

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

October 14, 2019

IN RE:)	
)	
CHATTANOOGA GAS COMPANY)	Docket No.
COMPLIANCE FILING AND)	18-00035
REPORT)	
)	

CHATTANOOGA GAS COMPANY'S
RESPONSES AND OBJECTIONS TO THE
CONSUMER ADVOCATE'S FIRST DISCOVERY REQUESTS

Chattanooga Gas Company ("CGC" or "Company"), pursuant to the Hearing Officer's September 26, 2019, Order Establishing Procedural Schedule, files its Responses and Objections to the First Discovery Requests of the Consumer Advocate Unit in the Financial Division of the Attorney General's Office ("CAU") that were served on September 27, 2019.

OBJECTIONS

In addition to any specific objections that may be included in each individual discovery response, CGC also makes the following general objections that apply to all of its discovery responses:

1. CGC objects generally to any definitions or instructions to the extent that they are inconsistent with and request information that is beyond the scope of the Tennessee Rules of Civil Procedure. CGC's responses will comply with the requirements of the Tennessee of Rules of Civil Procedure and the Rules of the Tennessee Public Utility Commission.

2. Any requests for production of documents are interpreted to describe each item or category of items requested with reasonable particularity as required by Tenn. R. Civ. P. 34.02, and the terms used in the requests are not interpreted “broadly.” CGC will produce nonprivileged, responsive items and/or data in its possession, custody, or control as required by Tennessee Rules of Civil Procedure.

3. CGC further objects to these discovery requests to the extent they seek information that is beyond the scope of legitimate discovery in this rate case or that is subject to any privilege, including the attorney-client privilege and/or attorney work product doctrine. Without waiving any of these General Objections, the Company will respond to the CAU’s discovery requests by providing responsive, non-privileged information.

4. These General Objections are continuing and are incorporated by reference into CGC's responses to all discovery requests to the extent applicable. The statement of any specific objections in a response shall not constitute a waiver of these General Objections.

5. CGC objects to the definitions provided to the extent they are incorrect or expansive beyond the scope of permissible discovery. In particular, CGC objects to the terms “identity” or “identify” as used by the CAU. CGC objects to providing the full name, last known address, person’s relationship, and other such information for persons to be identified on the grounds that the scope of information requested is overly broad and not calculated to lead to the discovery of admissible evidence. CGC further objects to the CAU’s instructions to produce documents with the type, title, identification of author(s), subject, date, and date written on the grounds that such requests are unduly burdensome and overly broad. CGC shall reasonably identify persons and documents as relevant.

6. CGC objects to the CAU discovery to the extent that such discovery seeks to impose a litigation on CGC to respond on behalf of subsidiaries, affiliates, or other persons that are not parties to this case on the grounds that such discovery is overly broad, unduly burdensome, oppressive, and not permitted by applicable discovery rules. CGC further objects to any and all CAU discovery that seeks to obtain information from CGC for CGC subsidiaries, affiliates, or other related CGC entities that are not parties before this Commission.

7. CGC has interpreted the CAU discovery to apply to CGC's regulated operations in Tennessee and will limit its responses accordingly. To the extent that any CAU discovery is intended to apply to matters that take place outside the State of Tennessee and which are not related to CGC's regulated Tennessee operations, CGC objects to such request as irrelevant, overly broad, unduly burdensome, and oppressive.

8. CGC objects to the CAU discovery insofar as it calls for CGC to present information in a particular format or to otherwise to impose obligations on CGC which exceed the requirements of the Tennessee Rules of Civil Procedure, except as ordered by the Hearing Officer (so Excel shall be in its native form).

9. CGC objects to the CP AD discovery that seeks to obtain "any," "all," "each," or "every" document, item, customer, or other such piece of information to the extent that such discovery is overly broad and unduly burdensome. Any answers that CGC may provide in response to the CP AD discovery will be provided subject to, and without waiver of, this objection.

10. In the conduct of its business over time, CGC creates documents that may be stored in numerous locations and moved from site to site as employees change jobs or as the business has been transferred to new ownership or otherwise reorganized, new management installed, or other regulatory and business requirements and practices have been established. Therefore, it is possible

that not every document has been identified in response to these requests. CGC has in good faith conducted a reasonable and diligent search of records that are reasonably expected to contain the requested information. To the extent that the CP AD discovery purports to require more, CGC objects on the grounds that compliance would impose an undue burden or expense.

11. At this time, none of the requested information sought by this First Request involves confidential information. However, at such time as the CAU may seek to obtain such confidential information, CGC reserves its rights to protect such confidential information by producing it only pursuant to the appropriate protective order of the Commission.

RESPONSES TO DISCOVERY REQUESTS

(Begin on Next Page)

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

CAU-1-01 Request:

If the Commission determined that Income Tax Expense savings for the period January 1, 2018 through October 1, 2018 should be based upon results from the most previous rate case, does the Company agree with the Consumer Advocate's methodology found on Table 6 in the *Pre-filed Direct Testimony of David N. Dittmore* in Docket No. 18-00017, notwithstanding that the calculation ends in September rather than October? If not, provide a comprehensive explanation supporting an alternative calculation given the use of prior rate case data.

CGC Response:

Prior to the 2018 rate case, Chattanooga Gas Company's rates were last set in 2010. The Company's approach of using current period earnings before taxes to calculate the income tax expense savings is the best approach in determining income tax expense savings as it properly reflects the additional capital investments made at Chattanooga Gas Company between 2011 and 2018 and increases in revenues and expenses.

However, if the Commission determined that income tax expense savings for the period January 1, 2018 through October 1, 2018 should be based upon results from the most recent previous rate case, the Company agrees that the Consumer Advocate's methodology for computing and allocating income tax expense savings, as provided on Table 6 in the *Pre-filed Direct Testimony of David N. Dittmore*, is a reasonable approach.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

CAU-1-02 Request:

Provide a copy of Exhibits GT-1 and GT-2 in Microsoft Excel format, with cell references intact.

CGC Response:

See 2019-10-11 CGC Response CAU-1-2a Attachment and 2019-10-11 CGC Response CAU-1-2b Attachment the for Excel versions of GT-1 and GT-2 respectively.

2019-10-11 CGC Response CAU-1-2a Attachment and 2019-10-11 CGC Response CAU-1-2b Attachment have been revised from the original Gary Tucker Exhibits GT-1 and GT-2 to reflect the removal of the State EDIT amortization and impacts to the Federal Offset. Please see the Company's response to CAU-1-11 for a further discussion of the correction and the supporting work papers.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

CAU-1-03 Request:

Provide a copy of the underlying workpapers and supporting schedules for the a) Exhibit GT-1 and b) Exhibit GT-2.

Response:

Please see 2019-10-11 CGC Response CAU-1-03 Attachment for the underlying workpapers for Exhibit GT-2. Please see the Company's response to CAU-1-11 for the underlying workpapers for Exhibit GT-1.

Please note, there has been a correction to Exhibit GT-1 which has been provided in the Company's response to CAU-1-02. A discussion of the correction and work papers supporting the correction is provided in the Company's response to CAU-1-11.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY

Docket No. 18-00035

Consumer Advocate Unit (CAU)

Data Request Set: CAU-1

CAU-1-04 Request:

Confirm that the Company believes it should retain (not refund) the amortized amounts of excess ADIT for the period January 1, 2018 – October 31, 2018.

CGC Response:

Confirmed. The Company has deferred the amortized excess ADITs recorded for the period January 1, 2018 – October 31, 2018 and has proposed to retain those deferred tax savings as discussed in the *Pre-filed Direct Testimony of Gary A. Tucker*.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

CAU-1-05 Request:

Provide the TPUC Order, or any other guidance relied upon by CGC, which supports the amortization of excess ADIT effective on January 1, 2018.

CGC Response:

For the period January 1, 2018 through October 31, 2018, the impacts of excess ADIT amortization were deferred to a regulatory liability. The deferral of excess ADIT amortization was performed as directed by the Commission in Docket No. 18-00001.

The Company recorded excess ADIT amortization beginning January 1, 2018 through its tax accounting software, Powertax. The same month the excess ADIT amortization was recorded, a corresponding entry was made to reverse the impacts of the excess ADIT amortization and defer the tax savings to a regulatory liability account.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

CAU-1-06 Request:

Does the Company acknowledge that the Commission has the authority to determine the appropriate accounting and ratemaking treatment associated with excess ADIT amortization occurring prior to the initiation of rates implemented in Docket No. 18-00017?

CGC Response:

In regard to all deferred tax savings resulting from the Tax Cuts and Jobs Act, the Company was directed in Docket No. 18-00001 to submit proposals to “reduce rates or make other ratemaking adjustment to account for the tax benefits resulting from the 2017 Tax Cuts and Jobs Act.” The Company has proposed to retain the tax savings, as discussed in the *Pre-filed Direct Testimony of Gary A. Tucker* and in its compliance filing on March 29, 2018, due to under earnings by the Company.

The Company acknowledges the Commission’s authority and will adhere to their decision on the appropriate accounting and rate making treatment for all tax savings as ultimately directed in Docket No. 18-00035.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

CAU-1-07 Request:

Has CGC reversed the excess ADIT amortization entries it initially recorded for the period January 1, 2018 – October 31, 2018? If so, describe the accounting entry made to reflect the reversal of the amortization.

CGC Response:

No. The Company did not reverse the excess ADIT amortization entries for the period January 1, 2018 – October 31, 2018. The Company recorded entries to defer the ADIT amortization to a regulatory liability account. Please see the Company's response to CAU-1-05 for a description of the entries made to defer the excess ADIT amortization.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY

Docket No. 18-00035

Consumer Advocate Unit (CAU)

Data Request Set: CAU-1

CAU-1-08 Request:

Provide a comprehensive explanation supporting the Company's accounting for excess ADIT, both a) prior to the final Commission Order in Docket No. 18-00017 and b) subsequent to that Final Order.

CGC Response:

For the period January 1, 2018 through October 31, 2018, the impacts of excess ADIT amortization were deferred to a regulatory liability. The deferral of excess ADIT amortization was performed as directed by the Commission in Docket No. 18-00001. Once new rates were effective November 1, 2018, excess ADIT amortization was recorded as a reduction to tax expense.

Amortization of protected excess ADIT is following the average rate assumption method (ARAM). Only depreciation differences are required to be reversed at ARAM under normalization requirements. The Company, however, is also using the ARAM method for book/tax basis differences on utility property. The accounting for protected excess ADIT was not impacted by Docket No. 18-00017.

The Company proposed recording amortization of unprotected ADITs over a five-year period effective January 2018. A five-year amortization was proposed and approved in Docket No. 18-00017. As noted above, the excess ADIT amortized from January through October was deferred to a regulatory liability. The accounting for unprotected excess ADIT was not impacted by Docket No. 18-00017.

Due to the finalization of the 2017 tax return and the removal of pension and OPEB related timing differences from the unprotected EDIT balance, consistent with the Commission's removal of pension and OPEB assets, and associated ADITs, the unprotected EDIT balance has been reduced from \$2,504,975 to \$1,132,788. Amortization of the unprotected EDIT balance for 2018 and 2019 is \$500,995 per year, consistent with unprotected EDIT amortization approved in Docket No. 18-00017. Please see the Company's response to CAU-1-11 for work papers supporting the unprotected EDIT balance of \$1,132,788.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

CAU-1-09 Request:

Provide a Trial Balance for the year ended December 31, 2018, along with any reconciliations necessary to tie the Trial Balance to the unadjusted amounts reflected in Exhibit GT-2.

CGC Response:

Please see the table below for the reconciliation to the filed Exhibit GT-2:

Reconciliation to Filed Exhibit GT-2		
Line No.	Description	12/31/2018 Balance
1	251415 - Other Current Regulatory Liability	(1,637,787)
2	Prorated Deferred EDIT Amortization	(776,337)
3	Tax Gross-Up Factor	135.38%
4	EDIT - Regulatory Liability Balance	(1,051,005)
5	Income Tax Savings Deferral	(430,129)
6	Tax Gross-Up Factor	1.35
7	Income Tax Savings - Regulatory Liability Balance	(582,309)
8	Unreconciled Difference (Line 1 less lines 4 and 7)	(4,473)
Please note, the unreconciled difference will be trued-up pending the outcome of Docket No. 18-00035.		

The above reconciliation is based on the as filed amounts in Exhibit GT-2. The deferred EDIT amortization included in the table above has been revised, please see the Company's response to CAU-1-02 and CAU-1-11 for a discussion of the correction and supporting work papers.

Please see the table below for the reconciliation to revised Exhibit GT-2:

CHATTANOOGA GAS COMPANY
Docket No. 18-00035

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

Reconciliation to Revised Exhibit GT-2 (CAU-1-2)		
		12/31/2018
Line No.	Description	Balance
1	251415 - Other Current Regulatory Liability	(1,637,787)
2	Prorated Deferred EDIT Amortization	(739,326)
3	Tax Gross-Up Factor	135.38%
4	EDIT - Regulatory Liability Balance	(1,000,900)
5	Income Tax Savings Deferral	(430,129)
6	Tax Gross-Up Factor	1.35
7	Income Tax Savings - Regulatory Liability Balance	(582,309)
8	Reduction in Reserved EDIT balance:	(50,105)
9	Unreconciled Difference (Line 1 less lines 4, 7 and 8)	(4,473)
Please note, the unreconciled difference will be trued-up pending the outcome of Docket No. 18-00035.		

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY
Docket No. 18-00035
Impacts to CGC Resulting from the Tax Cuts and Jobs Act

Consumer Advocate Unit (CAU)
Data Request Set: CAU-1

CAU-1-10 Request:

Provide a listing of all book/tax timing differences comprising the balances upon which the amortization is computed on Exhibit GT-1.

CGC Response:

A revised Exhibit GT-1 has been provided in response CAU-1-02. Please see the Company's response to CAU-1-11 for a discussion of the correction and supporting work papers, including the inventory of unprotected and protected EDIT book/tax timing differences.

Contact Person: Gary Tucker

CHATTANOOGA GAS COMPANY

Docket No. 18-00035

Consumer Advocate Unit (CAU)

Data Request Set: CAU-1

CAU-1-11 Request:

Provide a comprehensive reconciliation between the Protected and Unprotected Amortization for 2018 found in the response to CPAD 1-157a provided as a discovery response in 18-00017 with the amortization amounts contained in Exhibit GT-1.

CGC Response:

Please see 2019-10-11 CGC Response CAU-1-11 Attachment for a reconciliation of the protected and unprotected amortization provided in discovery in Docket Number 18-00017 and the amounts contained in Exhibit GT-1. The finalized amounts per Docket Number 18-00017 were provided in response to CPAD 1-374. Column 1 of CAU-1-11 Attachment provides the amounts filed in Exhibit GT-1, column 2 provides corrected amounts for Exhibit GT-1 and column 3 provides the amounts as filed in CPAD 1-374. The corrected amortization of Exhibit GT-1 is \$386,196 versus the original filed amount of \$430,609. The correction is due to the removal of a state component, net of federal benefit, of excess deferred income taxes (EDIT) that was recorded on the books and records of CGC during 2018 in error and therefore included in Exhibit GT-1. In addition, the amortization of the protected EDIT was updated from the amounts included in Docket Number 18-00017 to include the 2017 tax return to book tax provision true up amounts and actual data through October 2018.

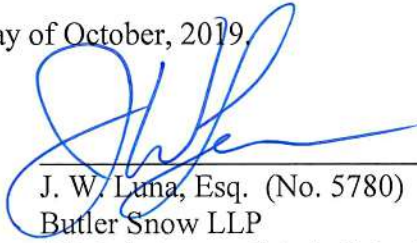
Please see the Company's response to CAU-1-02 for a revised Exhibit GT-1 incorporating the changes noted above.

The Excel workbook 2019-10-11 CGC Response CAU-1-11 Attachment provides support for the revised protected amortization. Tab CAU-1-11 provides a comparison of the amortization of the protected and unprotected between the original GT-1, the correction adjustments, and the rate case numbers. Tab CAU-1-11a provides a summary of the amortization amounts and balances. Tabs CAU-1-11b and c provide details of balances for 2017 and 2018, respectively. Tab CAU-1-11d provides the amortization amounts for 2018.

Tab CAU-1-11e provides the unprotected EDIT timing differences and finalized 2017 unprotected EDIT balance. The finalized 2017 unprotected EDIT balance reflects the finalization of the 2017 tax return and the removal of pension and OPEB related timing differences from the unprotected EDIT balance, consistent with the Commission's removal of pension and OPEB assets, and associated ADITs in Docket No. 18-00017.

Contact Person: Gary Tucker

Respectfully submitted this 14th day of October, 2019.



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CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing Responses and Objections to the Consumer Advocate's First Discovery Requests were forwarded via electronic mail on Friday, October 11, 2019 to:

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