue. Although CGC has not yet submitted its proposal in writing, the company's suggestion – if properly implemented and made subject to the triennial audit conducted by Exeter Associates pursuant to Docket 07-00224 – appears to address CMRA's concerns regarding the availability of incremental gas for purchase by CGC's interruptible customers.

Here is how the reporting plan should work: Beginning this heating season, CGC will begin keeping track of all requests by CGC's interruptible customers to buy incremental gas and

will file a publicly available, monthly report with the Commission describing each such request. The report will explain whether each request was granted or denied and the reasons for the company's decision. If the request is denied, in whole or in part, CGC must demonstrate that the company had insufficient gas supply i.e., insufficient supply over and above the amount needed for design day and reserve margin requirements, to provide the requested gas. The monthly reports should also describe any sale or transfer of incremental gas to Pivotal or other entities who are not jurisdictional customers of CGC. Such a reporting requirement will allow the Commission and CGC's customers to determine whether CGC is implementing its tariff governing the sale of incremental gas in a reasonable and non-discriminatory manner and whether CGC is giving priority to CGC's jurisdictional customers – the customers who pay to build and maintain CGC's LNG tank and distribution system – over non-jurisdictional customers. This reporting requirement, if properly implemented, monitored and audited, will provide the “transparency” CGC has promised.

The suggested resolution of CMRA's concerns over the availability of incremental gas also provides a means to resolve CMRA's concern over the company's proposal to increase the fines imposed on interruptible customers for buying “penalty” gas. No interruptible customer would chose to incur a fine if the customer could avoid it by purchasing incremental gas from CGC. Therefore, until the Commission is satisfied that CGC is making incremental gas available for sale on a reasonable and non-discriminatory basis and not diverting the gas to non-jurisdictional customers, CGC should not be permitted to further punish its interruptible customers by increasing the penalty amounts. If, on the other hand, CGC demonstrates to the Commission and to a third-party auditor that the company is offering incremental gas to CGC's interruptible customers pursuant to CGC's tariffs and giving CGC's jurisdictional customers

priority over non-jurisdictional customers, a reasonable increase in the penalty amount may be appropriate.

Therefore, CMRA asks that the Commission deny at this time CGC's request for an increase in the penalty amounts but suggests that the Commission explain that the agency may revisit the penalty issue following the next triennial audit. Such a solution would be fair to both the company and its interruptible customers.

Finally, CMRA reiterates its support for the planned, additional investments in CGC's distribution system, much discussed at the hearing, that would, inter alia, make incremental gas available to customers who are located in areas that currently do not have access to CGC's LNG tank. See, Santolin Rebuttal at 5. When these customers, such as those in Cleveland, Tennessee, have access to CGC's LNG tank, they will also be able to purchase incremental gas pursuant to CGC's tariffs and the reporting requirements described above.

In conclusion, CMRA urges the Commission to adopt CGC's proposal to provide the Commission and the parties a "means of seeing exactly what it is that the company is doing with respect to this incremental gas, making it available to the large industrial customers and other customers that are interested." Transcript of August 22, 2018, at 21. *Emphasis added*. CMRA also recommends that the Commission deny CGC's request to increase the fines for buying penalty gas until after the company has demonstrated that it is, in fact, "making [incremental gas] available to the large industrial customers" on a reasonable and non-discriminatory basis and not diverting the gas through an affiliate to customers who are not on CGC's system and contribute nothing to the company's regulated revenue requirement.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on the 7th day of September, 2018, a copy of the foregoing document was served on the parties of record, via electronic email transmission and regular U.S. Mail, postage prepaid, addressed as follows:

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