



May 29, 2020

Tennessee Public Utility Commission  
Attention: Ectory Lawless, Esq., Docket Clerk  
Andrew Jackson State Office Building  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243-0001

Re: Docket No. 20-00049; Chattanooga Gas Company's Petition for Approval of Its  
2019 Annual Rate Review Filing Pursuant to T.C.A. § 65-5-103(d)(6)

Ms. Lawless:

First, let me thank you for your assistance along with the assistance of TPUC's General Counsel and Technical Staff as well as the cooperation of the Consumer Advocate staff in this electronic filing format given the current declared State of Emergency.

As you will see in the attached Petition and Testimonies of our witnesses, Chattanooga Gas Company's ("CGC") is witnessing first-hand the devastating impacts COVID-19 and recent tornados are having on our region and on so many of our customers. Therefore, to minimize the impacts of the this first annual review proceeding on our customers at a time that they are truly most challenged, CGC is recommending that the Commission consider and approve the acceleration and return of certain tax credits and benefits ordered in Docket Nos. 18-00017 and 8-00035. To facilitate the acceleration of these tax credits and benefits, CGC will timely file for the for reconsideration of the Final Order in Docket No. 18-00035 to seek the amending of the Final Order, if necessary, to implement this recommendation if approved by the Commission.

Included in this filing is CGC's Petition for Approval of its 2019 Annual Rate Review filing pursuant to Tennessee Code Annotated § 65-5-103(d)(6) and in compliance with the final Order in Docket No. 17-00047 approving a Settlement Agreement.

Also included with the Petition are Direct Testimony of CGC's three witnesses:

1. Paul Leath with no Exhibits;
2. Gary Tucker accompanied by 3 Exhibits; and
3. Archie Hickerson accompanied by 9 Exhibits.

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Numerous supporting documents and work papers are included in their Exhibits and other supporting documents and workpapers are supported by the witnesses and are provided for filing. All documents and workpapers required by the Settlement Agreement in Docket No. 19-00047 are provided in this filing.

Please note that there are a few documents which contain confidential information provided in accordance with TPUC practice and subject to a pending Protective Order issued by the Hearing Officer. The confidential documents are clearly marked and found at Schedules 27, 32, 32F, 32G, 34, 34.1 and 35.1.

All of the above documentation are being provided by access to a shared link at this link:

<https://bergersingerman.sharefile.com/share/view/8ae081cf5be941fb/fo71f642-80ce-4197-9b3d-78360758d5ba>

Attached to this transmittal email for convenience are the three Direct Testimonies, the Petition, and a Proposed Joint Procedural Schedule.

We have worked out with the Consumer Advocate the attached Proposed Joint Procedural Schedule and would appreciate the Hearing Officer issuing the appropriate order encompassing this schedule with any modifications the Commission believes are necessary and appropriate; CGC and the Consumer Advocate would be happy to jointly talk with the Hearing Officer about our joint schedule if appropriate.

In addition, the Consumer Advocate and CGC have agreed that the issuance of a protective order is needed given the above referenced confidential information being provided. The Consumer Advocate and CGC have agreed that a Protective Order like the one issued in CGC's original ARM proceeding, Docket No. 19-00047, on October 16, 2019, would be appropriate

Again, let me thank all the TPUC Staff and Consumer Advocate staff for working with us in coordinating this filing process under the unique circumstances all of us are facing given the effects of the COVID-19 pandemic and as recognized in the Governor's Declared State of Emergency.

We are today providing the Consumer Advocate access to the filing via the share site. CGC will not object to their intervention in this matter, and we appreciate their joint agreement to the Proposed Procedural Schedule and Proposed Protective Order, and in facilitating this filing during this pandemic.

Finally, pursuant to your discussions with Carlinda Booher, and the filing guidelines given the State of Emergency, she will meet you later this afternoon with the filing in whatever additional format that you have requested.

Please do not hesitate to contact either Carlinda Booher, Floyd Self or me if you have any questions.

Sincerely,

Butler Snow LLP

A handwritten signature in blue ink, appearing to read "J.W. Luna", is centered below the text "Butler Snow LLP". The signature is fluid and cursive.

J.W. Luna

JWL/cb

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE**

**May 29, 2020**

<b>IN RE:</b>	)	
	)	
<b>CHATTANOOGA GAS COMPANY</b>	)	<b>Docket No.</b>
<b>PETITION FOR APPROVAL OF ITS</b>	)	
<b>2019 ANNUAL RATE REVIEW</b>	)	<b>20-00049</b>
<b>FILING PURSUANT TO</b>	)	
<b>TENN. CODE ANN. § 65-5-103(d)(6)</b>	)	
	)	

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**CHATTANOOGA GAS COMPANY  
PETITION FOR  
APPROVAL OF ITS 2019 ANNUAL RATE REVIEW FILING**

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Chattanooga Gas Company ("CGC" or "Company"), pursuant to Tennessee Code Annotated Section 65-5-103(d)(6) and the Rules and Orders of the Tennessee Public Utility Commission ("TPUC" or "Commission"), hereby files its Petition for Approval of its 2019 Annual Rate Review Filing ("Petition") pursuant to its Annual Review Mechanism ("ARM") approved in Docket No. 19-00047. In support of this Petition, CGC states as follows:

**I. INTRODUCTION**

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 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.

2. CGC is a wholly-owned subsidiary of Southern Company Gas, a natural gas holding company that is the parent company operating regulated natural gas utilities in Georgia, Illinois, and Virginia in addition to CGC in Tennessee. Southern Company Gas, formerly known as AGL Resources, was acquired by the Southern Company in 2016.

3. CGC's principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

4. All correspondence and communication with respect to this Petition should be sent to the following on behalf of CGC:

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5. In Docket No. 19-00047, the Company requested approval to opt into an alternative regulatory method as authorized by Tennessee Code Annotated Section 65-5-103(d)(1)(A). Specifically, CGC sought an annual review of rates process as 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." The parties to the docket – the Consumer Advocate, the Chattanooga Regional Manufacturers' Association, Party Staff, and CGC – ultimately negotiated a Settlement Agreement that modified CGC's ARM. After conducting an evidentiary proceeding, the Commission approved the Stipulation and Settlement Agreement by its Order Approving Settlement Agreement dated October 7, 2019 ("ARM Order"). Among other things, the approved CGC ARM contemplates a multiyear process with annual compliance filings on or before April 20 of each year reflecting the Company's prior calendar year or Historic Base Period.

6. On April 8, 2020, CGC requested that the Commission establish a docket to consider the Company's Historic Base Period ARM filing for 2019 and to permit the Company to delay its filing until May 29, 2020, due to the state of emergency declared by Governor Bill Lee for the COVID-19 novel coronavirus pandemic ("Request"). CGC's request was approved by the Commission's Order Granting Motion for Extension of Time issued on April 24, 2020 ("ARM Extension Order"), and this docket was thereby opened.

7. Pursuant to the ARM Order and ARM Extension Order, CGC is requesting that the Commission conduct this annual rate review of CGC's 2019 Historic Base Period revenues and expenses, approve the Company's primary proposal for certain accelerated tax credits and adjustments, and approve new rates and the corresponding tariff sheets effective October 1, 2020.

## **II. CGC'S 2019 HISTORIC BASE PERIOD REQUEST**

8. As CGC indicated in its Request, the extraordinary circumstances caused by the COVID-19 novel coronavirus pandemic has materially and adversely impacted CGC's customers and the larger communities served by CGC, as well as the entire country. Even before March 31, 2020, when the Commission directed the utilities under its direction to stop disconnecting customers for the nonpayment of services, CGC had already voluntarily ceased such terminations and had initiated various other measures to protect customers and employees during this public health emergency. This terrible situation has been further exacerbated by the recent April 12, 2020, EF 3 tornado that devastated part of Chattanooga. Seeking a review of CGC's rates pursuant to the ARM Order during a global health crisis or right after a tornado is not ideal. However, the Company has obligations to provide clean, safe, reliable, and affordable natural gas service. As a good corporate citizen, it is vital to support the continued growth and development occurring within our service area, which is anticipated to continue at a rapid pace as we move forward through and past the immediate health emergency and tornado recovery. CGC believes that its primary proposal described herein is better aligned with the public's interest than the rates that would result from the strict application of the ARM Order and the required ARM filing due by the ARM Order. The rate increase presented in CGC's primary case reflects the significant growth we experienced in 2019 and the actual, historical expenses and revenues incurred during 2019. Properly recovering these costs going forward as allowed by Tennessee law helps to ensure the Company's ability to continue to support the people and businesses of our service area.

9. CGC's primary proposal to the Commission is that the Company be allowed to accelerate the amortization of certain tax credits and other benefits associated with the Tax Cuts and Jobs Act of 2017 ("TCJA") to help offset some of the rate increase that otherwise would occur

under the strict application of CGC's ARM as approved by the ARM Order. Specifically, CGC is proposing to accelerate all of the tax credits and TCJA reserve amounts decided on March 9, 2020, in CGC's tax case, Docket No. 18-000035 (the "Tax Docket") as well as to accelerate two other TCJA tax benefits would have the best immediate impact. The Commission already has made the fundamental decision that these credits and benefits, approximately \$3.394 million, belong to the ratepayers. Our request is to return these TCJA tax credits and benefits as quickly as possible to customers, with the effect of reducing the 2019 annual reconciliation balance and thereby reducing the rate increase.

10. Given the requirements of the ARM Order regarding prospective changes to the ARM methodology, on June 4, 2020, CGC intends to separately file in the Tax Docket a motion for reconsideration regarding the 2018 tax savings and the excess deferred income tax ("EDIT") credits expressly decided by the Commission's Final Order issued on May 20, 2020 ("Tax Docket Order"). The purpose of that motion for reconsideration shall be limited solely to changing the amortization schedule set therein for the 2018 tax savings and the deferred EDIT so that those credits can be flowed back customers in this docket and not over three years. In addition, CGC therein intends to also request approval for the acceleration of two other TCJA benefits, the basis adjustment EDIT balance and the existing unprotected EDIT reserve, which are, respectively, currently being amortized over the life of the underlying asset and five years. The Commission will either need to approve that motion for reconsideration in the Tax Docket or, as appropriate, address those issues in this docket.

11. The net effect of accelerating these TCJA tax credits and benefits would result in a 2019 revenue deficiency and rate reset of approximately \$5.2 million, which is more fully detailed in the testimony and documentation being provided in support of this Petition. For the average



residential customer, this means approximately a 7.25% increase in an annual bill, or \$3.26 a month. For perspective, even with this increase, a typical residential customer's total average bill will be about 4 percent less than what that customer would have paid 10 years ago. This average total lower bill today is a combination of factors starting with the positive regulatory environment stemming from the Commission's decision in CGC's last rate case and includes lower natural gas prices, the growth and expansion of our system to take on new large industrial customers, system replacements and enhancements that improve safety and reliability, improved utilization of existing resources, prudent cashflow management, and the economies of scale and strong corporate support that comes from being a part of Southern Company Gas and Southern Company.

12. In support of this Petition and the approval of CGC's first ARM filing under the ARM Order, CGC has attached the following direct testimony and accompanying exhibits, which are incorporated herein by reference:

- a. **Direct Testimony and Exhibits Witness Archie Hickerson, Director-Rates and Tariff Administration, Southern Company Gas.** Mr. Hickerson's testimony and exhibits support the revenue schedules and normalization adjustments required under the ARM Order. He is also our rate design witness. His exhibits include the proposed tariffs for both CGC's primary proposal utilizing CGC's rate design as well as the tariff pages with the same rate design but assuming CGC's primary proposal is not adopted and the Commission implements CGC's 2019 ARM without the requested extraordinary adjustments.
- b. **Direct Testimony Witness Paul Leath, Regional Director of Operations, Chattanooga Gas and Northeast Georgia.** Mr. Leath's testimony provides an overview of the case, some general information regarding the economic growth of

our service area in Hamilton and Bradley counties, and a review of the operational activities that underlie the financial data provided by our other witnesses.

- c. **Direct Testimony and Exhibits of Witness Gary Tucker, Manager of Regulatory Reporting, Southern Company Gas.** Mr. Tucker will provide the necessary testimony and exhibits regarding the calculation of the Historic Base Period annual reconciliation balance deficiency and the prospective 2020 rate reset necessary for the Company to earn its rate of return. Mr. Tucker's testimony will address both CGC's primary proposal to make certain extraordinary adjustments in order to reduce the revenue deficiency as well as the required documentation pursuant to the ARM Order without the extraordinary adjustments CGC is requesting.
- d. **Budget Affidavit of Wendell Dallas, Vice President, Operations, Chattanooga Gas Company.** Mr. Dallas provides the corporate officer attestation required by Schedule 30: CGC Budget for the year subsequent to the Historic Base Year. Mr. Dallas is not a testifying witness in the case.
- e. **Petition Verification of Paul Leath, Regional Director of Operations, Chattanooga Gas and Northeast Georgia.** Mr. Leath provides a verification of the petition and its supporting testimony, exhibits, and schedules being filed in support of this case.

13. Overall, there are essentially four parts to this first CGC ARM case. First there is the Historic Base Period financial data supported by Mr. Tucker and Mr. Hickerson. Their testimony includes certain exhibits as well as support for the more than 80 schedules and reports required by the ARM Order as well as additional supporting information that is being provided.

Second, there is the 2019 annual reconciliation balance and rate reset provided by Mr. Tucker that includes the acceleration of certain TCJA tax credits and benefits that supports our primary proposal. Third, pursuant to our obligations under the ARM Order, Mr. Tucker also provides the 2019 annual reconciliation and rate reset exactly as is required and set forth in the ARM Order; this required proposal makes only the required adjustments, reconciliations, and normalizations set forth in the ARM Order. Fourth, Mr. Hickerson provides the rate design and supporting tariffs for both our primary proposal and the required ARM filing as well as an informational class cost of service cost study.

### **III. CONCLUSION**

WHEREFORE, CGC respectfully prays that based upon the pleadings and documents submitted by CGC:

1. Notice be issued and a contested case be set regarding this Petition.
2. The Commission find that the Company has provided the necessary schedules and other documentation thus complying with the minimum filing requirements and other terms and obligations of the ARM Order for this proceeding.
3. The Commission approve CGC's primary proposal for rate relief based upon the extraordinary adjustments CGC is seeking to accelerate the amortization of certain tax credits and benefits due to customers that are associated with the TCJA stemming from decisions and orders in Docket Nos. 18-00001, 18-00017, and 18-00035.
4. In the alternative, if the Commission does not approve CGC's primary proposal for rate relief, that the Commission then approve the relief associated with the required ARM filing as set forth in the ARM Order that do not include the accelerated tax credits and benefits under the TCJA.

5. The Commission approve the rate design and corresponding tariff pages for CGC's primary proposal, or in the alternative, approve the rate design and tariff pages for CGC's required ARM filing.

6. CGC be granted such other and/or further relief as may be warranted.

Respectfully submitted,



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*Attorneys for Chattanooga Gas Company*

**VERIFICATION**

STATE OF TENNESSEE

COUNTY OF HAMILTON

I, Paul Leath, being duly sworn, state that I am the Regional Director of Operations, Chattanooga Gas Company, the Petitioner, in the subject proceeding; that I am authorized to make this verification on behalf of Chattanooga Gas Company; that I have read the foregoing Petition and exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information and belief.

Sworn and subscribed before me this 28<sup>th</sup> day of May, 2020

Paul C. Leath

PAUL C. LEATH



Notary Public: <sup>Ross Adams</sup>  
~~Ross~~ Adams

State of Tennessee, at Large

My Commission Expires: 06/24/2023

Hamilton County, Tennessee

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