

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE  
March 29, 2018**

<b>IN RE:</b>	)	
<b>TENNESSEE PUBLIC UTILITY COMMISSION</b>	)	<b>DOCKET NO.</b>
<b>INVESTIGATION OF IMPACTS OF FEDERAL TAX</b>	)	<u>18-00035</u>
<b>REFORM ON THE PUBLIC UTILITY REVENUE</b>	)	
<b>REQUIREMENTS</b>	)	
	)	

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**CHATTANOOGA GAS COMPANY COMPLIANCE FILING AND REPORT**

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Chattanooga Gas Company (“CGC” or “Company”), pursuant to the Order of the Tennessee Public Utility Commission (“Commission”) Opening an Investigation and Requiring Deferred Accounting Treatment issued February 6, 2018 (“Order”), in Docket No. 18-00001, does hereby report as follows:

1. Pursuant to the Order, CGC was directed to track and accumulate monthly in a deferred account the revenue impact of the new lower federal tax rate and to report to the Commission by March 31, 2018, “the calculations made . . . in relation to the tax deferred accounting treatment” along with the Company’s proposal for rate reductions or other accounting adjustments to account for the tax benefits resulting from the 2017 Tax Cuts and Jobs Act (“2017 Act”).

2. This is to advise the Commission that CGC has tracked and accumulated in a deferred account the revenue impact. The attached Exhibit A, “CGC Tax Reserve – January and February” reflects the accumulated amounts for January and February 2018 on line 27. Exhibit B, “CGC ROR Calculation January 2018” reflects the impact of the reduction in the tax rate for the 12 months ending January 31, 2018, as well as just the month of January 2018.

3. CGC's proposals for rate reductions or other accounting adjustments are as follows. First, since the 12 month average in Exhibit B shows CGC earning below its authorized rate of return, CGC recommends that no further action is immediately necessary by the Commission. Second, the Company presently has pending before the Commission a full revenue requirements rate case in Docket No. 18-00017. As is reflected in the Company's filings in Docket No. 18-0017, CGC has already included the new lower tax rate in its proposed rates for the attrition year beginning July 1, 2018. Third, CGC's proposal for any further investigation regarding the impact of the 2017 Act should be handled there.

WHEREFORE, Chattanooga Gas Company respectfully requests that the Commission accept this report and take any further necessary action with respect to the Company in Docket No. 18-00017 as proposed herein.

Respectfully submitted this 29<sup>th</sup> day of March, 2018.



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	A	B	C	D	E	F	G	H
6								
7	New Effective Tax Rate (ETR)			26.135%				
8	Old Effective Tax Rate			39.225%				
9	ETR Change Reserve			-13.09%				
10								
11	2018 Excess Deferred Income Tax (EDIT)			(442,067)				
12	Monthly EDIT			(36,839)				
13								
14								
15						<b>Jan</b>		<b>Feb</b>
16	Net Income Before Tax					1,923,305		1,635,476
17								
18	Tax Difference on Pre Tax Amount					(251,761)		(214,084)
19	Gross Revenue Conversion Factor					1.3538		1.3538
20	Tax Difference Grossed Up (a)					(340,839)		(289,831)
21								
22								
23	EDIT Amortization from Tax Dept					(36,839)		(36,839)
24	Gross Revenue Conversion Factor					1.3538		1.3538
25	EDIT Amortization Grossed Up (b)					(49,873)		(49,873)
26								
27	<b>Total Revenue Deferred</b>					<b>(390,712)</b>		<b>(339,704)</b>
28								
29								
30	Revenue Adjustment Entry for Tax Rate Reduction							
31			GL Account 407303			390,712		339,704
32			GL Account 251415 (a + b)			(390,712)		(339,704)

A	B	C	D
Line #		Average For 12 MTD	Average Month
	Additions		
1	Utility Plant (1)	\$ 275,405,459	\$ 281,923,221
2	Construction Work In Progress (1)	5,537,531	10,042,830
3	Postretirement Retirement Benefits	556,946	765,189
4	Materials & Supplies & Gas Stored	9,959,888	8,652,656
	Other Additions(Itemized)		
5	Working Capital	1,765,644	2,062,994
6	Total Additions	\$ 293,225,468	\$ 303,446,890
	Deductions		
7	Accumulated Depreciation (1)	\$ (122,555,057)	\$ (124,448,688)
8	Accumulated Deferred Income Tax (1) (2)	(43,555,217)	(45,142,121)
9	Unamortized Investment Credit-Pre 1971		
10	Customer Deposits	(1,660,450)	(1,475,789)
11	Other Deductions (Itemize)	-	-
12	Contribution In Aid Of Construction	0	0
13	Customer Advances For Construction	(145,854)	-
14	Accrued Interest On Customer Deposits	(619,491)	(334,902)
15	Total Deductions	\$ (168,536,068)	\$ (171,401,500)
16	Rate Base	\$ 124,689,400	\$ 132,045,390
17	Net Operating Income (NOI)	\$ 6,138,225	\$ 1,410,149
	Adjustments to NOI (Itemized)		
18	PUHCA Income Tax Adjustment	(50,099)	-
19	Adjust taxes to Statutory rate	93,584	(12,798)
20	Allowance for Funds During Construction	29,834	(13,840)
21	Interest On Customer Deposits	192,550	(5,718)
22	Interest Synchronization	281,592	9,804
23	Pension	117,732	21,380
24	Incentive Compensation Disallowance	544,103	61,383
25	Income Tax - On Other Income	16,302	6,296
26	Eliminate prom./goodwill advertising (3)	57,096	(16,806)
27	Removal of AMA Sharing Revenue	(340,262)	(33,855)
28	<b>Add back revenue eliminated for Tax Law change</b>	<b>288,599</b>	<b>288,599</b>
29	Adjusted Net Operating Income	\$ 7,369,256	\$ 1,714,594
30	<b>Rate of Return (L29/L16)</b>	<b>5.91%</b>	<b>15.58%</b>
(1)	Includes AGL Services Company allocated:	Average For 12 MTD	Average Month
	Plant	1,974,429	2,405,395
	CWIP	914,046	941,930
	Accumulated Depreciation	(464,146)	(753,279)
	ADIT	(286,461)	(279,209)
(2)	Includes adjustments for deferred income tax related to Pensions and OPEBs.		
(3)	Includes promotional adv., civic and community affairs, and shareholder funded outreach.		