



May 29, 2020

Tennessee Public Utility Commission
Attention: Ectory Lawless, Esq., Docket Clerk
Andrew Jackson State Office Building
502 Deaderick Street, 4th 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

20-00049

1 **I. WITNESS IDENTIFICATION.**

2 **Q. Please state your name and business address.**

3 **A. Archie R. Hickerson, Ten Peachtree Place, Atlanta, Georgia 30309.**

4 **Q. By whom and in what position are you employed?**

5 **A. I am Director of Rates and Tariff Administration at Southern Company Gas**
6 (formerly AGL Resources, Inc.). Southern Company Gas is the is the parent
7 holding company for four natural gas distribution companies, including
8 Chattanooga Gas Company. The other companies are in Georgia, Illinois, and
9 Virginia.

10 **Q. What are your duties in your position as Director - Rates and Tariff**
11 **Administration?**

12 **A. I develop, coordinate, and review analytical activities related to rates and tariff**
13 administration for Chattanooga Gas Company and the other natural gas distribution
14 companies that are subsidiaries of Southern Company Gas.

15 **Q. For whom are you testifying?**

16 **A. I am testifying on behalf of Chattanooga Gas Company (“Company” or “CGC”).**
17

18 **II. BACKGROUND AND EXPERIENCE.**

19 **Q. Please summarize your education background and experience.**

20 **A. I received a Bachelor of Science degree with a major in mathematics and later**
21 accounting from Austin Peay State University in Clarksville, Tennessee. I am a
22 Chartered Global Management Accountant, and I am licensed as a Certified Public
23 Accountant in the State of Tennessee. I have over 43 years of experience with

1 utility ratemaking, utility accounting, and the regulation of public utilities. Over
2 this period, I have worked for consumers of utilities and others in addition to my
3 work for Southern Company Gas. Prior to becoming Director - Rates and Tariff
4 Administration in 2013, I served as Director- Regulatory Affairs and Planning for
5 AGL Services Company from 2010-2013, Director - Regulatory Affairs for
6 Chattanooga Gas Company and Virginia Natural Gas from 2004-2010, and
7 Manager - Rates for AGL Services Company from 2000-2004. Prior to joining
8 AGL Resources, I was the Director of the Consumer Advocate Division Staff with
9 the Tennessee Office of the Attorney General and Reporter (1994-2000), where I
10 often appeared as an expert witness to present comments on utility cost of service,
11 cost allocation and rate design, and to supervise the technical staff, notably in
12 proceedings before the Tennessee Public Service Commission ("TPSC") and the
13 Tennessee Regulatory Authority ("TRA"). I also served on the National
14 Association of State Utility Consumer Advocates' ("NASUCA") Accounting and
15 Tax Committee, and as an observer member of the National Association of
16 Regulatory Utility Commissions' ("NARUC") Staff Subcommittee on Accounts.
17 From 1976-1982, I was a financial Analyst for TPSC, then served as Assistant
18 Director of the TPSC Accounting Division for four years (1982-1986), and later as
19 the Deputy Director of the TPSC's Utility Rate Division for approximately seven
20 years (1987-1994). While employed by the TPSC, I served on the NARUC Staff
21 Subcommittee on Communications, the NARUC Staff Subcommittee on Accounts,
22 and the NARUC's Southern Accounting Taskforce. My work at TPSC, like much
23 of my later experience, included significant work with compliance and

1 management audits, cost of service, rate design and earnings, and rate
2 investigations of utilities.

3 **Q. Have you previously testified before any state regulatory commission other**
4 **than the Tennessee Public Service Commission, the Tennessee Regulatory**
5 **Authority, or the Tennessee Public Utility Commission?**

6 A. Yes. I have testified before the Georgia Public Service Commission, the Virginia
7 State Corporation Commission, and the Illinois Commerce Commission.

8 **Q. Were you a witness in Docket 19-00047, Chattanooga Gas Company Petition**
9 **to opt into an annual review of Rates Mechanism Pursuant to Tenn. Code.**
10 **Ann. §65-5-103(d)(6)?**

11 A. Yes. I was a witness for CGC in Docket 19-00047 (“ARM Docket”) and the
12 Company’s last rate case, Docket No. 18-00017 (“Rate Case Docket”).

13

14 **III. PURPOSE OF TESTIMONY.**

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to provide the Commission with an overview of
17 the rate adjustments proposed by CGC in the 2020 Annual Review Mechanism
18 (ARM) filing for the 2019 calendar year Historic Base Period based upon the
19 settlement agreement approved in the ARM Docket by the Commission’s order
20 dated October 7, 2019 (“ARM Order”), and support the revenue schedules and
21 normalization adjustments included in this year ARM filing. I also provide the
22 various tariff exhibits for CGC’s proposed rates.

23 **Q. Are you including any exhibits in connection with your testimony**

1 A. Yes. The specific exhibits are as follows:

2 Exhibit ARH-1 Current and Proposed Rates by Rate Schedule, With

3 Accelerated Amortization.

4 Exhibit ARH-2 Revised Tariff Sheet, with the accelerated amortization of

5 TCJA credits and benefits.

6 Exhibit ARH-3 Revised Tariff Sheets Redlined, with accelerated

7 amortization of TCJA credits and benefits.

8 Exhibit ARH-4 Current and Proposed Rates by Rate Schedule, No

9 Accelerated Amortization.

10 Exhibit ARH-5 Revised Tariff Sheet, No Amortization Acceleration of

11 TCJA credits and benefits.

12 Exhibit ARH-6 Revised Tariff Sheet Redlined, No Amortization

13 Acceleration of TCJA credits and benefits.

14 Exhibit ARH-7 ARM Schedules 17 and 17.1, Proof of Revenue -

15 Proposed Rates and Revenue Increase Allocation, with

16 accelerated amortization of TCJA credits and benefits.

17 Exhibit ARH-8 ARM Schedules 17 and 17.1, Proof of Revenue -

18 Proposed Rates and Revenue Increase Allocation -

19 without accelerated amortization of TCJA credits and

20 benefits.

21 Exhibit ARH-9 Class Cost of Service Study Summary

22

23

1 **Q. How is the proposed rate increase allocated to the Rate Schedules.**

2 A. The CGC proposed rate increase is allocated to each Rate Schedule on an equal
3 percentage basis with some minor differences due to rounding. If CGC’s primary
4 proposal to accelerate the various Tax Cuts and Jobs Act (“TCJA”) credits and
5 benefits as discussed by Mr. Tucker is adopted, CGC is proposing to increase all
6 base rates by approximately 15% with some differences because of rounding. If
7 the accelerated TCJA credits and benefits are not adopted, and only the required
8 ARM Order adjustments are made, the base rates for each Rate Schedule will
9 increase approximately 23.4%.

10 **Q. How do the proposed rates for customers served under the Residential Rate**
11 **Schedule?**

12 A. If CGC’s primary proposal to accelerate the amortization of TCJA credits and
13 benefits is followed, the current R-1 rates and the proposed would be:

	Current		Proposed	
	Winter	Summer	Winter	Summer
Customer Charge	\$17.00	\$14.00	\$19.60	\$16.10
Volumetric Rate/Therm	\$0.11591		\$0.13351	

14
15 Without accelerating the amortization of TCJA credits and benefits, and only the
16 required ARM Order adjustments are made, the current R-1 rates and the proposed
17 would be:

18

19

	Current		Proposed	
	Winter	Summer	Winter	Summer
Customer Charge	\$17.00	\$14.00	\$21.00	\$17.30
Volumetric Rate/Therm	\$0.11591		\$0.14304	

Comparisons of the rates for all the Rate Schedules with and without the accelerated amortization of TCJA credits and benefits are presented on Exhibit ARH-1 and Exhibit ARH-4 respectively.

Q. What is the difference in the average monthly impact per Residential Customer?

A. The proposed rates with accelerated amortization of TCJA credits and benefits produce an average monthly bill increase of approximately \$3.26. After this increase, the average annual Residential total bill of \$578.00 would be approximately \$25.00 or 4% less than the bill computed using the December 2010 rates.

Without the accelerated amortization of TCJA credits and benefits, the average monthly increase would be \$5.05. The average annual bill of \$599.58 would be slightly less than the \$603.02 bill based on the December 2010 rates.

Q. How are the Commercial (C-1) customers impacted?

A. With the accelerated amortization of TCJA credits and benefits, the impact on customers served under the C-1 Rate Schedule would be an \$6.88 increase in the monthly bill or approximately 8%. After this increase, the average annual C-1 total

1 bill of \$1,117.24 would be \$27.73 less or 2.4% less than the bill computed using
2 the December 2010 rates.

3 Without the accelerated amortization of TCJA credits and benefits, the
4 average monthly increase would be \$10.62 or approximately 12.3%. The average
5 annual bill of \$1,162.15 would be \$17.18 or 1.5% greater than the bill computed
6 using the December 2010 rates.

7 **Q. Will you please describe Exhibits ARH-2 and ARH-3?**

8 A. Exhibit ARH-2 include the CGC tariff sheets with the proposed rates with
9 accelerated amortization of TCJA credits and benefits and Exhibit ARH-3 is the
10 redline version of the tariff sheets that identify these changes.

11 **Q. What are Exhibits ARH-5, and ARH-6?**

12 A. Exhibits ARH-5 and ARH-6 are the tariff sheets and the redlined tariff with the
13 proposed rates assuming the acceleration of the amortization of TCJA credits and
14 benefits is not adopted and only the required ARM Order adjustments are made.

15 **Q. Please describe Exhibits ARH-7 and ARH-8?**

16 A. Exhibit ARH-7 includes copies of ARM Schedules 17 and 17.1 assuming the
17 acceleration of the amortization of TCJA credits and benefits as discussed by Mr.
18 Tucker is adopted. Schedule 17.1 summarizes the allocation the proposed total rate
19 increase to the Rate Schedules. Schedule 17 is the Proof of Revenue that shows the
20 billing determinants (number of winter/summer bill where applicable, the
21 winter/summer volumes, the demand determinant where applicable, the system
22 capacity determinant where applicable), the current rates, revenue under current
23 rates, proposed rate, revenue under proposed rates, the increase in revenue for the

1 Rate Schedules, the total proposed revenue increase, and the computed revenue
2 under proposed rates.

3 Exhibit ARH-8 consists of copies of ARM Schedules 17 and 17.1 assuming
4 the acceleration of the amortization of TCJA credits and benefits as discussed by
5 Mr. Tucker is not adopted and only the required ARM Order adjustments are made.
6 Exhibit ARH-8 has the same billing determinants as Exhibit ARH-7 but includes
7 the proposed rates assuming the accelerated amortization of TCJA credits and
8 benefits is not accepted, and the resulting revenue.

9 **Q. Is CGC proposing to change any of the miscellaneous charges?**

10 A. Yes. CGC proposes to revise the following miscellaneous charges:

11	Charge	Current	Proposed
12	Turn-On	\$15.00	\$20.00
13	Meter Set	\$25.00	\$30.00
	Reconnect (Residential)	\$65.00	\$75.00
	Reconnection (non-Residential)	\$50.00	\$60.00

14 These proposed changes are made to be more reflective of the cost of providing
15 these services and to be in line with similar charges for other Tennessee utilities.
16 These proposed charges are the same with and without the accelerated amortization
17 of TCJA credits and benefits.

18 **Q. What is the revenue impact of these increases in miscellaneous charges?**

19 A. The increase in these miscellaneous charges will produce approximately \$62,275
20 additional revenue annually.

21 **Q. Did the Company prepare a Class Cost of Service Study (“CCOSS”) for the**
22 **ARM filing?**

1 A. Yes. Exhibit ARH-9 is the summary of the CCOSS that is provided for
2 informational purposes. While the CCOSS shows a disparity in the rates of return
3 for the different Rate Schedules indicating that in the future rebalancing of the
4 allocation of the revenue requirements to the different Rate Schedules may need to
5 be considered, CGC has not proposed such a rebalancing in this filing. Considering
6 the economic impact of the COVID-19 pandemic, CGC does not consider it
7 appropriate, at this time, to change the present general rate design. The CCOSS is
8 provided as a tool so that the Commission can use in the evaluation the fairness of
9 different rate designs that may be proposed.

10 **Q. Is CGC proposing to make changes to its tariff other than the rate adjustments**
11 **as shown on Exhibit ARH-1?**

12 A. Yes. CGC has one other tariff revision. In 2006, the Multi-Family Housing- Rate
13 Schedule R-4 was closed to new customers, but allowed the customers served under
14 the Rate Schedule, at that time, to continue to receive service. As a result of the
15 changes in the housing market since 2006, there is now a need for a Rate Schedule
16 that provides for service to multiply living units behind a master meter. An example
17 is a multi-floor apartment building. While it's possible to install a separate meter
18 and fuel line for each apartment, it isn't practical since the fuel lines would occupy
19 valuable floor space. By re-opening and modifying Rate Schedule R-4, owners of
20 such building will have a more reasonable option to provide natural gas heating,
21 water heating, and cooking facilities for the tenants.

22 **Q. What are the proposed modifications to the R-4 Rate Schedule?**

1 A. The Company is proposing to remove the reference to public housing authorities
2 and public housing projects. Under the revised wording, service under the R-4
3 Multi-family Rate Schedule will be available to customers using natural gas for
4 multi-family residential housing facility that is defined under the tariff, as five or
5 more permanent residential dwelling units located on the same premises which are
6 leased, rented, or managed by the same person and served through a central gas
7 meter. The changes in the R-4 Rate Schedules wording are shown in Exhibit ARH-
8 3.

9 **Q. Are you responsible for any of the ARM Schedules?**

10 A. Yes.

11 **Q Will you identify those ARM schedules?**

12 A. Yes. I'm responsible for the following ARM schedules.

13	Schedule 5.1	Revenues
14	Schedule 6	Revenue Summary
15	Schedule 15	Summary Historical Jurisdictional Revenue
16	Schedule 15.1	Detailed Margin Report
17	Schedule 16.1	Weather Normalization Usage, Rate Schedules R-1,
18		R-4, C-1, and C-2
19	Schedule 16.1A	Weather Normalization Usage Rate Schedules R1,
20		R-4, C-1, and C-2, Weather Normalization Use Per
21		Customer Adopted by Commission Docket 18-0017
22	Schedule 16.2	Weather Normalized Revenue Rate Schedules R-1,
23		R-4, C-1 and C-2.
24	Schedule 16.3	Weather Normalized Revenue Adjustments Rate
25		Schedules R-1, R-4, C-1 and C-2
26	Schedule 16.4	Monthly Schedule of Billed Volumes and Revenue
27		by Rate Schedule, Calendar Year 2019
28	Schedule 17	Proof of Revenue-Proposed Rates
29	Schedule 17.1	Revenue Increase allocated to Rate Schedules
30	Schedule 18	Other Revenues
31	Schedule 28	Normalization Adjustment Other than Weather
32	Schedule 28A	Normalization -Special Contract

33

34

1 **Q. Please describe these Schedules.**

2 A. ARM Revenue Schedule 5.1 includes the adjustments to the revenues as recorded
3 on the Company's books to reflect the base revenues for rate making purposes as
4 adopted in the Amended Order of January 15, 2019 in CGC's Rate Case Docket
5 ("Rate Case Order") and which need to be made pursuant to the ARM Order. There
6 are four revenue adjustments.

- 7 1. Increase revenues \$200,000 to remove the tax liability adjustment
8 that was not applicable to 2019.
- 9 2. Reduce Other Revenues by \$600,000 to remove the Asset
10 Management Fee that is not base revenue but is handled through the
11 annual Interruptible Margin Credit Rider ("IMCR") filing.
- 12 3. Increase revenue \$5,659 to remove miscellaneous base revenue
13 adjustments that were recorded during calendar year 2019.
- 14 4. Reduce Other Revenue by \$2.459,971 to remove the Chattanooga
15 and Cleveland Franchise fees that are a direct pass through and not
16 CGC's revenue. The Franchise Fee Expense is also excluded from
17 operating expense on Schedule 7. This is consistent with the
18 treatment of Franchise Fees in the Rate Case Order.
- 19 5. Increase Other Revenue \$259,978 to reclassify damage billing as
20 revenue instead of credits to operating expense consistent with the
21 treatment in the Rate Case Order. Operating Expense was increased
22 by the same amount on Schedule 7.

1 In addition to these adjustments revenue, the cost of the odorant is removed from
2 the cost of gas, since it is not recovered through the Purchased Gas Adjustment,
3 (“PGA”) but through base rates. The odorant is included in Other Operating
4 Expense on Schedule 7(c). The adjustments on Schedule 5.1 support the
5 adjustments shown in the Rate Making column on ARM Schedule 5.

6 Schedule 6 is the Revenue Summary of the calendar year 2019 revenue by
7 Rate Schedule and the weather normalization adjustments for Rates Schedules R-
8 1, R-4, C-1, and C-2. The Rate Schedule revenue is from Schedule 15, the weather
9 normalization adjustments are from Schedule 16.3 and the normalized Other
10 Revenue is from Schedule 28. The revenues for the remaining Rate Schedules and
11 Special Contracts are not weather normalized.

12 Schedule 15, Summary Historical Jurisdictional Revenue, identifies the
13 number of customers, the volumes, and revenue for each Rate Schedule for each
14 month of 2019. This information is taken from the Company’s accounting records.

15 Schedule 15.1, Detailed Margin Report, is a copy of the monthly report that
16 shows the margin for each rates schedule for each month. This report is prepared
17 in the routine course of business.

18 Schedule 16.1 is the calculation of the weather normalized volumes for Rate
19 Schedules R-1, R-4, C-1, and C-2 that are computed by multiplying the number of
20 bills for the 2019 calendar year Historic Base Period by the average normalized use
21 per bill pursuant to the Rate Case Order.

1 Schedule 16.1A is a copy of Attachment 2 from the Rate Case Order that
2 has been expanded to show the computation of the average weather normalized
3 usage per customer.

4 Schedule 16.2 is the calculation of the weather normalized volumetric
5 revenue for Rate Schedules R-1, R-4, C-1, and C-2 computed by multiplying the
6 normalized volumes from Schedule 16.1 by the current rates.

7 Schedule 16.3 shows the weather normalized revenue, the revenue per
8 books, and the weather normalization adjustments for Rate Schedules R-1, R-4, C-
9 1, and C-2. These weather normalization adjustments are included on ARM
10 Schedule 5.

11 Schedule 16.4 the monthly summaries of the number of customers and
12 billed volumes by Rate Schedule for 2019.

13 Schedule 17 is the proof of revenue under CGC's primary proposal
14 reflecting the accelerated amortization of TCJA credits and benefits that shows the
15 revenue under current rates, the revenue under proposed rates, and the increase in
16 revenue as a result of the increase in rates. The target revenue increase is
17 \$5,188,095. The proposed rates produce a \$5,186,901 increase or \$1,194 less than
18 the target increase.

19 Schedule 17.1 shows the allocation of the revenue deficiency to the
20 individual Rate Schedules. The deficiency is allocated on an equal percentage
21 across all Rate Schedules.

22 Schedule 17.2 shows the annual revenue increase as the result of the
23 increase in Meter Set Charge, the Reconnect Charges, and the Turn-on Charges.

1 Schedule 18, Other Revenue, is the summary of the Other Revenues for
2 each month of 2019.

3 Schedule 28 reflects the non-weather normalization adjustments computed
4 in accordance with the methodology adopted in the Rate Case Order as follows:

- 5 • Other-Revenues, 4 year average;
- 6 • Uncollectible expense, 5 year average;
- 7 • Materials and Supplies, 3 year average;
- 8 • Prepayments, 3 year average;
- 9 • Gas Inventory, 3 year average;
- 10 • Reserve for Uncollectible, 3 year average;
- 11 • Reserve of Health Insurance, 3 year average; and
- 12 • Other Reserves, 3 year average;
- 13 • Interest on Customer Deposits is the average balance
14 multiplied by the 6% interest rate.

15 There are other normalization adjustments that were not included in the Rate Case
16 Order but are appropriate under the ARM Order for this filing:

17 **Special Contract.** Effective October 31, 2019 one of the
18 Company's Special Contracts terminated and the Customer was moved to
19 tariff rates effective November 1, 2019. The increase in the revenue as a
20 result of this change should be recognized in determining the rate reset.
21 Schedule 28A is the workpaper that supports the revenue increase as the
22 result of the termination of the Special Contract.

1 **Expense Adjustments.** Mr. Tucker addresses expense
2 normalization adjustments.

3 **Q. Earlier you explained that the Company has included a Class Cost of Service**
4 **Study (“CCOSS”) but did not propose to adjust rates consistent with the**
5 **study. What is the purpose of the study?**

6 A. As I explained in my rebuttal testimony in the Rate Case Docket, the Class Cost of
7 Service Study is a beginning point for developing a rate design with other factors
8 such as such as value of service, rate shock, etc., being taken into consideration.
9 The CCOSS is not CGC’s rate proposal. The ARM Order provides:

10 “The Company will include a proposed Rate Design in its
11 annual filing. Any intervening party may propose a Rate
12 Design. The Commission may approve any Rate Design it
13 finds in the public interest based upon its determination of
14 any revenue increase or decrease.”
15

16 In this filing, CGC has proposed to generally maintain the existing rate design by
17 increasing the rates for each Rate Schedule by a uniform percentage. Since other
18 parties may proposed other rate designs, the Class Cost of Service Study is provided
19 as a tool the Commission may use to evaluate the fairness of alternative rate
20 designs. The study reflects the use of allocation procedures that reflect the cost
21 causation principle and provide an indication of the relative rates of return by Rate
22 Schedules and the proportion of fixed customer-related cost recovered through the
23 current and proposed rates. As shown on the summaries Exhibit ARH-9 under both
24 current and proposed rates, the relative rates of returns for the Medium and Large
25 Commercial and Industrial Rate Schedules are materially greater than returns for

1 the Residential and Small Commercial Rates Schedules (R-1, R-4, and C-1).
2 Consideration of rebalancing the rates may be considered in future ARM filings.

3 **Q. Does this conclude your direct testimony?**

4 A. Yes.

5