

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE:	)	
	)	
CHATTANOOGA GAS COMPANY	)	
PETITION TO OPT INTO AN	)	DOCKET NO. 19-00047
ANNUAL REVIEW OF RATES	)	
MECHANISM PURSUANT TO	)	
TENN. CODE ANN. § 65-5-103(d)(6)	)	

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STIPULATION AND SETTLEMENT AGREEMENT BY AND AMONG  
CHATTANOOGA GAS COMPANY,  
THE CONSUMER ADVOCATE UNIT OF THE ATTORNEY GENERAL,  
THE CHATTANOOGA REGIONAL MANUFACTURERS ASSOCIATION, AND  
PARTY STAFF

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Chattanooga Gas Company (“Company” or “CGC”), the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General (“Consumer Advocate”), the Chattanooga Regional Manufacturers Association (“CRMA”), and Tennessee Public Utility Commission Party Staff (“Party Staff”), constituting all of the parties of record to the above-captioned docket (hereinafter, individually “Party” and collectively “Parties”) and in full and complete settlement of the matters at issue in this proceeding, do hereby jointly submit to the Tennessee Public Utility Commission (“Commission” or “TPUC”) for its approval this Stipulation and Settlement Agreement, along with its supporting exhibits, reflecting the following stipulations and agreement of the Parties:

**I. BACKGROUND**

1. CGC is incorporated under the laws of the State of Tennessee and is engaged in the business of transporting, distributing, and selling natural gas in the greater Chattanooga and Cleveland, Tennessee areas within Hamilton and Bradley Counties. CGC is a wholly owned

subsidiary of Southern Company Gas (“SGC”), a natural gas holding company that is the parent company of several regulated natural gas utilities in addition to CGC. CGC’s principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

2. CGC is a public utility pursuant to the laws of the State of Tennessee, and its public utility operations, including its rates, terms, and conditions of service, are subject to the jurisdiction of this Commission.

3. On April 15, 2019, CGC initiated these proceedings by filing its Petition To Opt Into An Annual Review Of Rates Mechanism (“Petition”). CGC avers that its Petition is based upon its 2018 general rate case in Docket No. 18-00017 and the January 15, 2019 final Amended Order (“2019 Rate Case Order”) and the rate making methodology approved therein and which CGC identified within Gary Tucker Exhibit GAT-1 filed in this Docket. In its Petition, CGC sought the Commission’s approval of its request to opt into an alternative regulatory method as authorized by Tennessee Code Annotated Section 65-5-103(d)(1)(A), specifically an annual review of rates authorized by Tennessee Code Annotated Section 65-5-103(d)(6), with CGC’s specific annual rate review mechanism referred to therein as the CGC “Annual Review Mechanism” or “ARM.” In support of its Petition and ARM proposal, CGC filed the direct testimony and supporting exhibits of its witnesses, Mr. Archie Hickerson and Mr. Gary Tucker.

4. Pursuant to Tenn. Rules and Regs. 1220-1-2-.21, on April 23, 2019, the following employees of the Tennessee Public Utility Commission were designated by Commission General Counsel Kelly Cashman-Grams as participants in this Docket as Party Staff: Ryan McGehee, David Foster, and Joe Shirley.

5. On May 7, 2019, the Consumer Advocate filed an unopposed Petition to Intervene in this proceeding, which was granted by the Commission’s May 21, 2019 Order Granting the

Petition to Intervene Filed by the Consumer Advocate.

6. On May 10, 2017, the CRMA filed its unopposed Petition for Leave to Intervene, which was granted by the Commission's May 21, 2019, Order Granting The Petition To Intervene Filed By The Chattanooga Regional Manufacturers Association.

7. On April 24, 2019, CGC, Party Staff, and the Consumer Advocate filed a Joint Proposed Procedural Schedule; CRMA did not participate in this joint filing as it had not yet petitioned to intervene, nor was it known that CRMA intended to intervene. On May 22, 2019, the Hearing Officer in this matter issued the Order Establishing Procedural Schedule ("Procedural Order") approving the proposed procedural schedule of the Parties; CRMA did not oppose the schedule set forth in the Procedural Order.

8. Pursuant to the agreement of the Parties and later the approved Procedural Order, the Consumer Advocate and Party Staff served discovery upon CGC that CGC timely responded to. In addition to the formal discovery process, on May 21, 2019, CGC met with the other Parties to discuss its proposed ARM, whereby Mr. Hickerson explained the salient features of its ARM and how an ARM may work as proposed, and he answered questions from representatives of the other Parties.

9. Following the discovery process, and prior to the filing date of any intervenor party testimony, the Parties met in person on June 12, 2019, and communicated subsequently thereafter by email and phone calls to determine whether a settlement of issues may be possible. These substantive discussions reviewed specific concerns with certain aspects of CGC's proposed ARM as well as any differences in their respective positions and whether it would be possible to resolve those concerns and differences and reach a settlement of all or most all matters to be decided in this proceeding.

10. As a result of these discussions, the Parties have reached a proposed resolution of all matters in this Docket, which they now jointly recommend to the Commission for its approval as set forth herein.

## **II. STIPULATION AND SETTLEMENT TERMS**

11. In settlement of all issues in this Docket, CGC, the Consumer Advocate, CRMA, and Party Staff, through their authorized representatives, do hereby stipulate and agree as set forth in the following paragraphs.

12. CGC's ARM proposal as set forth in its Petition should be approved by the Commission as filed but with the following clarifications and modifications incorporated therein as hereby agreed to by the Parties. Exhibit A to this Stipulation and Settlement Agreement provides an updated CGC ARM plan that was originally submitted as Archie Hickerson's Exhibit ARH-1 and which has been updated to reflect the changes and agreement of the parties. Specific changes agreed to by the Parties are as follows:

- a. Capital Structure and Cost of Capital. The authorized rate of return will be computed based on the capital structure adopted in Docket No. 18-00017 consisting of 6.30% Short-Term Debt, 44.47% Long-Term Debt, and 49.23% Equity. The cost of Short-Term and Long-Term Debt, respectively 3.01% and 4.73%, will be fixed at the rates assumed in the last general rate case, Docket No. 18-00017, and the Return on Equity will be fixed at 9.8% as approved by the Commission.
- b. AGL Services Company ("AGSC") Allocations. For purposes of the 2019 annual filing, AGSC costs will be assigned using standard ratemaking cost allocation principles. In future annual filings subsequent to the 2019 annual filing, AGSC

costs will be assigned consistent with a Cost Allocation Manual, as discussed in more detail in Paragraph 18. Any party to a subsequent annual rate review proceeding may seek such relevant discovery regarding CGC's services company allocations in order to reasonably ensure that the services company expenses allocated to CGC are reasonable and appropriate.

- c. Other Taxes. CGC shall make corresponding adjustments to other taxes as necessitated by regulatory adjustments. Regulatory adjustments will be made consistent with the 2019 Rate Case Order and with Docket No. 18-00035, Chattanooga Gas Company Compliance Filing and Report.
- d. Rate Base. As set forth in the Petition, CGC shall use a historic 13-month average rate base. However, all rate base additions must be prudently incurred, and any party to any subsequent annual review proceedings may challenge whether one or more rate base additions were prudently incurred. No provision herein is intended to impact the jurisdiction and regulatory authority of the Commission to exclude any rate base addition that was not prudently incurred, not used and useful, or is otherwise unreasonable.
- e. Allocated Net Plant and ADIT. CGC shall include the historic 13-month average allocated net plant and ADIT.
- f. Revenue Conversion Factor. CGC's revenue conversion factor shall be 1.347169, as set forth in the 2019 Rate Case Order, subject to known, measurable, and proven changes. Any Party seeking to change the Revenue Conversion Factor approved in the 2019 Rate Case Order bears the burden of proof for such change.
- g. Rates and Rate Design. In its annual rate filing, CGC shall make a proposal for

how to allocate any revenue excess/deficiency among CGC's rate classes and the specific rate design for how rates are to be decreased/increased for each class. Any intervenor party may make its own proposal for how the revenue excess/deficiency should be allocated to the classes and the rate design for any decrease/increase in rates should be accomplished in the rate reset. Based upon a final determination that rates need to be decreased/increased, the Commission shall order such decrease/increase in rates based upon the proposals of the parties or such other rate allocation and rate design decision as it may find to be in the public interest.

- h. Depreciation Expense. Depreciation expenses for the rate reset calculation shall be based on the December 31 end-of-period plant balances. As appropriate, depreciation expense may be normalized, with the basis for such normalization documented.
- i. Capitalized Incentive Compensation. Those portions of capitalized incentive compensation excluded in the 2019 Rate Case Order shall also be excluded in the same manner in the Company's annual filing per the 2019 Rate Case Order.
- j. Operations and Maintenance ("O&M"). In providing its O&M costs per its books and records, the Company shall also provide O&M mapping of its accounts to the corresponding FERC accounts.
- k. Annual Rate Review Filing Schedules. Attached hereto, and incorporated herein as Exhibit B to this Stipulation and Settlement Agreement, is a listing of the supporting schedules and documentation CGC shall file with each annual review filing as well as an identification as to which are filed electronically and/or paper. The information identified below, and included within the Exhibit B listing, are

components of the initial information to be supplied by the Company as part of its ARM filing. References are to Schedules identified within Exhibit B.

- i. Current version of its Cost Allocation Manual (Schedule 32).
- ii. Copies of any affiliate agreements which impact the revenue requirement of the Company (Incorporate within Schedule 32).
- iii. Monthly General Ledger Data of CGC, AGSC, and SCG for the Historic Base Period, identifying costs by department/cost center (Schedule 21).
- iv. Trial Balance of CGC and AGSC effective December 31<sup>st</sup> of the Historic Base Period (Schedule 21.1).
- v. Copies of all workpapers relied upon or prepared by CGC in the preparation of its ARM filing (Schedule 35).
- vi. List of accounts and corresponding descriptions used by CGC and AGSC within its General Ledger and Trial Balance (Schedule 32).
- vii. Capital Budget of CGC for the year subsequent to the Historic Base Period and Operating Budget identifying operating revenues (CGC) and expenses (CGC and AGSC). Such information for CGC shall include all budgeted expenses, including those allocated from an affiliate (Schedule 30).
- viii. Corporate organizational chart of the Southern Company (Schedule 33).
- ix. The current departmental chart of AGSC listing all departments as of December 31<sup>st</sup> of the Historic Base Period (Schedule 32).
- x. The current departmental chart of CGC, identifying job titles of those employees leading departments as of December 31<sup>st</sup> of the Historic Base Period (Schedule 36).

- xi. The distribution of labor for CGC by FERC Account (Schedule 32).
  - xii. Identification and explanation of any amount(s) reflected on the books of CGC, either directly recorded or allocation which are recorded pursuant to ASC 450 Accounting for Contingencies, limited to costs recorded on the books of CGC in excess of \$25,000 (Schedule 37).
  - xiii. An identification and explanation of the impact of any new accounting pronouncement implemented within the Historic Base Period (Schedule 38).
  - xiv. A copy of the pension/OPEB actuarial reports covering results associated with CGC and AGSC employees for the Historic Base Period (Schedule 34).
  - xv. Identification of any year-end accruals for outside services for CGC, including allocated costs from AGSC in excess of \$25,000 during the Historic Base Period. This schedule shall include a complete explanation of the nature of the service(s) provided by the vendor (Schedule 31).
- 1. Rate Reset. For purposes of resetting rates, the prior years' rate requirement rate reset shall be annualized. Such annualization shall not be incorporated within the calculation of the revenue deficiency/excess.

13. Financial Information. CGC shall base its annual rate review filing on the books and records of CGC as those accounts are kept in the normal course of business, since this provides greater detail than what is captured in the FERC accounting requirements. However, CGC shall also provide its financial information based upon the FERC Uniform Systems of Accounts.

14. Material Changes. CGC or any party to an annual rate review may identify and



document material one-time, non-recurring items that impact operating income or costs, or normalize Historic Base Period results that are not expected to be recurring at Historic Base Period levels, and, as appropriate, propose to adjust such items out of the rate reset calculation.

15. CGC Annual Rate Review Filing. In presenting the Commission with its annual review of rates filing, CGC shall file a Petition summarizing its request and the applicable background information, supporting testimony, applicable schedules, and other documentation more particularly identified in Exhibits A and B to this Stipulation and Settlement Agreement. CGC shall file electronic copies of all documentation supporting its annual rate review case, but CGC shall also file five sets of paper copies of its petition, testimony and supporting witness exhibits, the main workbook schedules that are not too voluminous, and any other documentation required by the Commission. CGC's first annual filing shall be filed on or about April 20, 2020, in anticipation of a final decision no later than August 2020, so new rates can take effect September 1, 2020.

16. Changes in Law or Facts and Circumstances. While adhering to the applicable rate-making methodology from the Company's last rate case, changes in law, circumstances, and/or facts may require modification to the Company's annual rate review. The Parties agree that if a party to a subsequent annual rate review believes that there is a change in law or changed facts or circumstances that merit implementation, such party may advocate for such a change as follows:

- a. Any party to an annual rate review proceeding, including, but not limited to, CGC, the Consumer Advocate, Party Staff, or another intervenor, may propose one or more prospective changes to CGC's ARM Plan as approved in this Docket and as may hereinafter be in effect.
- b. For each change from the status quo treatment proposed by a party, the party

proposing each change bears the burden of proof in demonstrating that its proposed prospective change is appropriate, necessary, consistent with applicable statutes and regulations, and in the public interest.

- c. In each year's annual rate review docket for CGC, the Commission retains the jurisdiction to approve, modify, or deny proposed changes to CGC's ARM that are made by a party.
- d. The Commission retains its authority to prospectively implement changes to CGC's then-existing ARM Plan that are appropriate, necessary, consistent with applicable statutes and regulations, and in the public interest, whether proposed by a party or on its own motion. If the Commission proposes a prospective change, CGC and the parties to that proceeding shall have the opportunity to substantively address such proposed changes as is required by due process and Tennessee law either in the annual rate review docket or a separate proceeding.
- e. The provisions of this Paragraph 16 do not apply to the rate design to be used as a part of the rate reset in each year's annual review of rates. As set forth in Paragraph 12(g) above, parties to that proceeding may each make their own rate class allocations and rate design proposals for how any decrease/increase in rates should be accomplished as a part of the rate reset.
- f. No provision herein shall impact the Commission's regulatory supervision authority and enforcement jurisdiction, including the application of the burden of proof in show-cause proceedings; nor is any member of the Commission Staff required to intervene and act as Party Staff in any subsequent docket that may result in a change to the Company's ARM. The Parties further agree that any

member of the Party Staff in the current docket may serve the Commission in an advisory capacity in subsequent ARM dockets.

17. Docket No. 19-00047 ARM Costs. CGC shall treat the costs it has incurred in Docket No. 19-00047 like a rate case expense and shall amortize such expenses over a three-year period. The three-year amortization period for CGC's ARM Docket costs shall begin on September 1, 2020, coinciding with the first annual rate reset.

18. CGC Services Company Allocations and the CGC Cost Allocation Manual ("CAM"). The Consumer Advocate, both in this proceeding and in CGC's most recent rate case in Docket No. 18-00017, has sought greater understanding of the services company allocations to CGC and has requested that CGC implement a CAM to supplement the Company's services agreement. At the Hearing on the merits in Docket No. 18-00017, CGC committed to develop a CAM based upon the recommendations of the Consumer Advocate and the Company's own experience. Tennessee statutes do not mandate a CAM by utilities, nor is there a statutory requirement that a CAM be implemented as a prerequisite to a utility opting into an annual rate review proceeding. CGC has represented to the parties in this proceeding that work on the CAM has been and is underway, and that it shall be completed prior to the end of 2019. CGC further commits that as a part of the process of developing its CAM, member(s) of the Commission Staff and any interested parties will meet in person with appropriate Company personnel at a mutually agreeable time in Atlanta, Georgia, to better understand the services company allocation process used by CGC as well as to review CGC's draft CAM, which shall be provided at least seven days prior to the meeting. Once the CAM is completed, CGC shall utilize and incorporate the CAM in its subsequent annual rate review proceedings, and the Company shall provide such supporting documentation with respect to the CAM. The filing and use of the CAM by the Company shall

not impact the regulatory authority and jurisdiction of the Commission to review the reasonableness of the Company's service company allocations.

19. The Consumer Advocate has entered into this Settlement Agreement based upon the following representations by Chattanooga Gas Company: The Consumer Advocate's concerns with its belief in the lack of written procedures by which the Company's affiliates allocate costs to the Company are well-documented. During the technical hearing in Docket No. 18-00017 in response to the testimony of the Consumer Advocate, the Company stated that it agreed to prepare and submit a CAM to the Commission and the Consumer Advocate. To date the submission of the CAM has not occurred. The Consumer Advocate does not believe any specific methodologies related to cost allocation methods or procedures have been approved for purposes of identification of such costs within an ARM. The Consumer Advocate enters into this Agreement in good faith based upon the representation that a CAM will be prepared and submitted to the Consumer Advocate for review. Further the Company agrees not to object to any reasonable request for information issued by the Consumer Advocate in its effort to assess the reasonableness and accuracy of affiliate transactions in future ARM dockets. Further, the Consumer Advocate enters into this Agreement with the understanding that the methods identified in the CAM will be consistent with standard cost allocation principles. Costs that are incurred for the exclusive benefit of an AGSC or SCS affiliate shall be charged to that entity.

20. Discovery. In annual filings, CGC shall not object to reasonable discovery requests, including, but not limited to, requests for financial information for the purpose of determining whether the level of service company cost allocations, or the lack of cost allocations, to affiliates is reasonable, subject, as appropriate, to a protective order of the Commission governing access to and use of confidential information. The Consumer Advocate and any party

to a subsequent annual rate review proceeding may conduct such relevant discovery into, among other things, issues concerning the ongoing public interest of CGC's ARM, the appropriate methodology for CGC's ARM, and costs allocated to CGC in order to review the appropriateness of any proposed decrease/increase in rates.

21. The Company agrees to continue to provide a copy of its Operating Metric results, as referenced in the Direct Testimony of Archie Hickerson in this Docket, to the Consumer Advocate on a monthly basis, simultaneous with the submission of such information to the Commission.

22. CGC's annual review of rates filing shall include the official CGC budget for the current year in which the filing is made. A corporate officer shall attest or affirm that the budget included with the filing is the same budget used within the overall Southern Company forecasted earnings supplied to investors, subject to any noted exceptions or exclusions, which shall be highlighted and described by CGC in detail. This budget is not to be used in the determination of the Historic Base Period revenue requirement deficiency or excess. Rates subject to the annual rate reset shall be based upon the review of the historic information as set forth in CGC's Petition, subject to reflecting known and measurable materials changes referenced in Paragraph 14.

23. Nothing in this Settlement Agreement is intended to limit or reduce the Consumer Advocate's statutory authority or duties under Tennessee Code Annotated Section 65-4-118(b), which includes the right, in its sole discretion, to file a petition asking the Commission to initiate a proceeding for CGC to show cause why its ARM should not be terminated or modified or for the Commission to take any other action within the scope of Tennessee Code Annotated Section 65-5-103(d)(6). CGC agrees not to oppose the Consumer Advocate's petition filed as set forth in this Section on the grounds that such a proceeding is not statutorily authorized or that the Consumer

Advocate is not authorized to bring such a proceeding; provided, however, that CGC retains its rights to oppose the merits of any termination, modification, or such other relief as the Consumer Advocate may request or any position that the Consumer Advocate may assert in such proceeding.

24. Upon approval of CGC's Petition as modified by this Stipulation and Settlement Agreement, in any annual rate review proceeding, CGC shall not oppose intervention by the Consumer Advocate or CRMA.

25. Any Party to this Stipulation and Settlement Agreement may provide written or oral testimony and other appropriate documentation to the Commission in support of the approval of this Stipulation and Settlement Agreement.

26. The Parties agree to support this Stipulation and Settlement Agreement before the Commission and in any hearing, proposed order, or brief conducted or filed in this proceeding. The resolution of issues reflected herein is the result of give and take negotiations between the Parties and does not necessarily reflect the position of any single Party on any discrete issue. None of the signatories hereto shall be deemed to have acquiesced in any ratemaking or procedural principle, including without limitation, any cost of service determination or cost allocation or revenue-related methodology, and none of the Parties waives its right to take other positions with respect to matters similar to those settled herein in future proceedings before the Commission. This Stipulation and Settlement Agreement shall not have any precedential effect in any future proceeding or be binding upon any of the Parties in this or any other jurisdiction, except to the extent necessary to implement the provisions hereof and as expressly contemplated herein.

27. The provisions of this Stipulation and Settlement Agreement are reached in compromise and settlement and solely for the purpose of resolving this Docket without the need for further litigation.

28. The Parties shall jointly request such necessary modifications in the procedural schedule so as to facilitate the orderly and competent presentation of this Stipulation and Settlement Agreement to the Commission. However, such scheduling modifications shall be done in a manner as to not change the anticipated August 12, 2019, consideration and determination date by the Commission.

29. In the event that the Commission does not approve this Stipulation and Settlement Agreement in its entirety, each of the signatories to this Stipulation and Settlement Agreement will retain the right to terminate this Stipulation and Settlement Agreement by written notice to the Commission and other Party within fifteen (15) business days of the issuance of an order by the Commission not approving this Stipulation and Settlement Agreement in its entirety. Should this Stipulation and Settlement Agreement terminate, it would be considered void and have no binding or precedential effect, and the signatories to this Stipulation and Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms and conditions of this Stipulation and Settlement Agreement.

30. The provisions of this Stipulation and Settlement Agreement are not severable.

31. By agreeing to this Stipulation and Settlement Agreement, no Party waives any right to continue litigating this matter should the Stipulation and Settlement Agreement be rejected by the Commission in whole or in part.

32. No provision of this Stipulation and Settlement Agreement shall be deemed an admission of any Party in any proceeding.

33. The provisions of this Stipulation and Settlement Agreement do not necessarily reflect the positions asserted by any Party, and no Party waives the right to assert any position in this Docket, or in any future proceeding, except as expressly stipulated and agreed herein.

34. The acceptance of this Stipulation and Settlement Agreement by any Party shall not be deemed approval by that Party of any of the Company's practices.

35. This Stipulation and Settlement Agreement may only be enforced by any of the Parties or the Commission.

36. The acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of CGC's acts or practices.

37. Each Party's agreement to this Stipulation and Settlement Agreement is expressly premised upon the truthfulness, accuracy, and completeness of the information provided by the Company to the Parties throughout the course of this docket, which information was relied upon by the Parties in negotiating and agreeing to the terms and conditions of this Stipulation and Settlement Agreement.

38. This Stipulation and Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, notwithstanding the conflict of law provisions thereof.

39. The Parties agree that this Stipulation and Settlement Agreement constitutes the complete understanding between the Parties concerning the resolution of issues and matters under this Docket No. 19-00047, and any oral statements, representations, or agreements concerning such issues and matters made prior to the execution of this Stipulation and Settlement Agreement have been merged into this Stipulation and Settlement Agreement.

40. Each signatory to this Stipulation and Settlement Agreement represents and warrants that it/he/she has informed, advised, and otherwise consulted with the Party for whom it/he/she signs regarding the contents and significance of this Stipulation and Settlement Agreement and has obtained the requisite authority to sign on behalf of such Party, and based upon those communications, each signatory represents and warrants that it/he/she is authorized to

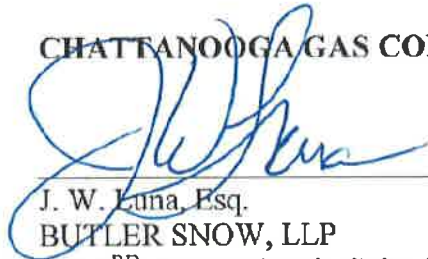


execute this Stipulation and Settlement Agreement on behalf of its/his/her respective Party.

41. The Parties agree that this Stipulation and Settlement Agreement may be executed in multiple counterparts and by copies provided by facsimile or in an electronic document format.

The foregoing is agreed and stipulated, this 26<sup>th</sup> day of July, 2019.

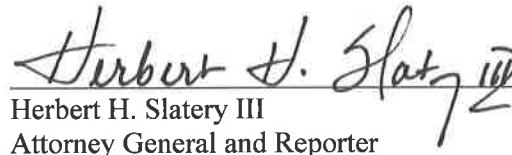
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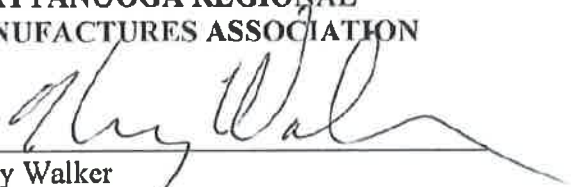


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## **Chattanooga Gas Company Annual Review Mechanism ("ARM")**

### **Applicable**

To all gas sold and/or transported under tariff services, excluding approved special contracts.

### **Purpose**

This Annual Review Mechanism ("ARM") is implemented under the provisions of Tennessee Code Annotated Section 65-5-103(d)(6), which authorizes the Company to opt for an annual review of the Company's rates. Pursuant to this ARM and the annual filings described herein, the Company's tariff rates (excluding approved special contract rates) shall be adjusted to provide that the Company earns the Authorized Return on Equity. The rate adjustments implemented under this mechanism will reflect changes in the Company's jurisdictional revenues, cost of service, and rate base. Jurisdictional revenues and expenses exclude Asset Management Agreement revenues, revenue and the related cost of off-system sales of Liquid Natural Gas ("LNG"), and other non-jurisdictional transactions as determined by the Commission. The ARM may be terminated or modified as provided under Tennessee Code Annotated Section 65-5-103(d)(6)(D).

### **Definitions**

- A) **Annual ARM Rate Effective Date** shall be the date the rate and rate adjustments established in the Annual ARM proceeding are effective. The Annual ARM Rate Effective Date shall be September 1 each year.
- B) **Annual Filing Date** shall be the date the Company will make its annual ARM filing with the Tennessee Public Utility Commission. The Annual Filing Date shall be no later than April 20 of each year.
- C) **Annual Reconciliation Balance** is the sum of the Historic Base Period Earning Deficiency or Excess and the carrying charges from the mid-point to the end of the Historic Base Period multiplied by the Income Tax Gross-Up factor.
- D) **Annual True-Up Revenue Requirement Rate Adjustment (True-Up Rate Adjustments or Annual Rate Reset)** is the rate adjustment necessary to allow the Company to recover or credit to the customers the Historic Base Period earning deficiency or excess respectively and earn its Authorized Return on Equity on a going forward basis.

**The Annual True-Up Revenue Requirement Rate Adjustment Annual Rate Reset** shall be based on the Historic Base Period revenues, expenses, and rate base with the following adjustments:

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

1. Sales and transportation margin shall be weather normalized based on the weather normalized use per customer for Rate Schedules R-1, R-4, C-1 and C-2 adopted in Docket No. 18-00017 or subsequent general rate case. The revenues for customer served under the following Rate Schedules or combination of Rate Schedules F-1, I-1, T-1, F-1/T-2, F1/T-2/T1, and Special Contracts shall be the actual revenues for the Historic Base Period.
2. "Other Revenues" shall be the average for the Historic Base Period and the previous three (3) years.
3. AFUDC shall be the AFUDC-Debt and the AFUDC-Equity for the Historic Base Period.
4. Uncollectible (Bad Debt) Expense shall be the average for the Historic Base Period and the four (4) previous years.
5. Interest on Customer Deposits shall be the average balance of Customer Deposits included in the Rate Base multiplied by the Customer Deposit interest rate as stated in the Company's tariff.
6. The Historic Base Period rate making Operating Expenses shall be increased to include the recovery of a positive Historic Base Period Annual Reconciliation Balance or reduced to credit a negative Historic Base Period Reconciliation Balance.
7. Depreciation shall be computed on the depreciable plant balances as of December 31 of the Historic Base Period and the Commission approved depreciation rates.
8. Material Changes. CGC may identify and document material one-time, non-recurring items that impact operating income or costs and, as appropriate, propose to adjust such items out of the annual True-Up Rate Adjustment (Annual Rate Reset) calculation. Any party to an annual rate review proceeding may itself identify material one-time, non-recurring items that impact operating income or costs and, as appropriate, propose to adjust such items out of the rate reset calculation.
9. State Excise Tax and Federal Income Tax shall be computed based on the adjusted revenues and expenses, and synchronized interest computed by multiplying the Rate Base by the weighted cost of debt.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

10. The rate base shall be adjusted to include:
    1. The average unamortized balance of the Annual Reconciliation Balance (positive or negative) and the related deferred income tax assuming amortization over twelve (12) months, and
    2. The historic average balance for the Historic Base Period and the previous two years for:
      - i. The Materials and Supplies,
      - ii. Prepayments;
      - iii. Gas Inventory;
      - iv. The Reserves for Uncollectibles (Bad Debt);
      - v. The Reserve for Health Insurance; or
      - vi. As otherwise adjusted by the Commission in a subsequent general rate case.
  11. In the annual ARM filing, CGC shall include a proposal for how to allocate any revenue excess/deficiency among CGC's rate classes and the specific rate design for how rates are to be decreased/increased for each class. Any intervenor party to the annual review proceeding may make its own proposal for how the revenue excess/deficiency should be allocated to the classes and the rate design for any decrease/increase in rates should be accomplished in the Annual Rate Reset. Based upon a final determination that rates need to be decreased/increased, the Commission shall order such decrease/increase in rates based upon the proposals of the parties or such other rate allocation and rate design decision as it may find to be in the public interest
- E) **Approved Methodology** is defined as the methodology adopted by the Commission in Docket No. 18-00017 or in any subsequent general rate case, whichever is more recent, or as otherwise approved by the Commission.
- F) **ARM Regulatory Asset or Regulatory Liability** shall be the Annual Reconciliation Balance and the related deferred income tax. The related deferred income tax is the Annual Reconciliation Balance multiplied by the composite Tennessee Excise and Federal Income Tax rate.
1. The average unamortized balance of the ARM Regulatory Asset or Regulatory Liability and the related Deferred Income Tax for the current Historic Base Period shall be components of the Annual True-Up Rate Adjustment Rate Base assuming amortization uniformly over twelve (12) months.

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- G) **Authorized Overall Rate of Return** will be computed based on the capital structure adopted in Docket No. 18-00017 consisting of 6.30% Short-Term Debt, 44.47% Long-Term Debt, and 49.23% Equity or as adopted by the Commission in a subsequent general rate case. The cost of Short-Term and Long-Term Debt, respectively 3.01% and 4.73%, will be fixed at the rates adopted in Docket No. 18-00017 or as adopted by the Commission in a subsequent general rate case.
- H) **Authorized Return on Equity** is defined as the 9.8% return on equity established in TPUC Docket No. 18-00017, or in any subsequent general rate case, whichever is more recent.
- I) **Earning Deficiency or Excess** shall be the net operating income for the Historic Base Period less the net operating income required to produce the authorized return on equity. The revenues shall be actual jurisdictional revenues for the Historic Base Period, and the jurisdictional expenses shall be adjusted consistent with Docket No. 18-00017:
1. Excluding 50% of the direct and allocated short-term incentive pay,
  2. Excluding 100% of direct and allocated long-term incentive pay,
  3. Excluding 100% of promotional advertising,
  4. Excluding 100% of lobbying expense,
  5. Excluding 100% of Supplemental Executive Retirement Plan (SERP) Expense,
  6. Excluding Pension and Other Post-Employment Benefits computed in accordance with GAAP and including actual contributions,
  7. State Excise Tax and Federal Income Tax shall be computed based on the Historic Base Period revenues, the adjusted expenses, and synchronized interest computed by multiplying the Rate Base by the weighted cost of debt,
- or
8. As otherwise adjusted in a subsequent general rate case.
- J) **Historic Base Period** is defined as the twelve-month period ending December 31 of each year prior to each Annual Filing Date.
- K) **New Matters** refers to any issue, adjustment, and/or ambiguity in or for any account, method of accounting or estimation, or ratemaking topic that would directly or indirectly affect the Annual ARM Filing for which there is no explicit prior determination by the Commission regarding the Company.

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- L) **Operating Income Deficiency or Excess** shall be the amount resulting from subtracting the Historic Base Period operating income for the authorized operating income computed by multiplying the Historic Base Period rate base by the authorized weighted Return on Equity adopted in TPUC Docket No. 18-00017 or subsequent general rate case. The result is an Operating Income Deficiency if the authorized operating income is greater than the Historic Base Period net operating income, and an Operating Income Excess if the authorized operating income is less than the Historic Base Period net operating income.
- M) **Revenue Conversion Factor** is the adjustment factor necessary to translate any excess or deficiency in Net Operating Income NOI into a Revenue Deficiency or Surplus as adopted by the Commission in Docket No. 18-00017 or subsequent general rate case.
- N) **Revenue Deficiency or Excess** shall be the Earning Deficiency for the Historic Base Period multiplied by the Revenue Conversion Factor adopted in TPUC Docket No. 18-00017 or subsequent general rate case.
- O) **Income Tax Gross-Up Factor** is  $1 / (1 - \text{Composite Income Tax Rate})$ . The Composite Income Tax Rate is  $(\text{Tennessee Excise Tax Rate} + (1 - \text{Tennessee Excise Tax Rate}) \times \text{Federal Income Tax Rate})$ .

## Chattanooga Gas Company Annual Review Mechanism ("ARM")

### P) Annual ARM Filing.

On the Annual Filing Date each year, the Company shall file with the Commission schedules and supporting work papers that reflect the actual annual amounts as recorded on the books and records of the Company for the Historic Base Period, the calculation of the Annual Reconciliation Revenue Deficiency/Surplus, and the rates adjustments for the Company to recover or refund the earning deficiency or surplus respectively for the Historic Base Period, and earn its authorized return on equity on a going forward basis. The filing shall include the following Schedules, documents, and information.

<u>Schedule/ Document</u>	<u>Description</u>	<u>Physical Copy Filed</u>	<u>Electronic Copy Filed Excel Format</u>
1	Revenue Deficiency/Excess	Yes	Yes
2	Rate Base	Yes	Yes
2A	Rate Base -13 Month Average- Workpaper	Yes	Yes
2A1	Allocated Plant, Accumulated Depreciation Deferred Income Tax -Workpaper	No	Yes
3	Lead Lag Results	Yes	Yes
4	Working Capital-Expense Lead/Lag	Yes	Yes
4.1	Calculation of Other Operating Expense for Lead Lag	No	Yes
5	Income Statements	Yes	Yes
5.1	Revenue Reconciliation	No	Yes
6	Revenue Summary	Yes	Yes
6.1	Revenue Summary-Margin Reconciliation	No	Yes
6.1A	Department 8100 Income Statement (If there are off-system sales of LNG.)	No	Yes
7	Operating and Maintenance Expense	Yes	Yes
7A	O&M Roll-Up Summary	No	Yes
7B	Administrative and General	No	Yes
7C	Other Distribution and Storage	No	Yes
8	Taxes Other than Income	Yes	Yes
9	Excise and Income Tax	Yes	Yes
10	Income Tax – Proposed Rates	Yes	Yes
11	Rate of Return Summary	Yes	Yes
12	Revenue Conversion Factor	Yes	Yes
13	Margin by Rate Schedule	No	Yes



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14	Depreciation and Amortization Expense-Historic Base Period December 31, Plant Balances	Yes	Yes
14.1	Monthly Summaries of Plant, Plant Additions, Plant Retirements, and Transfers-Historic Base Period	No	Yes
14.2	Monthly Summaries of Accumulated Depreciation, Depreciation Expense, Retirements, Cost of Removal, and Transfers-Historic Base Period	No	Yes
15	Summary Jurisdictional Non-Gas Revenue at Current Rates-Historic Base Period	No	Yes
15.1	Monthly Detailed Margin Review-Historic Base Period		
16.1	Weather Normalized Volumes-Historic Base Period	Yes	Yes
16.1A	Workpaper-Weather Normalized Usage Rate Schedules R-1, R-4, C-1, and C-2 adopted in Docket 18-00017	No	Yes
16.2	Weather Normalized Revenue Rate Schedules R-1, R-4, C-1, and C-2	Yes	Yes
16.3	Weather Normalized Revenue Adjustments Rate Schedules R-1, R-4, C-1, and C-2	Yes	Yes
16.4	Billed Volumes by Rate Schedule-Historic Base Period	No	Yes
17	Proof of Revenue-Proposed Rates	Yes	Yes
17.1	Revenue Increase Allocated to Rate Schedules	Yes	Yes
18	Other Revenue by Month-Historic Base Period	Yes	Yes
19	CGC Income Statement -Historic Base Period (containing formulas to calculate subtotal and totals)	No	Yes
19.1	CGC Income Statement – Historic Base Period Mapped to FERC Accounts	No	Yes
19.2	CGC Income Statement in Hyperion	No	Yes
20	AGSC Income Statement -Historic Base Period (containing formulas to calculate subtotal and totals)	No	Yes
20.1	AGSC Income Statement -Historic Base Period Mapped to FERC Accounts	No	Yes

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21	General Ledger CGC, AGSC, and SCG-Historic Base Period	No	Yes
21.1	CGC Trial Balance-December 31-Historic Base Period	No	Yes
22	Capital Expenditures by Category -Historic Base Period	Yes	Yes
23	Allocated Cost Adjustment	Yes	Yes
23.1	Allocated Cost-Workpaper	No	Yes
24	Lobbying Expense, Charitable Contributions, Social Club Membership -Adjustment	Yes	Yes
24.1	Lobbying Workpaper-Support for Schedule 24		
24.2	Lobbying Workpaper-Dept 1637 Expense		
25	Pension and OPEBs Adjustment	Yes	Yes
26	Advertising Expense-Adjustment	Yes	Yes
26.1	Advertising Expense Workpaper	No	Yes
27	CGC Incentive Compensation Adjustment	Yes	Yes
28	Rate Reset Normalization Adjustments	Yes	Yes
29	Carrying Charge and Historic Base Period Annual Reconciliation Balance	Yes	Yes
30	CGC Budget for year subsequent to Historic Base Period including capital expenditures by category, revenues, and expense (included projected allocated expense).	No	Yes
31	Historic Base Period FERC Form II filed with the Tennessee Public Utility Commission. A copy will be provided to the Consumer Advocate and Other Intervening Party. (Since the report is separately filed with the Commission, a copy will not be included in the ARM filing.)	No	No
32	Cost Allocation Manual ("CAM")	No	Text in PDF format Attachments in Excel format
33	Southern Company Organization Structure	Yes	PDF
34	A copy of the pension/OPEB actuarial reports covering results associated with CGC and service company employees for the Historic Base Period	Yes	PDF

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35	Additional Workpapers as required referenced to applicable schedule	No	Yes
36	Current Departmental Chart of CGC for the Historic Base Period	No	Yes
37	Accounting for Contingencies in excess of \$25,000.	No	Yes
38	The impact of any new Accounting Pronouncement implemented during the Historic Base Period.	No	Yes

**Chattanooga Gas Company  
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**Schedule 1: Annual Reconciliation Revenue Deficiency/Excess.**

For the Historic Base Period show the calculation of the Revenue Deficiency or Surplus computed consistently and using the approved methodologies adopted in Docket No. 18-00017 or subsequent general rate case. The following shall be identified for the Historic Base Period.

Line		Adopted Docket 18- 00017	Prior Year Filing Adopted	Historic Base Period	Historic Base Period Normalized	Annual True- Up Revenue Requirement Rate Adjustment
1	Rate Base-Sch 2					
2	Operating Income - Schedule 5					
3	Earned Return L2/L1					
4	Fair Return Sch					
5	Return Deficiency (Surplus) L4-L3					
6	Operating Income Deficiency L5 X L1					
7	Gross Revenue Conversion Factor					
8	Revenue Deficiency (Surplus) L6 X L7					

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**Schedule 2: Rate Base.**

Line #		Adopted Docket 18- 00017	Prior Year Adopted Average	Historic Base Period a/ 13 Month Average	Adjustment to Remove Prior Year Avg ARM Asset (Liability) and Related Deferred Income Tax and Include Current year ARM Asset (Liability) and Related Deferred Tax and Normalization Adjustments	Annual True- Up Rate Adjustment Rate Base
<b>Additions</b>						
1	Utility Plant in Service					
2	Construction Work in Progress					
3	Materials and Supplies					
4	Prepayments					b/
5	Gas Inventory					b/
6	Deferred Rate Case Expense					b/
7	Working Capital					
8	Unamortized ARM Reconciliation Balance-Asset (Liability)					c/
9	Other Rate Base Components					d/
10	Total Additions (L1:L9)					
<b>Deductions</b>						
11	Accumulated Depreciation					
12	Accumulated Deferred Income Tax					
13	Regulatory Liability-Excess Deferred Income Tax					
14	Deferred Income Tax-ARM Reconciliation Balance					
15	Customer Advance for Construction					
16	Reserve for Uncollectibles					b/
17	Reserve for Health Insurance					b/
18	Other Reserves					b/
19	Customer Deposits					
20	Accrued Interest on Customer Deposits					
21	Total Deductions (L10:L20)					
22	<b>Rate Base L10-L21</b>					

a/ Detailed worksheet, b/Schedule 28, c/Schedule 29, d/ as approved by the Commission

## Chattanooga Gas Company Annual Review Mechanism ("ARM")

### Schedule 2A: Rate Base-13 Month Average Workpaper.

This workpaper shows the monthly balances and the development of the 13-month average of the Rate Base Components included in Schedule 2-Rate Base

### Allocated Plant, Accumulated Depreciation, Deferred Income Tax-Workpaper.

This workpaper supports the allocated plant in service, accumulated depreciation, and deferred income tax included in the in Schedule 2A.

### Schedule 2A1: Allocated Plant, Accumulated Depreciation, Deferred Income Tax-Workpaper.

This workpaper supports the allocated plant in service, accumulated depreciation, and deferred income tax included in the in Schedule 2-Rate Base.

### Schedule 3: Lead -Lag Results.

Line	Item	Docket 18-00017	Prior Year Approved	Historic Base Period
1	Revenue Lag Days (Docket No. 18-00017)	43.79	43.79	43.79
2	Expense Lag (Schedule 4)			
3	Net Lag Days (L1-L2)			
4	Daily Cost of Service (Schedule 4)			
5	Lead Lag Study (L3 X L4)			
6	Less: Average Balance Tax Collections Withheld (Schedule 2 A)			
7	Net Working Capital			

1. Revenue Lag as adopted by the Commission in Docket No. 18-00017 or subsequent general rate case.
2. Expense Lag computed using the expense lag days adopted by the Commission in Docket No. 18-00017 or subsequent general rate case as shown on ARM Schedule 4 Working Capital Expense Lag.
3. Net Lag (Revenue lag less Expense Lag)
4. Daily Cost of Service (Total Cost for the Working Capital Expense Lag Schedule divided by 365.
5. Lead Lag Study (Net Lag multiplied by Daily Cost of Service).
6. Less the average balance of Tax Collections Withheld during the Historic Base Period.
7. Net Working Capital Provided.

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**Schedule 4: Working Capital Expense Lag.**

This Schedule shall show the calculation of the Expense lag computed using the expense amounts for the Historic Base Period and the corresponding Lag Day for those expenses adopted by the Commission in Docket No. 18-00017 or subsequent general rate case.

Line No.	Col A Item	Col B Docket 18-00017	Col C Prior Year Approved	Col D Historic Base Period Amount	Col E Lag Days Most Recent General Rate Case	Col F \$ Days Col D X Col E
<b>Operating and Maintenance Expense</b>						
1	Purchased Gas				40.94	
2	O&M Wages				14.01	
3	Pension Expense				0	
4	Post-Retirement Benefits Other than Pensions Expense				0	
5	Miscellaneous Employee Benefits				4.47	
6	401 K Benefits				12.07	
7	Health/Life Insurance Expense				8.98	
8	Allocated Cost				21.94	
9	Uncollectible				43.79	
10	Other Operating Expense				31.49	
<b>Taxes</b>						
11	Taxes other than Income Tax				171.16	
12	State Excise Income Tax-Current				37.88	
13	State Excise (Income) Tax-Deferred				0	
14	Federal (Income) Tax-Current				37.88	
15	Federal (Income) Tax-Deferred				0	
<b>Other</b>						
16	Depreciation Expense				0	
17	Interest on Customer Deposits				0	
18	Interest Short-Term Debt				(51.36)	
19	Interest Long-Term Debt				45.76	
20	Total Working Capital Requirements [Total L1:L19]					
21	Net Lead (Lag) Days [Col E L20/Col C L20]					
22	Col D -Daily Working Capital Requirement Col D L20/365					
23	Return on Equity					
24	Total Cos of Service					

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**Schedule 4.1 Calculation of Operating Expense for Lead Lag.**

This worksheet shows the calculation of "Other Operating Expense" for use in the computation of the Expense Lag.

Line				Reference
1	Total O&M		\$ XXXXXXXXXXXX	
2	O&M Labor-Payroll	\$ XXXXXXXX		
3	Pension	XXXXXXXXXX		
4	Post-Employment Benefits other than Pension	XXXXXXXXXX		
5	Miscellaneous Employee Benefits	XXXXXXXXXX		
6	401 K Benefits	XXXXXXXXXX		
7	Health/Life Insurance Expense	XXXXXXXXXX		
8	AGL Services Company Allocations	XXXXXXXXXX		
9	Bad Debt Expense (Uncollectible)	XXXXXXXXXX		
10	Total		\$ XXXXXXXXXXXX	
11	Other Operating Expense (L1-L10)		\$ XXXXXXXXXXXX	



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**Schedule 5: Income Statement Historic Base Period.**

This Schedule is the Income Statement for the Historic Base Period with expenses presented in accordance with the methodology adopted by the Commission in Docket No. 18-00017, in a subsequent general rate case, or as otherwise modified by the Commission.

Line		Dkt 18-00017	Prior Yr Adopted	Historic Base Period	Ratemaking Adjustments	Historic Base Period Adjusted	Normalization Adjustments	Adjustments to Exclude Amortization of Prior Year ARM Asset (Liability) and Included Current Year	Annual True-Up Revenue Requirement Rate Adjustment
	Revenue								
1	Gas Sales & Transport a/								
2	Other Revenues b/								
3	AFUDC-Int								
4	AFUDC-Equity								
5	Total Oper Revenue								
	Operating and Maintenance Expense								
6	Purchased Gas								
7	O&M Labor								
8	O&M Non-Labor c/								
9	Total O&M Expense								
	Other Expense								
10	Depreciation								
11	Amortization Prior Yr Earning Deficiency /(Liability)								
12	Interest-Customer Deposits d/								
13	Taxes Other Than Income								
14	State Excise Tax								
15	Federal Income Tax e/								
16	Total Operating Expense e/								
17	Utility Operating Income								

a/ Weather Normalized Sch 16

b/ Normalized Sch 28

d/Avg Customer Deposits Sch 2 X Tariffed Interest Rate 6%

## Chattanooga Gas Company Annual Review Mechanism ("ARM")

### Schedule 5.1-Revenue Reconciliation.

This Schedule shall reconcile the revenue per book for the Historic Base Period with the revenue on Schedule 5.

### Schedule 6: Revenue Summary.

This Schedule shall summarize utility actual and Weather Normalized Revenues for the Historic Base Period and shall include:

Line	Sales & Transportation	Docket 18-00017	Prior Year Adopted	Historic Base Period	Weather Normalized Adj Sch 16.3	Normal Revenues
1	Residential (R-1)					
2	Multi-Family Housing (R-4)					
3	Commercial (C-1)					
4	Commercial (C-2)					
5	Industrial (F-1/T-2)					
6	Industrial (I-1)					
7	Industrial (T-1)					
8	Industrial (T-1/T-2)					
9	Industrial (T-3)					
10	Special Contract					
11	Total Margin					
12	Gas Cost					
13	Total Sales and Transportation					
14	Other Revenues a/					
15	Total Revenue					

a/ Normalized Other Revenues is the Average of the Historic Base Period and previous 3 years.  
Schedule 28.

**Chattanooga Gas Company  
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**Schedule 6.1 Revenue Summary-Margin Reconciliation.**

This Schedule shall provide the reconciliation of the Historic Base Period per books with the Historic Base Period Revenue on Schedule 6.

**Schedule 6.1A: CGC Department 8100 Income Statement.**

This Schedule shall be included if there are off-system sales of Liquid Natural Gas (LNG) during the Historic Base Period.

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Schedule 7: Operating and Maintenance Expense Summary.**

This schedule is a summary of the Operating and Maintenance Expense for the Historic Base Period reported consistently with the methodology adopted by the Commission in Docket No. 18-00017, subsequent general rate case, or as otherwise modified by the Commission. It shall include:

Line		Dkt 18-00017	Prior Year Adopted	Historic Base Period Per Books	Rate Making Adjustments <sup>a/</sup>	Historic Base Period Adjusted
1	Payroll Expense					
2	Pension					
3	Post-Retirement Benefits Other than Pension					
4	Miscellaneous Employee Benefits					
5	Health/Life Insurance					
6	Benefits Capitalized					
7	Fleet Service & Facilities Expense					
8	Outside Services					
9	Bad Debt					
10	Sales and Promotion Expense					
11	Customer Service & Accounting Expense					
12	Administrative & General					
13	Administrative & General Capitalized					
14	Other Distribution & Storage Expense					
15	AGLC Service Allocations					
16	Total Operating and Maintenance Expense					

<sup>a/</sup> Detailed workpapers shall be provided for each rate making adjustment.

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**Schedule 7A: O&M Roll-Up Summary.**

On this Schedule the O&M expense accounts are classified into the categories from Docket 18-00017 as presented on Schedule 7.

**Schedule 7B: Administrative and General.**

On this Schedule show the expense accounts that compose the Administrative and General Expense presented on Schedule 7A.

**Schedule 7C: Other Distribution and Storage.**

On this Schedule show the calculation of the Other Distribution and Storage Expense presented on Schedules 7 and 7A.

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**Schedule 8: Taxes Other than Income Tax.**

This Schedule is a summary of the Taxes Other than Income Tax for the Historic Base Period reported consistently with the methodology adopted by the Commission in Docket No. 18-00017, subsequent general rate case, or as otherwise modified by the Commission. It shall include:

Line	Tax/Fee	Dkt 18-00017	Prior Year Adopted	Historic Base Period Per Books	Ratemaking Adjustments	Adjusted Taxes Other than Income Tax
1	Property Tax					
2	Tennessee Utility Commission Inspection Fee					
3	Payroll Tax					
4	Franchise Tax					
5	Gross Receipt Tax					
6	Allocated & Other Tax					
7	Total Tax Other than Income Tax					



[illegible]

B/Synchronized Interest (Weighted Cost of Debt Sch 1 | Rate of Return X Rate Base Sch 2)

A/ Income Statement Sch 5



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### Schedule 10: Income Statement at Proposed Rates.

This Schedule shows for the Historic Base Period the Income Statement under Current and under Proposed Rates as adjusted for rate making methodology adopted by the Commission in Docket No. 18-00017, a subsequent general rate case, or as otherwise modified by the Commission.

Line		Annual True-Up Revenue Requirement Rate Adjustment Current Rates Schedule 5	Rate Increase (Reduction)	Proposed Rates
	<b>Operating Revenue</b>			
1	Gas Sales and Transportation Revenues			
2	Other Revenues			
3	AFUDC			
4	<b>Total Operating Revenues L1+L2+L3</b>			
	<b>Operating and Maintenance Expense</b>			
5	Purchased Gas Cost			
6	Operating & Maintenance - Labor			
7	Operating & Maintenance – Non-Labor			
8	<b>Total Operating &amp; Maintenance Expense L5+L6+L7</b>			
	<b>Other Expense</b>			
9	Depreciation Expense			
10	Amortization-Current ARM Regulatory Asset/(Liability)			
11	Interest on Customer Deposits			
12	Taxes Other than Income Tax			
13	State Excise Tax			
14	Federal Income Tax			
15	<b>Total Other Expense L9+L10+L11+L12+L13+L14</b>			
16	<b>Total Operating Expense L8+L15</b>			
17	<b>Total Operating Income L4-L16</b>			
18	Rate Base			
19	Return on n Rate Base L17/L18			
20	Authorized Return			
20	<b>Return Deficiency (Surplus) L19-L20</b>			

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### Schedule 11: Capital Structure and Rate of Return Summary.

This Schedule shows the capital structure Adopted in Docket No. 18-00017 or subsequent general rate case, the cost of debt, authorized return on equity, the weighted cost of debt, the weighted cost of equity, the overall rate of return, and the computation of the interest expense and computation of interest on customer deposits:

Line	Class of Capital	Rate Case Capital Structure and Cost Rates
1	Short – Term Debt % of Total Capital	6.30%
2	Long – Term Debt % of Total Capital	44.47%
3	Equity- % of Total Capital	49.23%
	<b>Cost Rate</b>	
4	Short – Term Debt	3.01%
5	Long – Term Debt	4.73%
6	Equity-	9.8%
	<b>Weighted Cost</b>	
7	Short – Term Debt L1 X L4	0.19%
8	Long – Term Debt L2 X L5	2.01%
9	Equity- L3 X L6	4.825%
10	<b>Overall Cost of Capital L7+L8+L9</b>	7.12%
11	Rate Base – Schedule 2	
	<b>Interest Expense</b>	
12	Short Term L7 X L11	
13	Long Term L8 X L11	
14	Total Interest L 12+ L13	
15	Required Net Operating Income L10 X L 11	
16	Customer Deposit-13 Month Average Sch 2	
17	Customer Deposit Interest Rate -Tariff	6%
18	Interest on Customer Deposits	

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 12: Revenue Conversion and Income Tax Gross-up Factors.**

This Schedule shall show the calculation of the Revenue Conversion Factor and shall be the same as that adopted by the Commission in Docket No. 18-00017, a subsequent general rate case, unless otherwise modified by the Commission. The Revenue Conversion Factor is computed as follows:

Line #		Balance
1	Operating Revenue	100%
2	Add: Forfeited Discounts (Late Payments)	<u>0.008796</u>
3	Balance L1+L2	1.008796
4	Uncollectible Ratio	0.003825
5	Uncollectible Adjustment [L4 X L3]	<u>0.003859</u>
6	Balance [L3-L5]	1.004937
7	State Excise Rate	0.065000
8	State Excise Tax Adjustment [L7 X L6]	<u>0.065321</u>
9	Balance [L6-L8]	0.939617
10	Federal Income Tax Rate	0.21000
11	Federal Income Tax Adjustment [L9 X L10]	<u>0.197319</u>
12	Balance [ L9-L11]	0.742298
13	Revenue Conversion Factor [1/L12]	1.347169
	Composite Income Tax Factor	
14	Balance	100%
15	Tennessee Excise Tax	<u>6.50%</u>
16	Balance L14-L15	93.50%
17	Federal Income Tax Rate	<u>21.00%</u>
18	L16 X L17	<u>19.635%</u>
19	Composite Income Tax Rate L 15 + L18	26.135%
20	Income Tax Gross-Up Factor 1/L19	1.35382

### Chattanooga Gas Company Annual Review Mechanism ("ARM")

#### Schedule 13: Margin by Rate Schedule under Current and Proposed Rates.

This Schedule shows for each Rate Schedule the margin under current rates, the margin under proposed rates, the change in the margin, and the percentage changes based the billing determinants for the Historic Base Period (the number of customers, the volumes sold, the volumes transported, the demand determinants)

Line	Rate Schedule	Margin Docket 18-00017	Normalized Margin Current Rates Sch 6	Normalized Margin Proposed Rates Sch 17	Margin Change	% Change
1	Residential (R-1)					
2	Multi-Family Housing (R-4)					
3	Commercial (C-1)					
4	Commercial (C-2)					
5	Industrial (F-1/T-2)					
6	Industrial (I-1)					
7	Industrial (T-1)					
8	Industrial (F-1/T-2/T-1)					
9	Industrial (T-3)					
10	Special Contracts					
11	<b>Total Sales and Transportation</b>					
12	Other Revenues					
13	Total Margin					

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**Schedule 14 Depreciation and Amortization Expense.**

This Schedule shall show the calculation of the depreciation and amortization expense based on the Historic Base Period End of Period Plant investment balances that shall be used in the calculation of the Annual True-Up Revenue Requirement Rate Adjustment.

If the Company performs and files a new depreciation study with the Commission, and the Commission approves new depreciation rates, the Company shall calculate depreciation using the new rates beginning on the effective date of the new rates as approved by the Commission. Detailed workpapers shall be provided supporting the depreciation and amortization expense shall be included in the filing.

**Schedule 14.1: Summary of changes in plant, and accumulated depreciation for the Historic Base Period.**

This Schedule shall show for each month and each plant account:

- a. The beginning plant balance.
- b. The plant additions.
- c. The plant retirements.
- d. The plant transfers.

**Schedule 14.2: Summary of the accumulated depreciation for the Historic Base Period.**

This Schedule shall show for each month and each plan account:

- a. The beginning month accumulated depreciation balance.
- b. The depreciation for the month.
- c. The retirements.
- d. The Cost of Removal.
- e. Accumulated Depreciation transferred.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 15: Summary - Historic Base Period Jurisdictional Non-Gas Revenues - Current Rates.**

This Schedule shall provide for each month of the Historic Base Period the applicable billing determinants, and the revenues for each Rate Schedule per book, and other revenues. The following shall be presented for each Rate Schedule for each month:

- a. Number of Bills.
- b. Customer Charge.
- c. Base Customer Charge Revenue.
- d. Total Usage Volume.
- e. Usage Rate(s).
- f. Total Usage Revenue.
- g. Weather Normalized Adjustment ("WNA") Revenue, for applicable Rate Schedules.
- h. Total Demand Determinants, for applicable Rate Schedules.
- i. Demand Charge, for applicable Rate Schedules.
- j. Total Demand Charge Revenue, for applicable Rate Schedules.
- k. Total Capacity Determinants, for applicable Rate Schedules.
- l. Total Capacity Charge Revenue for applicable Rate Schedules.
- m. Total Revenue.

**Schedule 15.1 Monthly Detailed Margin Review – Historic Base Period.**

This Schedule provides a monthly reconciliation of the margin for each rate schedule with the revenue recorded on the general ledger.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 16.1: Weather Normalized Volume for Historic Base Period.**

This Schedule shows the weather normalized for the Historic Base Period volumes for the Rate Schedules subject to Weather Normalization (Rate Schedules: Residential R-1, Multi-Family R-4, Commercial C-1, and Commercial C-2). The Weather Normalized Volumes for these Rate Schedule shall be computed by multiplying the average number of bills or R-4 units during the Historic Base Period by the average normalized use per bill or unit adopted in Docket No. 18-00017.

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7
Residential R-1		Number of Bills		Average Normalized Use Per Bill a/	(Col 2 X Col 4)	Normalized Usage Col 3 X Col 5
				51.881		
Multi-Family R-4	Number of Winter Units	Number of Summer Units	Average Normalized Use Per Units Winter a/	Average Normalized Use Per Units Summer a/	Normalized Winter Usage	Normalized Summer Usage
				16.94		
Commercial C-1	Number of Winter Bills	Number of Summer Bills	Average Normalized Use Per Bill Winter a/	Average Normalized Use Per Bill Summer a/	Normalized Winter Usage	Normalized Summer Usage
			158.53	22.75		
Commercial C-2	Number Winter Bills	Number Summer Bills	Average Normalized Use Per Bill Winter a/	Average Normalized Use Per Bill Summer a/	Normalized Winter Usage	Normalized Summer Usage
Therms						
0-3,000			361.43	136.73		
3,001-5,000			42.98	16.26		
5,001-15,000			56.13	21.24		
Over 15,000			17.97	6.8		
Total C-2						

a/ Computed from TPUC 1/15/2019 Order Docket 18-00017 Attachment 2. Weather Normalized usage adopted divided by Bills, or Units as applicable.

## Chattanooga Gas Company Annual Review Mechanism ("ARM")

### Schedule 16.2: Weather Normalized Base Revenue- Historic Base Period.

This Schedule shows the weather normalized volumetric base revenues for the Historic Base Period for the Rate Schedules subject to Weather Normalization. (Rate Schedules: Residential R-1, Multi-Family R-4, Commercial C-1, and Commercial C-2).

### Schedule 16.2

#### Weather Normalized Volumetric Revenue for the Historic Base Period Ended December 31

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8
Residential R-1	Normalized Usage Sch 16.1			Volumetric Base Rate		Normalized Volumetric Revenue Col 2 X Col 5	Total Volumetric Revenue Col 6 + Col 7
Multi-Family R-4	Normalized Winter Usage Sch 16.1	Normalized Summer Usage Sch 16.1	Winter Volumetric Rate	Summer Volumetric Rate	Normalized Winter Volumetric Revenue Col 2 X Col 4	Normalized Summer Volumetric Revenue Col 3 X Col 5	Total Volumetric Revenue Col 6 + Col 7
Commercial C-1	Normalized Winter Usage Sch 16.1	Normalized Summer Usage Sch 16.1	Winter Volumetric Rate	Summer Volumetric Rate	Normalized Winter Volumetric Revenue Col 2 X Col 4	Normalized Summer Volumetric Revenue Col 3 X Col 5	Total Volumetric Revenue Col 6 + Col 7
Commercial C-2	Normalized Winter Usage Sch 16.1	Normalized Summer Usage Sch 16.1	Winter Volumetric Rate	Summer Volumetric Rate	Normalized Winter Volumetric Revenue Col 2 X Col 4	Normalized Summer Volumetric Revenue Col 3 X Col 5	Total Volumetric Revenue Col 6 + Col 7
Therms							
0-3,000							
3,001-5,000							
5,001-15,000							
Over 15,000							
Total C-2							



### Chattanooga Gas Company Annual Review Mechanism ("ARM")

#### Schedule 16.3: Weather Normalized Revenue Adjustment for the Historic Base Period.

This Schedule shows the weather normalized adjustment for the Historic Base Period for the Rate Schedules subject to Weather Normalization (Rate Schedules: Residential R-1, Multi-Family R-4, Commercial C -1, and Commercial C-2.)

Line	Col 1	Col 2	Col 3	Col 4
	Residential R-1	Volumetric Base Revenue Historic Base Period	Weather Normalized Base Revenue Sch 16.2	Weather Normalized Adjustment Col 2-Col 3
1	R-1 Adjustment			
	Multi-Family R-4	Volumetric Base Revenue Historic Base Period	Weather Normalized Base Revenue Sch 16.2	Weather Normalized Adjustment Col 2-Col 3
2	R-4 Adjustment			
	Commercial C-1	Volumetric Base Revenue Historic Base Period	Weather Normalized Base Revenue Sch 16.2	Weather Normalized Adjustment Col 2-Col 3
3	C-1 Adjustment			
	Commercial C-1	Volumetric Base Revenue Historic Base Period	Weather Normalized Base Revenue Sch 16.	Weather Normalized Adjustment Col 2-Col 3
4	C-2 Adjustment			
5	Total Weather Normalization Revenue Adjustment (I1+L2+L3+L4)			
6	Forfeited Discount Factor Dkt 18-00017			.008796
7	Adjusted Forfeited Discount Revenue		(L5 X L6)	
8	Uncollectible Factor Dkt 18-00017			.003825
9	Uncollectible Adjustment		(L+L7) X L9	
10	Tennessee Excise Tax Rate			6.5%
11	Tennessee Excise Tax Adjustment		(L5+L7-L9) X L10	
12	Federal Income Tax Rate			21%
13	Federal Income Tax Adjustment		(I5+L7-L9-L11) X L12	

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 16.4: Billed Volumes by Rate Schedule.**

This Schedule shall show the billed volumes for each Rate Schedule for each month of the Historic Base Period.

**Schedule 17: Proof of Revenue-Proposed Rates.**

The Proposed Rates shall be based on the number of customers served in the Historic Base Period, the normalized volumes (where applicable), the demand determinants (where applicable), and the capacity determinants (where applicable) for each Rate Schedule during the Base Historic Base Period. This Schedule shall show for each Rate Schedule:

- a. The number of Summer (May-Oct) bills;
- b. The number of Winter (Nov-Apr) bills;
- c. The current Summer Customer Charge Rate;
- d. The current Winter Customer Charge Rate;
- e. The Summer Customer Charge Revenue-Current Rates;
- f. The Winter Customer Charge Revenue-Current Rates;
- g. Summer sales and transported volumes (for Rate Schedules R-1, R-4, C-1, and C-2 the volumes will be weather normalized);
- h. The Winter sales and transported volumes (for Rate Schedules R-1, R-4, C-1 and C-2 the volumes will be weather normalized; for Rate Schedules with rate blocks, the volumes will be distributed to the rate blocks proportionately to the distribution in Docket No. 18-00017 or subsequent general rate case);
- i. The Summer Volumetric rate(s)-Current;
- j. The Winter Volumetric rate(s)-Current;
- k. Summer Volumetric Revenue-Current Rates;
- l. Winter Volumetric Revenue-Current Rates;
- m. Total Base Revenue-Current-Current Rates;
- n. Proposed Summer Customer Charge Rate;
- o. Proposed Winter Customer Charge Rate;
- p. Summer Customer Charge Revenue-Proposed Rates;
- q. Winter Customer Charge Revenue-Proposed Rates;
- r. Proposed Summer Volumetric Rate(s);
- s. Proposed Winter Volumetric Rate(s);
- t. Summer Volumetric Revenue-Proposed Rates;
- u. Winter Volumetric Revenue-Proposed Rates;
- v. Total Base Revenue-Proposed Rates;
- w. Proposed Percent Increase;
- x. Total Base Revenue Under Current Rates for all Rate Schedules;
- y. Total Base Revenue Under Proposed Rates for all Rate Schedules;
- z. Percent Increase in Total Base Revenue.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 17.1: Revenue Increase /Reduction allocated to Rate Schedules.**

This Schedule shall show the propose allocation of any rate increase or reduction to the individual Rate Schedules.

**Schedule 18: Other Revenues.**

Provide a breakdown by charge of all revenues shown as "Other Operating Revenues" for the Prior Year and the Historic Base Period.

**Schedule 19: Chattanooga Gas Company detailed Income Statement.**

For each month of the Historic Base Period provide the income statements that show the salary and wages and other operating and maintenance expense separately.

The income statements will be provided in electronic format only.

**Schedule 19.1: CGC Detailed Income Statement Historic Base Period mapped to the corresponding FERC accounts.**

The income statement will be provided in electronic format only.

**Schedule 19.2: CGC Income Statement in Hyperion Format, Historic Base Period.**

The income statement will be provided in electronic format only.

**Schedule 20: AGL Services Company Income Statement.**

For each month of the Historic Base Period provide the income statements that show the salary and wages and other operating and maintenance expense separately.

The income statements will be provided by native account and mapped to FERC accounts. The income statements will be provided in electronic format only.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 21: General Ledger for Chattanooga Gas, AGL Service Company ("AGSC"), and Southern Company Gas for each month of the Historic Base Period and two previous years.**

The General Ledgers will be provided in electronic format only.

**Schedule 21.1: CGC and AGSC Trial Balances, December 31, Historic Base Period.**

The Trial Balances shall be provided in electronic format only.

**Schedule 22: Capital Expenditures.**

Provide:

1. The monthly plant additions by plant account for the Historic Base Period.
2. The annual capital expenditures broken into the following Prioritization Categories for the Historic Base Period:
  - a. Safety.
  - b. Regulatory.
  - c. Reliability/Integrity.
  - d. Obsolesce/Update.
  - e. Productivity/New Business.
  - f. Business Projects.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 23: Allocated Cost Adjustment.**

1. For each month of the Historic Base Period, and account identify the amount of:
  - a. Direct charged,
  - d. Direct assigned, and
  - c. Allocated charges to Chattanooga Gas Company from the:
    - i. Parent Company,
    - ii. An Affiliated Utility Service Company, and
    - iii. Other Affiliate.
2. For allocated cost identify the total amount subject to allocation for each:
  - a. The Parent Company,
  - b. An Affiliate Utility Service Company, and
  - c. Other Affiliate that allocated cost to CGC.
3. Provide the amount of any revenue or credits resulting from transactions with each affiliate for each month of the Historic Base Period.
4. Identify the amount of any allocated cost adjustments.

**Schedule 23.1: Allocated Cost Workpaper.**

This workpaper supports the Cost Allocation Adjustment as shown on Schedule 23.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 24: Lobbying Expense, charitable contribution, social club membership  
Adjustment.**

Provide the amount of:

- a. Lobbying expense,
- b. Charitable contribution,
- c. Social club membership, and
- d. Athletic event recorded on the Company's books either directly incurred by the Company or allocated to Chattanooga Gas Company by its Parent, an Affiliated Utility Service Company or other Affiliated for each month of the Historic Base Period.

Provide the same information and breakdown of any amounts that are included in cost of service to be recovered in regulated rates.

**Schedule 24.1 Lobbying Worksheet.**

Supporting workpaper for Schedule 24.

**Schedule 24.2 Lobbying Workpaper – Dept 1637 Operating Expense by Month of the  
Historic Base Period.**

**Schedule 25: Pension and Other Post-Employment Benefits Adjustment.**

1. For each month of the Historic Base Period identify:
  - a. The amount of pension expense recorded on the Company's books;
  - b. The actual pension contribution;
  - c. The pension expense included in the cost of service for the ARM Filing;
  - d. The amount of Post-Employee Benefits Expense recorded on the Company's books;
  - e. The actual Post Employment Benefit Contribution;
  - f. The amount of Post-Employment Benefit Expense included in the cost of service for the ARM Filing.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 26: Advertising Expense Adjustment**

1. Provide details of the advertising expense for the Historic Base Period. For each month, identify the amount of advertising classified as follows:
  - a. Institutional.
  - b. Conservation.
  - c. Informational.
  - d. Promotional.
  - e. Promotional for the sale of appliances.
  - f. For each of the above, identify the amount included in the ARM Cost of service.

**Schedule 26.1: Advertising Expense workpaper.**

This workpaper provides detailed support for the Advertising Expense Adjustment on Schedule 26.

**Schedule 27: Incentive Compensation Adjustment.**

1. Provide incentive plan documents for the Historic Base Period.
2. Identify the amount and account charged for Incentive Compensation:
  - a. During the Historic Base Period, and
  - b. The amount included in the ARM Cost of Service.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 28: Rate Reset Normalization Adjustments-Non-Weather Adjustments.**

<b>Revenue and Uncollectible Accounts</b>					
Line #		Other Revenue 4 Year Average	Uncollectible Expense 5 Year Average		
1	Historic Base Period				
2	Previous Year				
3	2 <sup>nd</sup> Previous Year				
4	3 <sup>rd</sup> Previous Year				
5	4 <sup>th</sup> Previous Year				
6	Average				
7	Adjustment L6-L1				
<b>Rate Base Normalization Adjustments</b>					
		Material and Supplies 3 Yr Average	Prepayments 3 Yr Average	Gas Inventory 3 Yr Average	Reserve for Uncollectibles 3 Yr Average
8	Historic Base Period				
9	Previous Year				
10	2 <sup>nd</sup> Previous Year				
11	Average				
12	Adjustment L11-L8				
				Reserve for Health Insurance 3 Yr Average	Other Reserves 3 Yr Average
13	Historic Base Period				
14	Previous Year				
15	2 <sup>nd</sup> Previous Year				
16	Average				
17	Adjustment L16-L13				
<b>Depreciation</b>					
				Depreciation Expense	
18	Historic Base Period				
19	Computed-Historic Base Period Sch 14				
20	Adjustment L19-L18				



**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 29: Carrying Charges and Historic Period annual Reconciliation Balance.**

Line			Historic Base Period
1	Gas Sales and Transportation Revenue	Schedule 5	
2	AFUDC-Interest	Schedule 5	
3	AFUDC-Equity	Schedule 5	
4	Other Revenue	Schedule 5	
5	Total Operating Revenue	L1+L2+L3+L4	
6	Purchased Gas Expense	Schedule 5	
7	Operating & Maintenance Expense-Labor	Schedule 5 a/	
8	Operating & Maintenance Expense -Non-Labor	Schedule 5 a/	
9	Total Operating & Maintenance Expense	L6+L7+L8	
10	Depreciation Expense	Schedule 5	
11	Amortization of Prior Years Reconciliation Balance	Schedule 5	
12	Interest on Customer Deposits	Schedule 5	
13	Taxes Other than Income	Schedule 5	
14	State Excise (Income) Tax	Schedule 5 b/	
15	Federal Income Tax Expense	Schedule 5 b/	
16	Total Operating Expense	L9+L10+L11+L12+L13+ L14+L15	
17	Utility Operating Income	L5-L16	
18	Historic Base Period Interest	L20 X L21	
19	Net Income	L17-L18	
20	Rate Base-Historic Base Period	Schedule 2	
21	Weighted Cost of Debt	Schedule 11	
22	Weighted Cost of Equity	Schedule 11	
23	Required Net Income	L20 X L22	
24	Earning Deficiency (Excess)	L23-L119	
25	Authorized ROR	Schedule 11	
26	Annual Carrying Charges	L25 X L24	
27	½ Year Accrual		0.5
28	Carrying Charge	L 26 X L27	
29	Earnings Deficiency (Excess) + Carrying Charges	L24+L28	
30	Tax Gross-Up Factor	Schedule 12	1.3538211
31	ARM Reconciliation Balance	L30 X L29	
32	Average Balance Assuming 12 Month Amortization	L31/2	

a/ Excludes expenses disallowed for ratemaking

b/Based on Ratemaking Revenues, Expenses, and synchronized interest

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 30: CGC Budget for the year subsequent to the Historic Base Year.**

The ARM filing shall include a copy of CGC's budget for the year subsequent to the Historic Base Period. The budget shall include capital expenditures, operating revenues, and expenses (including allocated costs). A corporate officer shall attest or affirm that the budget included with the filing is the same budget used within the overall Southern Company forecasted earnings supplied to investors, subject to any noted exceptions or exclusions, which shall be highlighted and described by CGC in detail. This budget is not to be used in the determination of the revenue requirement, as the current year budget shall be provided solely for informational purposes. Rates subject to the annual rate reset shall be based upon the review of the historic information as set forth in CGC's Petition.

The budgeted capital expenditures shall be broken into the following Prioritization Categories:

- i. Safety.
- ii. Regulatory.
- iii. Reliability/Integrity.
- iv. Obsolesce/Update.
- v. Productivity/New Business.
- vi. Business Projects.

**Schedule 31: Historic Base Period FERC Form II filed with the Tennessee Public Utility Commission.**

A copy of FERC Form II for the Historic Base Period filed with the Tennessee Public Utility Commission will be provided to the Consumer Advocate and Other Intervening Party. (Since the report is separately filed with the Commission, a copy will not be included in the ARM filing.)

**Schedule 32: Cost Allocation Manual ("CAM").**

An electronic copy of the Cost Allocation Manual ("CAM") effective for the Historic Base Period shall be filed. The text shall be in PDF format and attachments shall be in Excel format.

**Chattanooga Gas Company  
Annual Review Mechanism ("ARM")**

**Schedule 33: Southern Company Organization Structure.**

The ARM filing shall include a copy of the Southern Company organization charge as of December 31 of the Historic Base Period.

**Schedule 34: Pension/OPEBs Actuarial Reports.**

The ARM filing shall include a copy of the Pension/OPEB actuarial reports covering results associated with CGC and service company employees for the Historic Base Period;

**Schedule 35: Additional Workpapers.**

The ARM filing shall include additional properly cross-referenced schedules and workpapers as needed to support adjustments proposed by the Company.

**Schedule 36: Current Departmental chart of CGC for the Historic Base Period.**

**Schedule 37: Accounting for Contingencies in excess of \$25,000.**

The ARM filing shall include a listing of all recorded contingencies in excess of \$25,000 recorded on CGC's books and records or allocated to CGC.

**Schedule 38: Impact of any new Accounting Pronouncement implemented in the Historic Base Period.**

The ARM filing shall include a listing and the impact on cost of each new Accounting Pronouncement implemented during the Historic Base Period.

## **Chattanooga Gas Company** **ARM Schedules**

<b>Schedule</b>	<b>Description</b>	<b>Physical Copy Filed</b>	<b>Electronic Copy Filed Excel Format</b>
1	Revenue Deficiency/Excess	Yes	Yes
2	Rate Base	Yes	Yes
2A	Rate Base -13 Month Average Workpaper	Yes	Yes
2A1	Allocated Plant, Accumulated Depreciation, Deferred Income Tax -Workpaper	No	Yes
3	Lead Lag Results	Yes	Yes
4	Working Capital	Yes	Yes
4.1	Calculation of Other Operating Expense for Lead Lag	No	Yes
5	Income Statements	Yes	Yes
5.1	Revenues Reconciliation	No	Yes
6	Revenue Summary	Yes	Yes
6.1	Revenue Summary -Margin Reconciliation	No	Yes
6.1A	Department 8100 Income Statement (If there are off-system sales of LNG)	No	Yes
7	Operating and Maintenance Expense	Yes	Yes
7A	O&M Roll-Up Summary	No	Yes
7B	Administrative and General	No	Yes
7C	Other Distribution & Storage	No	Yes
8	Taxes Other than Income	Yes	Yes
9	Excise and Income Tax	Yes	Yes
10	Income Statement -Proposed Rates	Yes	Yes
11	Rate of Return Summary	Yes	Yes
12	Revenue Conversion Factor	Yes	Yes

13	Margin by Rate Schedule	No	Yes
14	Depreciation and Amortization Expense-Historic Base Period December 31 Plant Balances	Yes	Yes
14.1	Monthly Summaries of Plant, Plant Additions, Plant Retirements, and Transfers-Historic Base Period	No	Yes
14.2	Monthly Summaries of Accumulated Depreciation, Depreciation, Retirements, Cost of Removal, and Transfers - the Historic Base Period	No	Yes
15	Summary Jurisdictional Non-Gas Revenue Current Rates Historic Base Period	No	Yes
15.1	Monthly Detailed Margin Review-Historic Base Period	No	Yes
16.1	Weather Normalized Volumes-Historic Base Period	Yes	Yes
16.1A	Workpaper-Weather Normalized Usage Rate Schedules R-1, R-4, C-1, & C-2 adopted in Docket 18-00017	No	Yes
16.2	Weather Normalized Revenue Rate Schedules R-1, R-4, C-1, & C-2	Yes	Yes
16.3	Weather Normalized Revenue Adjustments Rate Schedules R-1, R-4, C-1, & C-2	Yes	Yes
16.4	Billed Volumes by Rate Schedule by Month – Historic Base Period	No	Yes
17	Proof of Revenue-Proposed Rates	No	Yes
17.1	Revenue Increase Allocated to Rate Schedules	Yes	Yes
18	Other Revenues by Month-Historic Base Period	Yes	Yes
19	CGC Income Statement Historic Base Period (containing formulas to calculate subtotals and totals)	No	Yes
19.1	CGC Income Statement Historic Base Period Mapped to FERC Accounts	No	Yes
19.2	CGC Income Statement – Hyperion-Historic Base	No	Yes
20	AGSC Income Statement – Historic Base Period (containing formulas to calculate subtotals and totals)	No	Yes
20.1	AGSC Income Statement – Historic Base Period Mapped to FERC Accounts	No	Yes
21	General Ledger CGC, AGSC, and SCG -Historic Base Period	No	Yes
21.1	CGC and AGSC Trial Balance-December 31-Historic Base Period	No	Yes
22	Capital Expenditures by Category-Historic Base Period	Yes	Yes

23	Allocated Cost Adjustment	Yes	Yes
23.1	Sch 23.1 Allocated Cost-Workpaper	No	Yes
24	Lobbying Expense, Charitable Contributions, Social Club Membership-Adjustment	Yes	Yes
24.1	Lobbying Worksheet	No	Yes
24.2	Lobbying Workpaper-Dept 1637	No	Yes
25	Pension & OPEB Expense Adjustment	Yes	Yes
26	Advertising Expense-Adjustment	Yes	Yes
26.1	Allocated Advertising Expense- Workpaper	No	Yes
27	CGC Incentive Compensation-Adjustment	Yes	Yes
28	Rate Reset Normalization Adjustments – Non-weather	Yes	Yes
29	Carrying Charges and Historic Base Period Annual Reconciliation Balance	Yes	Yes
30	CGC Budget for year subsequent to Historic Base Period including capital expenditures by category, operating revenues, and expenses (including allocated costs).	No	Yes
31	Historic Base Period FERC Form II filed with the Tennessee Public Utility Commission. A copy will be provided to the Consumer Advocate and Other Intervening Party. (Since the report is separately filed with the Commission, a copy will not be included in the ARM filing.)	No	No
32	Cost Allocation Manual (CAM)	No	Text in PDF format Attachments in Excel format
33	Southern Company Organization Structure	Yes	PDF
34	A copy of the pension/OPEB actuarial reports covering results associated with CGC and service company employees for the Historic Base Period	Yes	PDF

35	Additional Workpapers as required referenced to applicable Schedule	No	Yes
36	Current Departmental chart of CGC for the Historic Base Period	No	Yes
37	Accounting for Contingencies in excess of \$25,000	No	Yes
38	The impact of any new Accounting pronouncement implemented in the Historic Base Period	No	Yes