

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

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

CONSUMER ADVOCATE'S PETITION TO INTERVENE

Herbert H. Slatery III, Attorney General and Reporter for the State of Tennessee, by and through the Consumer Protection and Advocate Division of the Office of the Attorney General (Consumer Advocate), pursuant to Tenn. Code Ann. § 65-4-118, respectfully petitions the Tennessee Public Utility Commission (Commission or TPUC) to grant the Consumer Advocate's intervention into this proceeding because consumers' interests, rights, duties, or privileges may be determined or affected by the Chattanooga Gas Company Petition for Approval of an Adjustment in Rates and Tariff; the Termination of the AUA Mechanism¹ and the Related Tariff Changes and Revenue Deficiency Recovery; and an Annual Rate Review Mechanism (Petition) filed in this TPUC Docket by Chattanooga Gas Company (Chattanooga Gas or Company). For cause, the Consumer Advocate would show as follows:

¹ As used herein, the AUA Mechanism refers to the Alignment & Usage Adjustment Mechanism approved in TPUC Docket No. 09-00183.

1. The Consumer Advocate is authorized by Tenn. Code Ann. § 65-4-118 to represent the interests of Tennessee consumers of public utilities services by initiating and intervening as a party in any matter or proceeding before the Commission in accordance with the Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 *et seq.*, and Commission rules.

2. Chattanooga Gas is a public utility regulated by the TPUC and is in the business of transporting, distributing, and selling natural gas in the greater Chattanooga and Cleveland, Tennessee areas within Hamilton and Bradley counties.² The Company's principal office and place of business is 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.³

3. As background, Chattanooga Gas' last rate case was TPUC Docket No. 09-00183. By Commission Order filed on November 8, 2010 (2010 Order), the Commission approved a rate increase for Chattanooga Gas in the amount of \$60,068, which was completely allocated to the residential customer class.⁴ Along with the increase in rates, the Commission approved a series of conservation measures proposed by Chattanooga Gas, including the AUA, as a surcharge for two customer classes.⁵ According to the 2010 Order, the AUA was approved for a three-year experimental period and was to take the place of the weather normalization adjustment (WNA) that existed prior to the AUA. In addition, the Commission placed a cap of 2% of the revenues for the applicable rate schedules on annual increases to the AUA surcharge.⁶

² Petition, page 2. Chattanooga Gas is a wholly owned subsidiary of Southern Company Gas, a natural gas holding company that owns and operates regulated gas utilities in seven States, including Chattanooga Gas in Tennessee. Southern Company Gas, formerly AGL Resources, was acquired by the Southern Company in 2016. *Id.*

³ Petition, page 3.

⁴ 2010 Order, page 66 at paragraph 6.

⁵ 2010 Order, page 66 at paragraph 7. The Commission also approved a conservation plan consisting of a residential free programmable thermostat program and a limited community outreach and customer education program.

⁶ 2010 Order, page 66 at paragraph 8. See Direct Testimony of Archie R. Hickerson on behalf of Chattanooga Gas Company, pages 11-12.

4. The AUA was extended by Commission Order in Docket No. 09-00183 on November 6, 2013 (2013 Order), which also provided for an evaluation of the experimental program. After that evaluation process, which included the filing of several reports and a status conference on the issues raised, the Hearing Officer accepted the recommendations of the Parties that certain conservation programs be permitted to expire and that issues related to the AUA mechanism, WNA reinstatement, and deferral of the amount of AUA should be moved from Docket No. 09-00183 and incorporated into Chattanooga Gas' next rate case.⁷

5. On February 15, 2018, Chattanooga Gas filed its next rate case by means of the Petition, which the Company describes as having three parts.⁸ Chattanooga Gas characterizes the first part as "seeking approval for an adjustment in rates for natural gas service, along with approval for the corresponding tariff revisions."⁹ In this part, Chattanooga Gas seeks approval of an increase in revenues of approximately \$7 million.¹⁰ Chattanooga Gas indicates that the increase in base rates to the residential customer class would be approximately 31.29%.¹¹ The requested revenue increase, according to Chattanooga Gas, would provide a projected overall rate of return of 7.83% on a projected total rate base of \$159,856,710,¹² and a rate of return of 11.25% on common equity.¹³ Chattanooga Gas asserts that using current rates during the attrition period in this rate case (July 1, 2018 to June 30, 2019) would earn a net operating income of \$7,364,092, on a projected rate base of \$159,856,710, and thus would earn an overall

⁷ For a description of the evaluation process and the Hearing Officer's determinations, see Order Moving Outstanding Issues into New Docket and Administratively Closing the Docket, filed on January 5, 2018, in TPUC Docket No. 09-00183.

⁸ Petition, page 1 *et seq.*

⁹ *Id.*

¹⁰ Direct Testimony of Wendell Dallas on behalf of Chattanooga Gas Company, page 17.

¹¹ Direct Testimony of Daniel P. Yardley on behalf of Chattanooga Gas Company (Yardley Direct Testimony), Exhibit DPY-2, page 1 *et seq.* This is derived by dividing the increase in rates (proposed residential R-1 rates of \$18,831,300 less present residential R-1 rates of \$14,332,359) by the present residential R-1 rates. The multi-family (R-4) and small commercial (C-1) classes would face similar increases. *Id.* While the increases for the other classes (for example, industrial) would not be as dramatic, those classes would face significant increases as well. *Id.*

¹² Petition, page 6.

¹³ *Id.*

rate of return of 4.61%.¹⁴ Chattanooga Gas adds that, without the rate increase requested in this Docket, it would incur a revenue deficiency during the attrition period of about the requested increase of \$7 million at the requested overall rate of return.¹⁵

6. With respect to rate design, Chattanooga Gas proposes to adjust the current percentages that the various customer classes would pay based on the current traditional method to an approach based on a class cost of service model.¹⁶ This adjustment would result in a higher proportion of the revenue increase being borne by the residential, multi-family, and small commercial rate classes.¹⁷

7. In the second part of its Petition, Chattanooga Gas seeks to “terminate the AUA, return [two classes of] customers back to the WNA mechanism, and recover the unpaid AUA customer revenue deficiency, nearly \$2 million, through an interruptible margin credit rider.”¹⁸ This part of the Petition essentially reflects the movement of these issues into this current Docket for consideration as a part of Chattanooga Gas’ rate case. On those issues, the Company asserts in the Petition that “the AUA has not worked out as intended and has led to significant under-recoveries where customers have not fully paid for the service that they have consumed.”¹⁹ Specifically, Chattanooga Gas claims that the AUA has resulted in a significant cumulative deficiency in revenue from two customer classes in the aggregate amount of \$1,788,194 as of May 31, 2017,²⁰ with unlikely prospects of recovering that amount because of the 2% annual cap.²¹ To resolve the Company’s issues with the AUA, Chattanooga Gas seeks a mechanism to

¹⁴ Petition, page 5.

¹⁵ *Id.*

¹⁶ See, generally, Yardley Direct Testimony.

¹⁷ Yardley Direct Testimony, page 16.

¹⁸ Petition, page 9.

¹⁹ Petition, page 12.

²⁰ *Id.*

²¹ Petition, page 13.

recover what it characterizes as “the unpaid customer revenues deficiency[,]”²² and to implement a WNA that would make rate adjustments contemporaneously with the weather-related events that result in the WNA surcharge or refund.²³

8. In the Petition’s third part, Chattanooga Gas seeks to opt into an annual rate review mechanism (ARM) under Tenn. Code Ann. § 65-5-103(d)(6). Chattanooga Gas states that it “believes that adoption of the annual review mechanism will provide the Commission and [Chattanooga Gas’] customers with greater transparency regarding its operations and how the Company’s business operations translate into the rates charged customers.”²⁴ With that transparency apparently in mind, Chattanooga Gas states that it is filing both the general rate case and ARM request in this Docket, with the intent to temporarily withdraw the ARM request – and then reinstate it – to satisfy certain statutory deadline constraints.²⁵ Chattanooga Gas states that it proposes to make its first annual filing under its proposed ARM Tariff about one year after rates become effective in the current rate case, though it then indicates that its first such filing would be made 120 days before the first anniversary of the date that rates in the current Docket are put into effect.²⁶ The Company states its ARM Tariff would include a reconciliation filing.²⁷

9. The interests of consumers in (a) Chattanooga Gas’ requests for substantial increases in rates to customers as a result of its general rate case and potential increases in later ARM filings, (b) the requested recovery by the Company of certain AUA deferred costs, (c) the approval and adoption of methodologies in connection with an ARM under Tenn. Code Ann. § 65-5-103(d)(6), and (d) the mechanisms associated with opting into and implementing that ARM

²² Petition, page 15.

²³ Petition, page 14.

²⁴ Petition, page 17.

²⁵ Petition, pages 17-18.

²⁶ Petition, page 18.

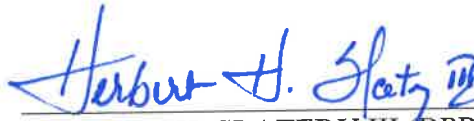
²⁷ Petition, pages 18-19.

may be affected by determinations and orders made by the Commission with respect to (i) Tenn. Code Ann. § 65-5-103(d) and other relevant statutory and regulatory provisions, (ii) the review and analysis of the filings, documentation, financial spreadsheets, and materials provided by Chattanooga Gas, and (iii) the interpretation, application, and/or implementation of the terms and conditions of the Commission's Orders in other relevant TPUC Dockets.

10. Only by participating in this proceeding can the Consumer Advocate work adequately to protect the interests of consumers.

WHEREFORE, Petitioner respectfully asks the Commission to grant this Petition to Intervene.

RESPECTFULLY SUBMITTED,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 9th day of March, 2018.



Wayne M. Irvin