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**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:	)	
	)	
CHATTANOOGA GAS COMPANY	)	
PETITION TO OPT INTO AN	)	**DOCKET NO. 20-00049**
ANNUAL REVIEW OF RATES	)	
MECHANISM PURSUANT TO	)	
TENN. CODE ANN. § 65-5-103(d)(6)	)	

CHATTANOOGA GAS COMPANY's RESPONSES AND OBJECTIONS TO THE FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE

Pursuant to the tentative agreed upon procedural schedule for this docket, Chattanooga Gas Company ("CGC" or "Company") hereby submits its responses and objections to the First Discovery Request of the Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General's Office ("Consumer Advocate") provided to CGC on June 12, 2020. Pursuant to the Rules of the Tennessee Public Utility Commission and the Tennessee Rules of Civil Procedure, CGC's discovery responses are attached hereto.

To assist the Hearing Officer in evaluating this matter, CGC is setting forth its objections in two parts. Part I sets forth general objections applicable to CGC's discovery responses. Part II are the specific discovery request responses and, where applicable, the objections are incorporated with each such response. While CGC has objected to some of the requests in order to preserve its rights, CGC has often provided a full or partial substantive response for those objected to requests in order to be as responsive as possible given the nature of those requests.

I. GENERAL OBJECTIONS

1. CGC objects generally to any definitions or instructions to the extent that they are inconsistent with and request information that is beyond the scope of the Tennessee Rules of Civil

Procedure. CGC's responses will comply with the requirements of the Tennessee of Rules of Civil Procedure and the Rules of the Tennessee Public Utility Commission.

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

3. CGC further objects to these discovery requests to the extent they seek information that is beyond the scope of legitimate discovery for a proceeding seeking approval of an annual review of rates proceeding or that is subject to any privilege, including the attorney-client privilege and/or attorney work product doctrine. Without waiving any of these General Objections, the Company will respond to the Consumer Advocate's discovery requests by providing responsive, non-privileged information.

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

5. CGC objects to the scope of the terms "identity" and "identify" as used by the Consumer Advocate. In particular, CGC objects to providing the full name, last known address, person's relationship, and other such information for persons to be identified on the grounds that the scope of information requested is overly broad and not calculated to lead to the discovery of admissible evidence. CGC further objects to the Consumer Advocate's instructions to produce documents with the type, title, subject, date, and date written on the grounds that such requests are

unduly burdensome and overly broad. CGC shall reasonably identify persons and documents as relevant.

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

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

8. CGC objects to the Consumer Advocate discovery insofar as it calls for CGC to present information in a particular format or to otherwise to impose obligations on CGC which exceed the requirements of the Tennessee Rules of Civil Procedure, except as may be ordered by the Hearing Officer. However, Excel workbooks shall be provided in their native form with cells unlocked to the extent possible recognizing that links to external data sources will be broken.

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

10. In the conduct of its business over time, CGC creates documents that may be stored in numerous locations and moved from site to site as employees change jobs or as the business has been transferred to new ownership or otherwise reorganized, new management installed, or other regulatory and business requirements and practices have been established. Therefore, it is possible that not every document has been identified in response to these requests. CGC has in good faith conducted a reasonable and diligent search of records that are reasonably expected to contain the requested information. To the extent that the Consumer Advocate discovery purports to require more, CGC objects on the grounds that compliance would impose an undue burden or expense.

11. To the extent CGC has been requested to provide confidential information, proprietary, or trade secret information CGC shall provide non-privileged confidential, proprietary, or trade secret information pursuant to the Protective Order issued by the Hearing Officer on June 4, 2020.

II. SPECIFIC OBJECTIONS

Notwithstanding any of the foregoing objections, and without waiving any such objections, CGC's specific objections appear with each response that merits an appropriate objection on the following pages as indicated.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-1

<u>QUESTION:</u>

Mr. Leath's testimony on page 2 discusses the company's economic development efforts in Chattanooga as well as his personal involvement in creating jobs in the region. Given the company's focus on employment levels, provide the most recent information in the company's possession concerning the number of jobless claims filed in Chattanooga (or Hamilton County) and/or the unemployment level within Chattanooga and/or Hamilton County.

<u>RESPONSE:</u>

CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because the requested 2020 data is beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the *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 ("Settlement Agreement"* or *"Agreement')* filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019. Without waiving this objection, CGC states as follows:

According to the Tennessee Department of Labor and the US Bureau of Labor Statistics the April 2020 unemployment rate for the Chattanooga MSA was 13.3%, an increase from 2.9% in April of 2019. This is approximately 1% lower than the state and national average. There were approximately 36,000 individuals receiving unemployment benefits in April 2020.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

Objections by Counsel

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-2

QUESTION:

On page 13 of Mr. Leath's testimony, he refers to the key ways the Services Company supports CGC through a) capacity planning, b) construction, and c) safety. With respect to capacity planning and construction services provided by the Services Company, indicate whether such costs are capitalized or expensed.

RESPONSE:

AGSC costs are capitalized or expensed based on the nature of the service and type of cost. Capacity planning is primarily expensed, and construction services are primarily capitalized. Safety related costs are both capitalized and expensed depending on the nature of the activity.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-3

QUESTION:

CGC's service territory has experienced two extraordinary events thus far in 2020, both of which could increase the company's costs to provide natural gas service. Identify and quantify the impacts from any specific measures CGC, its Service Company, and/or the Southern Company has taken (or will be taking) to materially reduce (or offset the increase) associated with the Company's 2020 ARM results.

RESPONSE:

CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because the requested 2020 data is beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the 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 ("Settlement Agreement" or "Agreement') filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019. Without waiving this objection, CGC states as follows:

There has been increased costs associated with both unfortunate events that have affected CGC's service territory in recent months. Initial costs associated with the recent weather events total $92,261. We cannot currently quantify the costs associated with the current public health crisis as they are still being incurred, and accounting for those costs are currently ongoing.

To mitigate the increase in expenses the company has implemented measures to minimize overtime, reduce travel and meals/entertainment, and there has been a hold placed on filling vacant positions. The Company is reviewing its 2020 expenses in detail to ensure (1) that expenses are being incurred prudently, and (2) to determine if there are costs that can be delayed until 2021.

Witness: Paul Leath; objections by Counsel

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-4

<u>QUESTION:</u>

Regarding the April 20, 2020 tornado, identify the reduction in active customers for each class associated with the event.

<u>RESPONSE:</u>

CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because the requested information regarding the April 20, 2020 tornado is beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the *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 ("Settlement Agreement"* or *"Agreement')* filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019. Without waiving this objection, CGC states as follows:

As a result of the tornados that affected the region on April 20, 2020, the Company experienced temporary turn offs, for safety reasons, for 368 residential accounts and 23 commercial accounts. As of June 15, 2020, we have 177 residential accounts and 8 commercial accounts that are in closed or inactive status.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

Objections by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-5

QUESTION:

Regarding the April 20, 2020 tornado, indicate whether the Company

a) has business interruption insurance and

b) whether the Company believes such insurance will provide reimbursement to the Company for the loss of revenue associated with the event.

RESPONSE:

Chattanooga Gas Company objects to this request as it is not likely to lead to the discovery of admissible evidence because the requested information regarding the April 20, 2020 tornado is beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the *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 ("Settlement Agreement"* or *"Agreement')* filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019. Without waiving this objection, CGC states as follows:

a) Chattanooga Gas Company does maintain Business Interruption insurance as part of its Commercial Property Insurance program.

b) As it relates to the tornado event on April 20,2020, at the present time it appears that the physical damage or loss of revenue was not sufficient enough to exceed the policy deductible and no insurance reimbursement is available.

Witness: Paul Leath; objections by Counsel.

CHATTANOOGA GAS COMPANY
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-6

QUESTION:

On page 11 of Mr. Leath's testimony, he compares the 2019 actual capital expenditures to the budgeted expenditures, but then also indicates on lines 9 and 10 that the budgeted projects are either completed or on their way to completion. Given the apparent fact that certain 2019 budgeted projects are not complete, provide a discussion of whether the true costs associated with the budgeted projects will be greater than $38.5 million?

RESPONSE:

Chattanooga Gas Company's 2019 capital budget included both project specific and non-project specific budget items and represents the estimated capital spend for those projects in 2019. Non-project specific budget items are included in the capital budget each year to fund budget categories such as New Business, DOT, general renewals, retirements and other budget categories where specific projects are not known at the time the annual budget is created. Non-project specific budget items are estimated each year based on previous years spend and are adjusted to account for known variables that would impact the expenditures for the upcoming year. As with any given budget year, certain projects that incurred expenses in 2019 will be completed, while others will not be completed and incur additional spend in subsequent years. For the latter projects, the estimated spend will be included in the subsequent year's capital budget.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-7

QUESTION:

Refer to page 12 of Mr. Leath's testimony where he references completion of the company's bare steel and cast-iron replacement program. Identify the quantity and cost of these replacement programs split between

a. bare steel service lines,
b. bare steel mains, and
c. cast-iron mains in 2019.

RESPONSE:

The quantity and costs associated with The Company's bare steel and cast-iron replacement program are as follows:

Category	**Unit**	**2019 Quantity**	**2019 Expenses**
Bare Steel Service Lines	Each	107	$458,773
Bare Steel Mains	Miles	7	$10,065,480
Cast-Iron Mains	Miles	0.2	$224,000

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-8

<u>QUESTION:</u>

Mr. Leath describes several projects on pages 11 and 12 of his testimony. For each project referenced by Mr. Leath, discuss the impact such expenditures have on CGC's need for pipeline capacity. If any such project impacts the future need for pipeline capacity, indicate the relevant pipeline and associated capacity reduction that may be achieved.

<u>RESPONSE:</u>

The projects referenced by Mr. Leath are meant to take full advantage of the gas supply capability of Chattanooga Gas' current LNG peaking facility. The construction project will not create an opportunity to reduce pipeline capacity. In fact, Chattanooga Gas is actively negotiating to retain as much of the FT capacity that has been released by Oglethorpe Power. Without that capacity, Chattanooga Gas projects it shall need incremental gas supply capability from interstation pipeline deliveries as soon as the winter of 2022-23.

Witness: Paul Leath

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-9

QUESTION:

On page 14 of Mr. Leath's testimony, he references a 2019 decision by Southern Company Gas to accelerate leak repairs. With respect to this statement respond to the following:

a. Identify the date of the decision;

b. Identify the date the enhanced work effort was initiated;

c. Compare and contrast the newly established Southern Company Gas repair goals by grade with the corresponding Federal Pipeline Safety requirements; and

d. Indicate whether the accelerated leak repair will be performed by internal resources or external contractors. If using internal resources, please further indicate whether such resources will be provided by the 50 existing CGC employees, or whether the acceleration require the addition of new employees. If external contractors, identify the costs incurred in 2019 and estimated costs to be incurred in 2020.

RESPONSE:

A. The decision to accelerate grade three leak repairs was made during the second quarter of 2019.

B. The program began, approximately, in June of 2019.

C. CGC has historically ensured that all gas leaks that are identified are properly graded (I, II, and III) and repaired or reevaluated in accordance with federal pipeline safety regulations and company procedures. In 2019, Southern Company Gas made an operational decision to begin accelerating repairs on all active leaks. The goal of our new program over the next four years is to repair grade I leaks immediately and to repair all grade II and grade III leaks within 12 months of discovery. This program will be environmentally beneficial by reducing methane releases into the atmosphere as well as improve the safety of the system. The accelerated repair volumes have increased our workload and will have an impact on operational costs. This program will benefit our environment and our entire community.

The CGC OPM Division II, Section 4, Page 25 (4.6.1 Scheduling, below) describes the leak repair scheduling prior to the accelerated repair program being initiated.

4.6.1 Scheduling

(1) Grade 1 Leaks

Each Grade 1 leak shall be investigated and repaired as necessary immediately after it is reported. Prompt action to protect life and property and continuous action until conditions are no longer hazardous is required.

(2) Grade 2 Leaks

Each Grade 2 leak shall be repaired by the end of the following calendar year or within 15 months, whichever comes first, from the date the leak was discovered. However, Grade 2 leaks not repaired within 6 months of discovery must be re-evaluated. Following the initial discovery date, all subsequent re-evaluations shall be completed at intervals not exceeding 6 months (not to exceed the repair date). To ensure that Grade 2 leaks are repaired or evaluated according to these guidelines, refer to Table 4.6-1. Consideration should be given to the severity of the Grade 2 leak when prioritizing repairs.

(3) Grade 3 Leaks

In all other states except Virginia, Grade 3 leaks shall be re-evaluated within fifteen (15) months of the date discovered. This may include using results from the next scheduled survey where applicable. An evaluation shall determine if the leak is to be regraded or if it no longer results in a detectable reading.

D. The accelerated leak repair will be performed by internal resources. The repairs will be performed by existing employees and are not expected to create a requirement for additional resources at this time.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

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Consumer Advocate Unit Data Request Set: CA-1

CA 1-10 Refer to Mr. Tucker's discussion of the Pension Adjustment on page 15 of his testimony. With respect to the pension contribution and its allocations to AGSC and CGC, provide the following information:

a. Identify and provide support for the minimum required pension contribution; and

b. Identify and provide support for the minimum required pension contribution necessary to avoid PBGC variable rate premiums.

<u>RESPONSE:</u>

a. Below is a schedule providing the Minimum Required Contributions for Southern Company Gas and the Total Plan before the application of any funding balances. The projections anticipate that required amounts through 2023 would be satisfied using existing funding balances. The actual 2019 cash contribution of $145 million is part of the existing funding balance which will be used towards the 2020 – 2023 minimum required contributions.

Minimum Require Contributions Before Application of Funding Balances

	Actual	*Projected*			
($ in millions)	***2019***	***2020***	***2021***	***2022***	***2023***
GAS	30.37	27.40	39.45	45.77	53.80
Total Plan	**320.01**	**339.97**	**482.77**	**544.07**	**614.30**

For the amount of the minimum required contribution allocable to CGC for AGSC's portion of the Southern Company Gas contribution please see column 14 of Tab 1 of CONFIDENTIAL Attachment 1 CA 1-10. Support for the allocation to AGSC is provided in Tab 2 and support for the total Southern Company Gas contribution is provided in Attachment 2 CA 1-10 which is a letter from the Company's actuary quantifying annual minimum contributions.

b. For the amount of the minimum required contribution in 2019 to avoid the PGBC variable rate premium for 2021 through 2029 allocable to CGC for

AGSC's portion of the Southern Company Gas contribution please see column 15 of Tab 1 of CONFIDENTIAL Attachment 1 CA 1-10. Support for the contribution amount allocated to AGSC is provided in Tab.2 – Confidential Prem Avoid.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

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Docket No. 20-00049
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-11

QUESTION:

Refer to Schedule 23.1 within Exhibit GT-1 and specifically the development of the 2.23% ratio used to allocate pension payments to CGC:

a. Provide the rationale for the use of this ratio contrasted with the use of an alternative allocator, such as CGC FTE's, or the composite CGC allocator; and

b. Confirm that the allocation of the pension payment is that assigned to AGSC and not SCS.

RESPONSE:

a. The 2.23% ratio represents the ratio of total costs allocated to CGC to total costs incurred by AGSC. This ratio includes all costs allocated and incurred by all service providers.

   Benefits incurred by AGSC are distributed to all service providers, and then costs are allocated to affiliates based on the allocation factors of those service providers, which include factors other than FTEs. Additionally, direct assigned costs include benefits as well as payroll costs. Therefore, the Company considers the used of the ratio described above appropriate and most closely aligned with cost causation factors since it aligns the pension costs closely with how these costs are allocated to affiliates.

b. The payment allocated was for AGSC and not SCS.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-12

<u>QUESTION:</u>

Refer to Schedules ARH-7 and ARH-9. The weather normalized terms for the R-1 Class is identified as 36,244,457, while Schedule ARH-9 identifies Annual MCF throughput ("MCF") of 16,445,906. Other than the designation difference between terms and MCF, indicate whether these two volume references are comparable. If not, please differentiate the two references. If so, please reconcile the two amounts and identify the average residential consumption per dekatherm.

<u>RESPONSE:</u>

Both numbers should be labeled as Therms not MCF. The 16,445,906 is a hard-coded error that is not used in any calculation. The correct number for Exhibit ARH-9 is 34,335,748 Therms from Schedule 15.1 of Witness Tucker's Exhibit GT-1 and is the non-weather normalized volumes for calendar year 2019. The 36,244,457 Therms on Exhibit ARH-7 is the weather normalized volumes from Witness Tucker's Exhibit GT-1 Schedules 16.1 and 17.

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-13

QUESTION:

Exhibit ARH-2 indicates that the Company has a multi-family residential air-conditioning rate. Referring to Exhibit ARH-7, identify the number of customers and billing units for this service in 2019 and indicate where such information may be found.

RESPONSE:

Number of multi-family residential air-conditioning customers in 2019: 0

Number of multi-family residential air-conditioning billing units in 2019: 0

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-14

QUESTION:

Regarding the rate structure of R-1 customers contrasted with R-4 customers, it is apparent from a review of Exhibit ARH-7 that approximately 72% of the R-1 proposed revenue is collected through application of CGC's customer charge with the balance collected through its commodity charge, while approximately 48% of the R-4 proposed revenue is collected through the customer charge with the balance collected through the commodity charge. Provide a comprehensive discussion justifying the disparate rate structures between these two residential customer groups, including a comprehensive discussion of CGC's strategy and/or rationale underlying this rate structure.

RESPONSE:

As explained on page 15 of Archie Hickerson's pre-filed direct testimony:

> "In this filing, CGC has proposed to generally maintain the existing rate design by increasing the rates for each Rate Schedule by a uniform percentage."

Chattanooga Gas Company is not proposing to modify the general rate design ordered by the Commission in Docket 18-00017. The Company is proposing to increase both the Customer Charges and the Commodity Charges by the same percentage for each Rate Schedule. This results in the retention of the ratio of the revenue collected through the Customer Charge to the revenue collected through the Commodity Charge as provided on Attachment 2 (Rate Design) to the Commission's January 15, 2019, Amended Order.

The Company agrees with the Commission's statement on pages 73-74 of the Amended Order:

> "The panel observed that with a significant portion of revenues collected through volumetric charges, along with the fact that customer usage is declining, it has become increasingly difficult for all local distribution gas companies, including CGC, to maintain a revenue stream sufficient to earn its authorized rate of return. In addition, the panel found that CGC has no incentive to encourage

> customers to use less gas and, in fact, CGC is actually incentivized to sell more gas in order to generate additional revenues to increase earnings. In order to break the link of fixed cost recovery through volumetric charges, the panel determined it is necessary to approve and implement a rate design consisting of rate increases to fixed monthly charges and fixed demand charges. Such a design allows recovery of fixed costs through revenues that are more stable and predictable than those revenue streams collected via volumetric usage, which may vary greatly depending on weather and overall decline in customer usage due in part to more efficient appliances and homes, programmable thermostats and improving general customer awareness.
>
> Based upon the panel's decisions regarding rate design, the panel voted unanimously to increase: the Residential R-1 Class fixed monthly rate from $13.00 to $14.00 in the summer and from $16.00 to $17.00 in the winter; the Residential R-4 Class fixed summer and winter monthly rates from $6.00 to $6.25; the Commercial C-1 fixed monthly rate from $25.00 to $26.80 in the summer and from $29.00 to $31.00 in the winter; and, the Firm Demand Charge from $5.50 to$6.35 for the Commercial C-2 Class, the Commercial Transportation Class, and the Industrial Transport with Full Standby and Partial Standby Classes. The panel found that these rate changes for revenue recovery are consistent with state and federal legislation regarding aligning the financial interest of the utility with the consumer interests of energy conservation and energy efficiency"

Consistent with the Commission's statement in the January 15, 2019, Amended Order, the Company agrees that, in future proceedings, it is appropriate to consider increasing the percent of the revenue recovered through the fixed R-4 Customer Charge and reducing the percent recovered through the variable commodity charge.

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-15

QUESTION:

Rate Schedule C-1 indicates the provision of gas service is subject to availability for any customers with consumption in excess of 1,000 terms per day. With respect to this customer class, identify the number of customers served under a written contract. Indicate whether such contracts are identical for all customers. Provide an example copy of such a contract which was in effect in 2019.

RESPONSE:

Except for line extension agreements, CGC has no contracts with C-1 customers. Line extension agreements are identical except for the projected usage, the cost of the line extension, and the resulting contribution in aid of construction, if any, that the customers must provide. A copy of the non-residential line extension agreement is attached as CA 1-15 Attachment A.

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-16

QUESTION:

Exhibit ARH-2 indicates that the company has a small Commercial and Industrial General Service air-conditioning rate. Refer to Exhibit ARH-7 and identify the number of customers and billing units for this service in 2019 and provide where such information may be found.

RESPONSE:

Number of Commercial and Industrial General Service air-conditioning customers in 2019: 0.

Number of Commercial and Industrial General Service air-conditioning billing units in 2019: 0

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-17

QUESTION:

Provide the monthly headcount for AGSC for the period January 2018 through April 2020. Further, provide the number of open positions by month for the same period.

RESPONSE:

Please see CA 1-17 Attachment A

Witness: Gary Tucker
Manager – Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-18

QUESTION:

With respect to AGSC active headcount levels at December 31, 2018 compared with December 31,2019, provide the following:

a. Identify the number and list the titles of positions which were open at December 31, 2018 and were subsequently filled during 20 19;

b. Identify the number and list the titles of any positions which were terminated during the year. These "terminations" refer to positions that were phased out or eliminated, not individual employee terminations;

c. Identify the number and list the titles of any positions which were newly created in 2019 but which did not exist or had not been approved at December 31, 20 18; and

d. Identify the number and list the titles of any positions which were filled as of December 31, 2018, but which were vacant as of December 31, 2019. This response should not include any positions which were not approved for replacement.

RESPONSE:

Please see CA 1-18 Attachment A

Witness: Gary Tucker
Manager – Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-19

QUESTION:

Provide a list of the titles of the 50 CGC employees referenced in the testimony of Mr. Leath.

RESPONSE:

Please see *Schedule 36 Departmental Chart of CGC* submitted as part of the Company's ARM filing on May 29, 2020 for the requested information.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-20

QUESTION:

With respect to assets referenced as "Excluded Assets" within the Exeter report, provide the following information:

a. Provide a comprehensive explanation of such assets;

b. Provide the gross plant-in-service by account as of December 31, 2019;

c. Provide the accumulated depreciation associated with these assets as of December 31,2019; and

d. Provide the Accumulated Deferred Income Taxes ("ADIT") associated with these assets as of December 31, 2019

RESPONSE:

a. Assets that are referenced in the Exeter report are pipeline contracts and not physical assets owned by Chattanooga Gas Company. The "Excluded Assets" reference in the Exeter report are contracts with Southern Natural Gas for no-notice storage and the related firm transportation service that is used by CGC for daily balancing.

i.

Contract type	Storage
Contract Name/#	SSNG 69
Service Type	CSS
Daily Withdrawal	14,349 Dth
Max Daily Withdrawal	14,349 Dth
Maximum Daily Injection	5,465 Dth
Capacity	710,484 Dth
Citygate Delivery	14,349 Dth
Days Available	365

ii.

Contract Type	Firm Transportation/Storage Transportation
Contract #	FSNG 130 Service Type 3
Service Type	FTNN
Daily Delivery	14,349 Dth

Annual Delivery	5,236,290 Dth
Citygate Delivery	14,349 Dth
Days Available	365

b. Gross Plant-in-Service at December 31, 2019: $0

c. The accumulated depreciation associated with these assets as of December 31, 2019: $0

d. The Accumulated Deferred Income Taxes ("ADIT") associated with these assets as of December 31, 2019: $0

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-21

QUESTION:

With respect to assets associated with LNG production, provide the following information:

a. Provide a comprehensive explanation of the company's LNG-related facilities, addressing their use and necessity in providing natural gas service;

b. Provide the LNG-related gross plant-in-service by account as of December 31, 2019;

c. Provide the LNG-related accumulated depreciation balance at December 31, 20 19; and

d. Provide a reasonable estimate of the ADIT balance associated with LNG assets as of December 31, 2019.

RESPONSE:

CGC objects to this request to the extent that it is seeking the disclosure of confidential, proprietary, or trade secret information from CGC regarding security and safety measures. CGC will provide the requested response on a confidential basis, subject to the protective order in this docket. Confidential Information in this Public Copy has been REDACTED.

A. Comprehensive Explanation of LNG Related Facilities

Plant Description and Operating Status

The Southern Company Chattanooga LNG Plant is a natural gas peak shaving facility built for winter load peak shaving. The site is located within the limits of Chattanooga, Tennessee, east of the downtown area. The site consists of approximately 33 acres. The plant consists of roadways, structures, equipment and the LNG tank (including containment basin) and occupies 8 acres.

The site was designed and constructed by J. F. Pritchard, the owner at the time, in 1972 for the Chattanooga Gas Company to liquefy natural gas during periods of low demand, store the liquefied gas, and then vaporize it for delivery into the natural gas distribution system to meet peak demands. The plant receives natural gas from 220 to 235 psig and 80°F from two separate sources. One supply is from the East Tennessee Natural Gas pipeline and second supply from Southern Natural Gas. There is a cross connection provided prior to the gas pipeline entering the plant property with a single 12" inlet to the plant process equipment. The plant is designed to liquefy and store up to 10MMSCFD. The LNG is stored in a single storage tank which has a capacity of 358,000 barrels, or 14,616,000 gallons of LNG. The plant is designed to vaporize and deliver 90MMSCFD to the gas distribution system. The maximum allowable working pressure of the LNG storage tank is 1.0 psig. The 3 LNG pumps at the tank are aboveground.

There are 6 significant buildings at the plant:

1. Control Room Building
2. Heater Building
3. I/O – Maintenance Building
4. Boil Off Gas Building
5. Water Treatment Building
6. Fire Pump Building

There are also several smaller buildings with and without open walls that contain the air compressors, spare parts, lubricating oil storage, backup generators and site equipment.

The plant is occupied 24 hours per day, 365 day per year. There is a staff of five operators, two maintenance technicians, one gas delivery technician, and one plant manager. One operator is onsite on afternoon and night shift during the week and during weekend periods.

The plant operations and its equipment are monitored in the control rooms at the following sites:

- Riverdale LNG Plant
- Cherokee LNG Plant
- Macon LNG Plant

The Gas Control Center in Atlanta, Georgia can also monitor inlet and outlet flows from the plant but cannot see the plant processes. If an emergency occurs, the operators at the plants listed above will contact local emergency responders and on-site personnel.

[redacted]

Process Description

Liquefied natural gas plants use four major steps in the production of LNG:

1. Gas Treatment or Purification
2. Liquefaction
3. Storage
4. Vaporization for introduction into the gas distribution system

1. Gas Treatment

Incoming feed gas first goes through one of three “molecular sieve” vertical dehydrator vessels (D-102 A, B, &C) which are designed to remove carbon dioxide and water as well as natural gas odorant. The vessels, manufactured by Sauder Industries, are refractory lined and each one measures 24 ft in length and 7 ft 6 inches in diameter.

The hydrator vessels are operated so that one is absorbing water, CO2 and odorant; one is being heated removing the contaminants; and the third is being cooled to prepare for the absorbing cycle. The dehydrators are regenerated through heating their beds with hot natural gas from the heat recovery unit attached to the turbine driver unit. The vessels are then cooled with purified feed gas.

A tail gas stream from regenerating the dehydrators feeds a 60psig distribution system that leaves the site.

2. Liquefaction

A mixed refrigerant liquefaction process consisting of methane, ethylene, nitrogen, propane (C3), iso-butane (i-C4) and pentane is used to provide the refrigeration necessary to liquefy the natural gas stream. The York refrigeration compressor is driven by a 10,400 hp Solar Taurus 70S gas fired turbine.

The natural gas is cooled to liquefy phase through indirect contact with the refrigerant within the cold box. The cold box is a Kobe vertical three core unit. Natural gas enters the exchangers and exits as a liquid and is sent to the LNG storage tank.

The natural gas is chilled to about -252°F before passing out of the cold box.

After liquefaction, additional temperature drop from about -252°F to -260°F is achieved by bottom filling the liquefied natural gas into the LNG tank.

3. Storage

LNG is stored at -260°F and approximately 1.0 psig in a single double-walled LNG tank. The LNG has a capacity of 358,000 barrels, or 14,616,000 gallons of LNG. The facility has the ability to receive tanker trucks of LNG in 10,000-gallon trucks that unload at a truck loading/unloading bay. Typically, it takes approximately one hour to unload an LNG tanker truck. LNG is piped from the liquefaction system to the storage tank.

LNG is withdrawn from the LNG utilizing one of three LNG pumps (P-101 A, B or C). Each pump is rated at 550 gpm. Pumps are also used to load LNG onto trucks for transport.

Boil Off

LNG continually boils off the storage tank, auto-refrigerating in the process. This vapor is drawn into the suction of the two boil off (BOG) compressors (C-301 & C-302, each rated at 421 hp). At least one BOG compressor is in operation during the liquefaction process. Should the boil of compressor fail to function, the LNG tank is equipped with three pressure relief valves set at 1.0 psig.

4. Vaporization

Vaporization is accomplished in two Manning & Lewis vaporizers (E-201 & E-202). Heat is provided by two Heatec hot water/glycol natural gas fired heaters. Each vaporizer is rated at 60,000,000 cubic feet per day (50% of capacity). The send out pressure is approximately 220 psig into a 16-inch distribution pipeline.

History of Vaporization

Year	MCF
2010	570,159
2011	97,887
2012	134,908
2013	141,931
2014	659,172
2015	499,402
2016	284,578
2017	163,479
2018	465,468
2019	129,307
May 2020	60,186

Importance of the LNG Plant

The benefits for maintaining the CGC LNG Plant far out way any possible disadvantages. The plant is vital to sustaining gas supply to the Chattanooga region during the peak demand days. Without the LNG plant we would be unable to sustain the peak demand for firm customers on the coldest days of the year.

In January 2022, the LNG plant will be required to offset the loss of the Oglethorpe Power supply contract release of 25,000 Dth per day. We will be sending natural gas from the plant to western parts of our service area, which will allow us to divert more natural gas from the East Tennessee Pipeline to the other areas of our service area. In addition, the CGC LNG Plant would be able to sustain CGC's firm customers for approximately seven days in the event there is a total or partial disruption of supply on the interstate pipelines.

B. Gross Plant-in-Service by Account
Please see CA 1-21b Attachment A

C. Accumulated Depreciation Balance
Please See CA 1-21c Attachment A

D. ADIT Balance Associated with LNG Assets
Please See CA 1-21d Attachment A

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Objections by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-22

QUESTION:

Provide a comprehensive explanation supporting Mr. Tucker's statement on page 13 of his testimony regarding how the return of the tax deficiency results in an increase in the 2020 rate reset of approximately $700,000. Provide documents necessary to support the explanation.

RESPONSE:

The required ARM filing 2020 Rate Reset incorporates the return of the tax reserve of $1,844,710 over three years as directed by the Commission in Docket 18-00035. The 2020 Rate Reset incorporating the return of the reserve over three years is presented in Exhibit GT-1, Schedule 1 Line 8 in the amount of 3,688,861. Additionally, the calculation of this rate reset includes the tax reserve thirteen-month average balance and associated taxes.

In the Company's proposed ARM filing, the total tax reserve of $1,844,710 has been applied to the 2019 annual reconciliation balance of $4,160,209. Since the tax reserve balance has been applied in its entirety to the annual reconciliation balance, the tax reserve amortization and balance have been removed from the Proposed or Alternate 2020 Rate Reset calculation.

Please see CA 1-22 Attachment A for support for the 2020 Alternate Rate Reset of $4,401,125 as presented in Exhibit GT-3. Please note, the tabs and cells reflecting the removal of the tax reserve activity and balance have been highlighted yellow for ease of review.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Protection and Advocate Division (CPAD)
Data Request Set: CPAD-1

CPAD-1-23

QUESTION:

Regarding Schedule 35.1, page 7, Item 4 of the Asset Management Agreement, provide copies of all management reports received from Sequent and requested by CGC covering 20 19 operations.

RESPONSE:

CCG did not request or receive any management reports as identified in the Asset Management Agreement on page 7, Item 4 for the 2019.

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-24

QUESTION:

Regarding Schedule 35.1, page 2, section 2.1(d) of the Asset Management Agreement, identify the CGC employee (or AGSC representative acting on CGC's behalf) that confers daily with the Asset Manager, and provide the portion and amount of AGSC compensation for that individual that was charged/allocated to CGC in 2019.

RESPONSE:

CGC objects to this request to the extent that it is seeking the disclosure of confidential, proprietary, or trade secret information from CGC, as Schedule 35.1 was filed on a confidential basis with the TPUC. CGC will provide the requested response on a confidential basis, subject to the protective order in this docket.

[redacted]

Witness: Gary Tucker
Manager - Regulatory Reporting
Southern Company Gas

Objections by Counsel

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-25

QUESTION:

Regarding Schedule 35.1, Section 2.1(f) of the Asset Management Agreement, did the Asset Manager in 2019 enter into any capacity release transactions which did not contain recall provisions? If so, provide the amount of released capacity, the margins received for such capacity, the location of the capacity release, and proof that such transactions were approved by CGC or its designee.

RESPONSE:

CGC objects to this request to the extent that it is seeking the disclosure of confidential, proprietary, or trade secret information from CGC, as Schedule 35.1 was filed on a confidential basis with the TPUC. CGC will provide the requested response on a confidential basis, subject to the protective order in this docket.

[redacted]

Witness: Gary Tucker
Manager - Regulatory Reporting
Southern Company Gas

Objections by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-26

QUESTION:

With respect to any penalties levied or paid by CGC (or its designee) from interstate pipeline suppliers in calendar years 2018-2019, identify the nature of the penalty, the amount, any dates paid, and how such penalty was recorded on the books of CGC.

RESPONSE:

During the period under review, CGC did not pay any penalties to the interstate pipelines.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-27

QUESTION:

Refer to Mr. Hickerson's testimony on page 8. Provide the underlying cost study supporting the requested increases in miscellaneous charges and indicate whether such studies rely upon actual time studies. Provide underlying support for the labor costs and loaded overheads contained within the cost studies.

RESPONSE:

The proposed charges for miscellaneous services were determined by increasing the current charges by a similar percentage that other rates were increased, then rounding to the nearest $5 increment. The underlying cost studies, labor costs and overheads are included in CA 1-27 Attachment A.

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-28

QUESTION:

Identify the job titles, department, and entities for the Asset Manager as listed on page 16 of Schedule 35.1 Asset Management Agreement. (the handwritten information on the Agreement is not legible)

RESPONSE:

Notices:

Name:	Alfonso Trabulsi
Title:	Director Asset Management I
Department:	Sequent -Asset Management
Entity:	Sequent Energy Management L.P.
Address:	1200 Smith Street Suite 900 Houston, TX 77002

Operational Matters:

Name:	Alfonso Trabulsi
Title:	Director Asset Management I
Department:	Sequent -Asset Management
Entity:	Sequent Energy Management L.P.
Address:	1200 Smith Street Suite 900 Houston, TX 77002

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-29

<u>QUESTION:</u>

The following accounts have seen a substantial increase in the base period compared with prior periods. With respect to these cost increases, provide a comprehensive explanation for their increase and indicate whether such increases include external contractor costs:

a. 600002 Payroll LNG Operation and Labor; and

b. 600120 Payroll A&G Salaries.

<u>RESPONSE:</u>

A. For account 600002, more labor was charged directly to capital projects in 2018 compared to 2019. Additionally, there was also a vacant position in 2018 for approximately 4 ½ months.

B. In 2019, account 600120 included the full salary for three Supervisors. In 2018, the cost for these supervisors was only partially reflected. The cost incurred for 2018 for these supervisors is as follows: the salary for one supervisor for eight months, the salary for the second supervisor for seven months and the addition of a third Supervisor, as included in the 2018 rate case, for one month. Additionally, there were also field positions that were added, as discussed in CGC's 2018 rate case, which led to increases in costs in 2019.

Please note, neither account 600002 nor account 600120 included external contractor costs.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-30

QUESTION:

The following accounts have seen a substantial increase in the base period compared with prior periods. With respect to these costs, respond to the following:

a. Account 620050 LNG Operation;

   i. Provide a comprehensive explanation for the increased charges in this account; and

   ii. To the extent there are any non-labor charges recorded to this account, provide the general ledger information supporting the non-labor charges;

b. Account 625900 LNG Maintenance- Other Equipment;

   i. Provide a comprehensive explanation for the increased charges in this account; and

   ii. To the extent there are any non-labor charges recorded to this account, provide the general ledger information supporting the non-labor charges;

c. Account 670500 Group Insurance Medical - increasing approximately $550 thousand compared with 2018;

   i. Provide a comprehensive explanation of the reason for this significant increase;

   ii. Provide a comprehensive explanation of how employee health insurance benefits are funded by the Company;

   iii. Provide a comprehensive explanation of the steps taken by the Company in 2018 and 2019 to control medical costs in 2019; and

iv. Describe in detail the steps being taken currently to control Group Insurance Medical costs in 2020.

RESPONSE:

A. LNG Operation

i. Increased vaporization in 2018, due to colder weather, required longer liquefaction runs in 2018, which increased maintenance and repairs in 2018 that continued into 2019. Additionally, expenses to maintain compliance increased in 2018 and 2019.

ii. There are no non-labor charges recorded to this account

B. LNG Maintenance – Other Equipment

i. The increase in expense is due to higher maintenance cost (maintaining compliance and repairs on equipment) and less payroll being charged to capital projects.

ii. There are no non-labor charges recorded to this account

C. Group Insurance Medical

i. The Company medical plan is a self-insured plan where the Company pays the healthcare claims. Considering the group size of Chattanooga Gas (approx. 50 employees) it is not abnormal to see claim volatility from year-to-year. The experience of high cost claimants (defined as having over $100k in annual claims spend) can swing costs significantly from year to year. 2018 was an outlier year in which the Company had a very favorable claim year.

ii. As discussed in i. above, the Company medical plan is a self-insured plan where the Company pays the healthcare claims. The Company uses a third-party administrator to administer and adjudicate claims, and the fees associated with it are included in healthcare costs. The Company offers a choice of medical plan options. While the Company contribution for those is consistent from plan to plan, employees have the choice between plans with higher premium costs and lower costs when utilizing care, to lower premium costs and higher costs when receiving care.

iii. The Company reviews claims annually and identifies drivers behind high cost claims. Programs have been implemented to address those health drivers and to keep costs down to the Company and the employee. Programs include, wellness programs, condition management programs that provide support to people with conditions like sleep apnea or hypertension, as well as programs that use technology to improve employee engagement and reduce costs (like telemedicine and digital physical therapy).

iv. See response iii

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-31

QUESTION:

Regarding account 660321 Crossbore Legacy Program, provide a comprehensive explanation of the nature of this program and the benefits accruing to ratepayers.

RESPONSE:

The Legacy Cross Bore Program is a proactive program where the Company investigates and remediates areas with previously identified cross bores.

A cross bore is defined as the intrusion of an existing underground utility or underground structure by a second utility resulting in direct contact between the transactions of the utilities that compromises the integrity of either the utility or underground structure.

A cross bore can remain undetected for months, even years. The typical way they are discovered is when the sewer line becomes clogged and a blockage needs to be removed. While it is common practice to use a mechanical rotary device to root out the blockage, this process could damage the gas pipe that has been bored through the sewer line, resulting in a loss of gas service and a potentially hazardous leak condition.

While there are no specific government requirements to investigate and remediate cross bores, DOT 49 CRF part 192.1007 requires that an operator must demonstrate an understanding of its gas distribution system. 192.1007 (d) requires the operator to identify and implement measures to address risks. Cross bores are a known risk to our system.

Additionally, there are several industry groups that have prepared best practice guidelines for cross bore prevention, identification and remediation, including the Gas Technology Institute and Common Ground Alliance.

> Common Ground Alliance (CGA) Best Practices: A facility owner/operator has in place a robust, proactive mitigation program to identify and mitigate cross-bores where their facilities may intrude upon another owner/operator's facility. The

facility owner/operator program promotes safe mitigation of Cross Bores. TR2014-02. (Final Approval March 2019)

Gas Technology Institute (GTI) Best Practices: These practices include compliance with all regulations, dedicated resources, use of a record keeping system that is fully auditable, use of GIS to collect and organize data, use of a risk based approach, inclusion of cross bores within a DIMP plan, development of operating procedures and training programs specific to cross bores, and coordinated information exchange with one-call systems. (January 24, 2011)

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

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Consumer Advocate Unit Data Request Set: CA-1

CA-1-32

QUESTION:

Regarding account 670200, Outside Services Employed, provide a list, amount, and description of services performed for each vendor whose costs were charged to this account in 2019.

RESPONSE:

Please see CA 1-32 Attachment A

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-33

QUESTION:

Provide detailed calculations supporting how the loading rate(s) underlying the credits in accounts 670150, 670510, and 670512 are developed and applied within calendar year 2019.

RESPONSE:

Please see CA 1-33 Attachment A.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-34

QUESTION:

With respect to late payment penalties, the company's tariff calls for the application of a 5% fee applied to any customer account that is not paid within the specified time frame. Confirm that such fees are not applied on a monthly basis. For example, on an account where the monthly bill is $100 and is 90 days past due, confirm that the applicable amount due at that time is $105, rather than $115 ($100*5%*5%*5%). If this is not confirmed, provide an example of how such late fees would be applied in this example.

RESPONSE:

The late payment charge of 5% is applied to the current month's bill balance that has not been paid on a timely basis. For example, if a customer receives a $100.00 bill for January and has not paid the bill when the February bill is issued, the current month's bill will include the past due $100 from the January bill plus a late payment charge of $5.00. If the customer hasn't paid the $100 from January when the March bill is issued, the current months bill will include the $100 from January plus another late payment charge of $5.00. Similarly, if the January bill hasn't been paid when the April bill is issued, the $100 unpaid bill from January will be included in the current month's bill and the customer will be bill another $5.00 late fee. The 5% late payment fee is not compounded but is applied only to the current month's bill for gas service. It is not applied to outstanding balance for taxes and other fees. In the case that a customer has an outstanding bill that is 90 days past due, under this example the customer would have been billed a total late payment of $15.

Witness: Archie Hickerson
Director, Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-35

QUESTION:

Provide a complete copy of the CGC tariff, including its Terms and Conditions in Word format.

RESPONSE:

Please see CA 1-35 Attachment A

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-36

QUESTION:

Refer to schedule 19.1a within Exhibit GT-1. Provide a description of the reason(s) for the variation between the FERC balances by account and those referenced in column F, which are those incorporated into this case:

a. Account 600120 Pay- A&G Salaries;

b. Account 655320 Outside Services- Customer Service;

c. Account 670200 Outside Services Employed;

d. Account 670450 Pensions;

e. Account 670459 Pensions Distributed;

f. Account 670500 Group Insurance- Medical;

g. Account 670509 Health Distributed;

h. Account 670530 Retirement Savings Plus Plan;

i. Account 670590 AIP Bonus;

j. Account 670806 General Dues and Subscriptions;

k. Account 670855 Travel Expense; and

l. Account 425000 Depreciation.

RESPONSE:

In Schedule 19.1a, Column F labelled actual is CGC's GAAP income statement with allocated cost identified separately by service provider. Column E, labelled FERC reflects the reclassification (or spread) of service company cost allocated to CGC based on the activity provided by the service company. Please note that the net income on row 555 is the same in both Columns E and F. Also, please see that the total service company costs in row 557 and row 558 tie. The total in row 557 sums up the difference between Columns E and F. The amount in row 558 references the total allocated costs provided in Schedule 19.1.

The spread of allocated cost shown in Column E is prepared and used for reporting in CGC’s FERC Form II.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-37

QUESTION:

Refer to Other Taxes- Gross Receipts Tax identified as $510,228 as reflected on Schedule 8 of Exhibit GT-1. Related to payments associated with 2019 Gross Receipts Taxes, identify the amount paid to each jurisdiction. Identify any portion of this balance that relates to taxes paid to taxing jurisdictions outside of Tennessee.

RESPONSE:

The payment submitted to the Tennessee Department of Revenue for Gross Receipts Tax in 2019 was in the amount of $370,175. The Gross Receipts Tax reflected on Schedule 8 of Exhibit GT-1 was accrued based on a 5-year average payment history. No gross receipt tax payments were made to taxing jurisdictions outside of Tennessee.

. Payment Amount	**Payment Date**	**Payment Jurisdiction**
$ 370,175.45	7/26/2019	Tennessee Department of Revenue

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
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Consumer Advocate Unit Data Request Set: CA-1

CA-1-39

QUESTION:

Refer to Payroll Taxes in the amount of $232,317 within Schedule 8 within Exhibit GT-1. Provide the portion of payroll taxes associated with CGC employees and that associated with payroll allocated/direct charged from CGC affiliates.

RESPONSE:

Regarding the Payroll Taxes in the amount of $232,317 on Schedule 8 of Exhibit GT-1, there are no allocated or direct charged amounts from CGC affiliates included in this total.

To clarify, the Rate Case costs in Column E, on Schedule 8, of Exhibit GT-1 had allocated cost embedded in the totals as approved by the Tennessee Public Utility Commission in Docket 18-00017. The costs in Column F, the Historic Base Period, do not have allocated costs included in the totals as total allocated costs were reported for the historic base period on Schedule 7.

On Schedule 8 of Exhibit GT-1, footnote c/ states "*Allocated TOTIT are included in line 1 through 5 above. Amounts have been removed in Schedule 5 Rate Case TOTIT*." This note is in reference to the Rate Case costs in Column E. The note was added to explain the difference between the rate case TOTIT on Schedule 8 of $3,488,071 and the rate case TOTIT presented in Schedule 5 of $3,339,316. The difference between the two is for allocated TOTIT 148,755.

Additionally, note c/ in Schedule 7 of Exhibit GT-1 states, "*Historic base period includes total AGSC allocated costs. As the rate case amount for Service Company costs allocated to Taxes Other Than Income Tax was not known, the Company has used the allocated TOTIT as calculated by Mr. David Dittemore of 148,755 and added the approved allocated depreciation expense of 317,518.*"

For clarity, Schedule 8 should have also included the same or a similar note to that provided on Schedule 7. That is, Rate Case taxes other than income taxes of $3,488,071 includes allocated TOTIT as approved by the Tennessee Public Utility

Commission in Docket 18-00017. Allocated TOTIT of 148,755 have been removed from TOTIT on Schedule 5 and reclassed to Allocated cost for comparability purposes as discussed in Schedule 7

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-40

QUESTION:

Refer to Schedule 23 GL8. Confirm that other than those departments designated by SCS, these reflect costs direct charged or allocated from AGSC.

RESPONSE:

The costs reflected on Schedule 23 are presented by service provider. Other than the service providers designated by SCS as shown on this schedule, these reflect costs direct charged or allocated from AGSC.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Chattanooga Gas Company
Docket No. 20-00049
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Consumer Advocate Unit Data Request Set: CA-1

CA 1-41 Refer to Schedule 23 GL 29. With respect to the $21 million in Gas Supply and Management Costs, provide:

a. The amount of these costs eventually allocated and assigned to CGC in 2019; and

b. Whether any Gas Supply and Management services were provided by Southern Company Services to Sequent.

RESPONSE:

A. The amount of Gas Supply and Management Costs allocated and assigned to CGC in 2019 are reflected in the Schedule 23 invoice for GL8, lines 54 and 146. The amounts total $653,063

B. CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because services provided by SCS to Sequent are beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the *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 ("Settlement Agreement"* or *"Agreement')* filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Objections by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-42

QUESTION:

Regarding Schedule 30, provide the CGC Capital Budget for 2021 and 2022. For purposes of this response, monthly totals are not needed. If amounts of the annual budget by type are not available, provide the annual totals.

RESPONSE:

CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because the requested 2021 and 2022 data is beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the *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 ("Settlement Agreement"* or *"Agreement')* filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019. The only budget CGC agreed to provide in this proceeding it has provided, and it is not to be a basis for any decision regarding 2019. Without waiving this objection, CGC states as follows:

The budgeting process for 2021-22 has just started. We will not have an approved 2021 capital budget for many months. As we informed the TPUC in March 2020, because of growing demands, we projected annual spending of approximately $30 million per year for the next five years.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

Chattanooga Gas Company
Docket No. 20-00049
2019 Annual Rate Review

Consumer Advocate's First Set of Discovery Requests

CA 1-43 Refer to Schedule 30, specifically the 2020 Operating Budget. Provide a comprehensive explanation for the budgeted $1.45 million credit in outside services, including a detailed description of the contrast with the large charge reflected in 2019 actual operations.

<u>RESPONSE:</u>

CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because the requested 2020 data is beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the *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 ("Settlement Agreement"* or *"Agreement')* filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019. Without waiving this objection, CGC states as follows:

The $1.45 million credit in outside services in the 2020 operating budget is the result of a GAAP based estimate of the expense deferral necessary for CGC to earn its authorized rate of return in accordance with the annual review mechanism.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Objections by Counsel

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-44

QUESTION:

Refer to Schedule 32.1 the CAM Supplemental Schedule. Identify the cost of this study charged or allocated to CGC, the applicable period in which the charges were recorded, and the account number charged.

RESPONSE:

The cost to prepare the shared service study, provided as Schedule 32.1, has totaled $277,635 to date. The cost of the study was recorded March through June 2020 in account 670200 Outside Services Employed. Additional costs could be incurred if continued services are required through the remainder of this proceeding. Services that may be required included responding to discovery requests and submittal of rebuttal testimony.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-45

<u>QUESTION:</u>

Refer to Schedule 35.1, the AGSC Tax Allocation Agreement. Provide a comprehensive explanation and all relevant support for whether the Company believes TPUC is bound by the provisions set forth in this Agreement for ratemaking purposes.

<u>RESPONSE:</u>

Chattanooga Gas Company objects to this request as it is not likely to lead to discoverable evidence because it appears to be seeking CGC's legal opinion and analysis regarding the scope and extent of the TPUC's jurisdiction and authority under Tennessee law with respect to the AGSC Tax Allocation Agreement. It is the Commission's job, ultimately, to determine whether it is bound by the Agreement for ratemaking purposes.

Objections provided by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-46

<u>QUESTION:</u>

Regarding Schedule 2A1 within Exhibit GT-1, provide the support for the 2.41% AGL Service Company allocator used to allocated AGSC plant to CGC.

<u>RESPONSE:</u>

Please see CA 1-46 Attachment A for the monthly ratio of total AGSC costs allocated to CGC. Please note that the above referenced ratio is for March 2019 only, and the average ratio for 2019 is 2.23%, which was the amount that was used as the factor to allocate AGSC plant to CGC.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-47

QUESTION:

Refer to Schedule 2A1 within Exhibit GT-1. With respect to Account 113100 Non-Utility Plant in Service, respond to the following:

a. Provide a comprehensive justification for inclusion of this item in the Rate Base of CGC; and

b. Provide the AGSC subaccounts and amounts which comprise the monthly balances rolling into the total account balance. If this information is contained within the filing, identify the file which contains this information

RESPONSE:

A. Gas' consolidated balance sheet includes both regulated and non-regulated entities. The Property, Plant and Equipment (PP&E) section of the balance sheet identifies the PP&E for the regulated entities such as Chattanooga Gas as Regulated Assets, while the PP&E for the non-regulated entries such as AGSC are labeled as Non-Regulated Assets.

The Company has included an allocated amount for AGSC Non-Utility Plant in Service (113100) in rate base because it contains plant used, useful, and necessary to support CGC's operations, and its ability to provide utility service to its customers. CGC is not structured to operate as a stand-alone company and lacks the personnel and capital assets to perform critical management, corporate, and administrative services. AGSC provides these services for the benefit of CGC's customers with AGSC capital and human resources. Specifically, AGSC and CGC employees use AGSC plant assets that are critical to CGC's ability to provide safe and reliable utility service to its customers. These assets include the various enterprise-wide systems that support AGL including financial, human resources, corporate communications and e-mail systems.

Additionally, an allocated portion of AGSC net plant has been approved by the Tennessee Public Utility Commission or the Tennessee Regulatory Authority in each of its past four rate cases, including the most recent rate case in Docket No. 18-00017.

B. Please see attached CA 1-47 Attachment A.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-48

QUESTION:

Refer to Schedule 2A1 within Exhibit GT-1. Provide an explanation of the costs incorporated in Account 100123 and differentiate them from costs recorded to Account 100120.

RESPONSE:

Account 100123 is used to accrue costs that has not been assigned to a specific project by a certain day in the monthly close cycle. A project identification number is required to record costs to account 100120. When there is no project number a reversing accrual would be recorded to account 100123, and then the following month the accrual would be reversed from account 100123 and the costs would post to 100120 using the project number assigned.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-49

QUESTION:

Refer to Schedule 2A1 within Exhibit GT-1. Provide a comprehensive explanation for the Topside/SUD-manual entry made in August 2019, including the justification for inclusion of this amount in Rate Base.

RESPONSE:

The Topside/SUD-Manual Entry as shown on Schedule 2A1 was a topside/manual CWIP accrual that was inadvertently recorded to a Non-Utility CWIP accrual account. Because the accrual was being recorded manually as a topside adjustment, it should have posted to account 100123. As stated in the Company's response to CA 1-48, account 100123 is used to accrue costs that has not been assigned to a specific project by a certain day in the monthly close cycle. Being that this was a topside entry it would have met the requirement that the costs should be recorded to 100123, and then to 100120 the following month, once a project number was assigned to it.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-50

QUESTION:

Refer to Schedule 2Al within Exhibit GT-1. With respect to Account 113120, provide the following:

a. A description of each AGSC project recorded to this account in 2019; and

b. The costs associated with each project recorded to this account in 2019.

RESPONSE:

Please see CA 1-50 Attachment A

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-51

QUESTION:

Refer to Accounts 145600 and 145900 within Schedule 2A1, Exhibit GT-1. Provide the monthly balances and gas quantities for these accounts for each account for the period December 2016 through April 2020.

RESPONSE:

CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because the requested "monthly balances and gas quantities for these accounts for each account for the period December 2016 through April 2020" is beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the *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 ("Settlement Agreement"* or *"Agreement')* filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019. Without waiving this objection, CGC states as follows:

There is no Account 145600 within Schedule 2A1. The Stored Gas Inventory included within Schedule 2A1 are accounts 145700, 145720, and 145900. The Volumes and Inventory values for each of these accounts for each month from December 2016 through April 2020 are included on attachment CA 1-51 Attachment A.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Objections by Counsel

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-52

QUESTION:

Refer to Schedule 2A1 within Exhibit GT-1. Provide a comprehensive explanation supporting the justification for inclusion of the 2019 average balance in Account 145900 in Rate Base. Include in this discussion the reason that the balances are relatively flat and do not vary with the heating seasons.

RESPONSE:

The average balance in Account 145900 reflects the Company's investment in stored Liquid Natural Gas (LNG) that is maintained to ensure that the Company can provide reliable service to its firm customers. As such the Tennessee Public Service Commission, the Tennessee Regulatory Authority, and the Tennessee Public Utility Commission have consistently found that it should be included in rate base as the Commission did in CGC last rate case Docket 18-00017.

The stored gas inventory is an asset devoted to public use on which the Company should earn its authorized return. As explained in the draft Exeter report, CGC's design day requirements are 148,522 Dths. With a target of maintaining a 5% reserve margin, the design day requirement is 156,339 Dths. The Company has only 87,018 Dths of pipeline capacity to meet this demand, leaving 69,321 Dths to be provided by vaporizing and injecting gas from the LNG facility into the distribution system. The pipelines that service CGC are fully subscribed and have no additional capacity available. In addition to the LNG inventory being needed to meet firm demand as the temperature approached the design day, the inventory is needed to have gas available if there is a disruption of full pipeline service. Without sufficient on system inventory, the Company has no assurance that it can maintain service to its firm customers. In order to retain this assurance, the inventory in the LNG facility is retained and not utilized unless weather or other conditions require vaporization. There are two basic reasons for this. If the inventory is depleted during early winter months, there is no assurance that the Company will be able to liquify and restore the inventory that may be needed in the future. The other is the cost. Since natural gas is used to power the liquefaction compressors, there is a material loss of gas during the process that in general causes the inventory cost to be materially greater than the price of flowing gas. (Even with this additional cost it is less expensive than obtaining additional pipeline capacity that would require the pipelines to construction new or expand existing facilities.) In order to reduce the cost of gas charged to its customers, the Company does not un-necessarily cycle (vaporize and liquify) the LNG inventory. As a result, the LNG inventory level does not fluctuate as the inventories in other storages.

Witness: Archie Hickerson
Director, Rates and Tariff Administration
Southern Company Gas

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-53

QUESTION:

Refer to Schedule 2A1 within Exhibit GT-1. Provide the underlying calculations supporting the December 2019 balances of 279100 and 279150 both for AGSC, including the calculation of the effective tax rate used within the calculation.

RESPONSE:

CGC objects to this request to the extent that it is seeking the disclosure of confidential, proprietary, or trade secret information from CGC, with such confidential information within the referenced Attachment 1. CGC will provide the requested response on a confidential basis, subject to the protective order in this docket.

Please see Attachment 1 CA 1- 53 for the underlying calculations of 279100 Accel Fed Tax Depr-Property and 279150 Accel St Tax Depr-Property. Tab 1, Columns 1 through 5, provide the balances and activity of the temporary differences for 2019 and Tab 1, columns 6 through 10, provide the deferred income tax liability calculated on the temporary differences. Tab 1, Column 11, provides the effective tax rate for each temporary difference. Confidential Tab 3 reflects the effective state tax rate used within the state income deferred tax calculation. Confidential Tab 4 reflects the portion of the effective state tax rate attributable to separate company filing states. Confidential Tab 5 reflects the portion of the effective state tax rate attributable to combined, consolidated or unitary filing states.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Objections by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-54

QUESTION:

Refer to Schedule 2A1 within Exhibit GT-1. With respect to Net Operating Losses, provide a comprehensive explanation of how such amounts are attributed to CGC and associated with CGC results or any affiliate related NOLs which are attributed to CGC.

RESPONSE:

To the extent that CGC generates Net Operating Losses for Federal income tax purposes, such NOLs can be absorbed by income generating affiliates in the consolidated filing for Federal income tax purposes with its affiliated group. To the extent that CGC's Net Operating Loss are absorbed by affiliates, CGC is paid for the utilization of such NOLs. To the extent CGC generates taxable income that is offset by losses of affiliated companies, such tax benefits are recorded as contributions to capital to CGC from the affiliated group parent, Southern Company. The methodology described above for Federal income tax purposes related to NOLs is the same for state income tax purposes. However, because Tennessee is a separate filing state, affiliate companies can't offset CGC state NOLs; therefore, any state NOLs generated by CGC can only be offset by future CGC state taxable income.

The Net Operating Losses referred to in Schedule 2A1 within Exhibit GT-1, more specifically Schedule 35.7, is a result of a Net Operating Loss generated on CGC's 2018 Excise Tax Return that is being carried forward to future periods when CGC generates taxable income to offset it. In 2019, the Net Operating Loss from CGC's 2018 Excise Tax Return was moved from current state income tax liability to deferred state income tax liability because it is anticipated that the Net Operating Loss generated would not be utilized within the next calendar year. The federal benefit of state portion is recorded in the deferred federal income tax liability.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-55

QUESTION:

Refer to Schedule 24.1 within Exhibit GT-1. Provide the following information:

a. Identify the titles and base compensation of employees whose time is represented in line 18, Fixed Compensation; and

b. Does the fixed compensation line item (line 18) include employee benefits? If so, provide the underlying calculations showing the application of such employee loadings and how they were calculated.

RESPONSE:

A. CGC objects to this request to the extent that it is seeking the disclosure of confidential, proprietary, or trade secret information from CGC. CGC will provide the requested response on a confidential basis, subject to the protective order in this docket.

[redacted]

B. No. the fixed compensation line item on line 18 of Schedule 24.1 within Exhibit GT-1 does not contain employee benefit.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Objections by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-56

QUESTION:

The Company proposes to recover the entirety of legal costs and expenses for Dockets Nos.18-00035 and 19-00047:

a. Provide a comprehensive narrative describing why these expenses should not be split in some fashion between ratepayers and CGC's shareholders; and

b. Provide support, including all relevant documents, for the legal costs incurred by outside vendors and by CGC in 2019 in the current matter and sought for recovery.

RESPONSE:

a. CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence in that the Consumer Advocate's "comprehensive narrative" is a thinly veiled request for CGC's legal opinion and analysis on the separating out of legal expenses and providing a different regulatory treatment that would be contrary to Tennessee law. CGC further objects to the extent the Consumer Advocate is seeking work product privileged information. It is a fundamental principle of ratemaking that a regulated utility is entitled to recover all of its used and useful investments and all of its prudently incurred expenses, upon which the utility has the opportunity to earn its authorized rate of return. To split prudently incurred expenses between ratepayers and stockholder would deny CGC the opportunity to earn its authorized rate of return and would be illegal.

b. CGC objects to this request to the extent it seeks the disclosure of lawyer invoices, billing statements, and similar documents that reflect specific attorney-paralegal-law firm billing entries as this information is exempt from discovery because of the attorney-client privilege and the attorney work product privilege as such detailed statements contain mental impressions, opinions, legal research and analysis, strategies and alternatives, and legal recommendations related to such privileged work. For information that CGC will produce, please see the response to CA 1-57.

Objections by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-57

QUESTION: Produce all legal invoices and similar documents incurred in 2019 from outside vendors. The documents should be provided in a way that identifies the following:

a. The corresponding docket(s) that the invoice relates to;

b. The general nature of work provided on the docket (note that to the extent that the attorney-client privilege may apply, this request does not seek privileged information. In instances where some information may be privileged, that information may be redacted so long as a general description of the work performed is included); and

c. The billed amount/cost of the work performed in total and on an hourly basis.

RESPONSE: CGC objects to this request to the extent it seeks the disclosure of lawyer invoices, billing statements, or similar documents that reflect specific attorney-paralegal-law firm billing entries as this information is exempt from discovery because of the attorney-client privilege and/or the attorney work product privilege as such detailed statements contain attorney mental impressions, conclusions, opinions, legal theories, legal research and analysis, strategies and alternatives, legal recommendations, and related communications between and among attorneys and CGC client representatives. CGC will provide on a confidential basis, subject to the protective order in this docket, where possible, an Excel workbook that includes non-privileged summary information that shows amounts billed by invoice for each lawyer or law firm and a separate accounting for the 2019 ARM Docket. Because of the way the information is reported and collected, specific dockets other than the 2019 ARM Docket are not identified. "General" dockets CGC outside counsel worked on included, but are not limited to, 07-00224, 18-00032, 18-00035, 18-00102, 18-00103, 19-00078, 19-00108, monitoring of other TPUC non-CGC dockets, as well as other business, regulatory, and operational matters that do not necessarily correspond to a specific TPUC docket, such as contracts, pipelines, tariffs, etc. CGC further notes that to be recoverable, outside legal expenses do not have to linked to a specific TPUC docket, only that the expense be reasonable and prudent and related to CGC's operations as a local distribution natural gas utility. In-house counsel reviews all legal bills prior to approval for payment. On the basis of these objections, all the information responsive to (a) is subject to CGC's privilege objection. With respect to (b) and (c), some of the requested information is privileged and will not be provided. However, CGC has prepared an Excel Spreadsheet that has non-privileged information that is responsive and will be provided on a CONFIDENTIAL basis pursuant to the Protective Order in this Docket.

Witness: Gary Tucker; Objections by Counsel.

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-58

QUESTION:

Refer to Schedule 35.8, the CGC Allocated Class Cost of Service Study:

a. Provide support for the 61.72% ratio for Minimum Size Mains/Customer, and provide a comprehensive explanation of the use of this ratio; and

b. Provide a breakdown of the quantity of mains by diameter size of pipe. For each diameter size of pipe, provide the original cost and the accumulated depreciation balance, both as of December 31, 2019.

RESPONSE:

A. The attached file CA 1-58 Attachment A presents the replacement cost and minimum size study that generates the 61.72% ratio. The ratio is used in the Allocated Class Cost of Service Study (ACCOSS) to allocate system capacity costs between a minimum or base amount that would be needed to serve all customers and that portion of system capacity related costs that vary with the individual Design Day of each customer.

B. The Company's plant records do not contain enough detail breakdown original cost and depreciation by pipe segment. Therefore, the ACCOSS employs a replacement cost/minimum size methodology to allocate the original and depreciation costs.

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-59

QUESTION:

Refer to Schedule 35.8, the CGC Allocated Class Cost of Service Study:

a. Provide the number of service lines reflected on the books of CGC;

b. Provide a split of the number of service lines by diameter;

c. For each diameter size service line, provide the original cost and accumulated depreciation reflected on the books of CGC as of December 31, 20 19; and

d. With respect to any differences between the number of service lines on the books of CGC and its customer numbers, provide a discussion of every known cause of such differences.

RESPONSE:

A. The attached file CA 1-59 Attachment A presents the number of services, size, type, and the replacement costs for Services on the CGC system.

B. Please see CA 1-59 Attachment A

C. The Company's plant records do not contain enough detail breakdown original cost and depreciation by pipe segment. Therefore, the ACCOSS employs a replacement cost methodology to allocate the original and depreciation costs.

D. The number of services is based upon the annual Department of Transportation Report. As such there is a timing difference between active customers and the number of services. Further, seasonal differences in the number of active accounts can also lead to differences with the number of services.

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-60

<u>QUESTION:</u>

Refer to Schedule 5.1 within Exhibit GT-1. With respect to Account 410100, provide a comprehensive explanation of each transaction occurring within this account.

<u>RESPONSE:</u>

The only transaction in Account 410100 during calendar year 2019 was recording the share of the Asset Management fee retained by CGC.

Witness: Archie Hickerson
Director - Rates and Tariff Administration
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company’s 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-61

QUESTION:

Refer to the Fixed Compensation associated with Lobbying removed in Schedule 24.1 within Exhibit GT-1. Identify the titles of all employees whose compensation is included within this line item and provide a comprehensive explanation as to how such amounts were identified.

RESPONSE:

The amounts in Schedule 24.1 were identified by department. Specifically, department '1637 Govt Affairs AGLC-CGC GL29’ as identified in Schedule 32, Attachment E, are used exclusively for below the line governmental affairs activity performed on behalf of CGC. Employees direct assign their time associated with lobbying to department 1637 Govt Affairs through the Company’s time and reporting system.

Please refer to The Company’s response to CA 1-55 for the title(s) of the individual(s) that comprise the fixed compensation identified and removed in Schedule 24.1 of Exhibit GT-1.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA 1-62 Refer to CGC Tucker Exhibit GT-1 (ARM Model).xlsx "ARM Model" and Schedule 21.xlsx "Schedule 21" filed in this Docket. Specifically, refer to tab "Schedule 2A 1" within the ARM model and tab "2019_Balance Sheet" and respond to the following:

a. Reconcile the account balances shown in these tabs for Account 235201, Customer Deposits; and

b. Referring also to Schedule 28, should the amount listed on line 47 be updated as well?

RESPONSE:

a. The amount reported in Schedule 21 for account 235201 is incorrect. The line included total customer deposits plus the account balance for account 235201 for calendar years 2017 through 2019. Please see CA 1-62 Attachment A for corrected balance sheets for 2017, 2018 and 2019. Differences between the balance sheets provided in Schedule 21 and CA 1-62 Attachment A are noted in a difference column for each year. Please note, the differences identified do not impact Schedule 2A1, rate base included in the CGC's ARM filing was not impacted and is correct.

A reconciliation of account 235201 is provided below for December 2019. As noted above, this error was present in Schedule 21 for account 235201 for 2017 through 2019. The amount reflected in Schedule 21 doubled the December 31, 2019 balance and included the balance of account 235202.

Schedule 21

235201	Customer Deposits	(3,423,380)
235202	Customer Credit Balances	(715,699)
Customer Deposits		(3,423,380)

Reconciliation to Schedule 2A: (3,423,380) - (715,699) = (2,707,681) / 2 = (1,353,841)

Schedule 2A1

235201	Customer Deposits	(1,353,841)
235202	Customer Credit Balances	(715,699)
Customer Deposits		(2,069,540)

b. No. As explained in part a., the error was in Schedule 21. The customer deposit balances for account 235201 included in rate base on Schedule 2A1 are correct.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company’s 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-63

QUESTION:

Refer to the ARM Model, and specifically refer to tab "Schedule 20." Provide the information contained within this schedule for the year ending 2018.

RESPONSE:

Please see CA 1-63 Attachment A

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-64

QUESTION:

Refer to Account 670570 within Schedule 24.2, Exhibit GT-1:

a. Provide the breakdown of the types of costs within this account for the month of March and identify the employee(s) to which this benefit accrued; and

b. Provide a comprehensive explanation underlying the December credit entry of $29,457.

RESPONSE:

a. In account 670570, as shown on Schedule 24.2 of Exhibit GT-1, the $152,334 reported in March of 2019 was recorded to establish the estimated liability of an employee relocation. It is important to note that The Company is not seeking to recover any portion of this cost. For the employee name(s) to which this benefit was accrued please reference The Company's response to CA 1-55.

b. The credit reported to the same account in December of 2019 was the unused portion of the estimated relocation cost. The amount was recorded to true-up the balance of the account once the relocation was complete.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-65

QUESTION:

Refer to schedules 19 and 20 within Exhibit GT-1. Provide the January 2020 data related to CGC and AGSC respectively in the same format as is contained in Schedules 19 and 20.

RESPONSE:

CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because the requested 2020 data is beyond the scope of this docket which is limited to CGC 2019 expenses and revenues as set forth in the *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 ("Settlement Agreement"* or *"Agreement')* filed on July 26, 2019, in Docket No. 19-00047,and approved by the Commission's Order Approving Settlement Agreement on October 7, 2019. Without waiving this objection, CGC states as follows:

Please see attached CA 1-65 Attachment A and CA 1-65 Attachment B.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Objections provided by Counsel

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-66

QUESTION:

Refer to Accounts 600001 and 600002 within Schedule 20, Exhibit GT-1. Confirm that none of the AGSC costs recorded in this account were direct charged or allocated to CGC. If this is not the case, identify the amounts allocated to CGC and which are incorporated within the revenue requirement.

RESPONSE:

The Company confirms that none of the costs charged to account 600001 and 600002 on the books of AGSC were direct charged or allocated to CGC.

Witness: Gary Tucker
Manager - Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-67

QUESTION:

Provide a comprehensive explanation of the function of the assets and costs incurred by AGSC relative to LNG operations distinct from that owned and incurred by CGC.

RESPONSE:

The LNG costs for operations incurred by AGSC is related to three LNG facilities owned by Atlanta Gas Light. Similar to the LNG facility at CGC, the LNG facilities owned by Atlanta Gas Light are used to provide peaking services to the customers of Atlanta Gas Light.

Witness: Gary Tucker
Manager - Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-68

QUESTION:

Refer to Schedule 32.1a Cam Shared Service Study Attachments and Schedule 32G Causal Allocation Factors. Within the Shared Service Study, the Customer Service allocation factor is listed at 2.4%, with the understanding this is likely a composite ratio arising from various factors. However, the end use Customer Ratio is significantly less at approximately 1.57% (average) during 2019. Provide a comprehensive explanation justifying the apparent use of an overall Customer Service allocator for AGSC costs which is significantly greater than the CGC Customer Ratio.

RESPONSE:

In accordance with the services agreement between CGC and AGSC, Customer Services utilizes two allocation factors for costs not directly charged or directly assigned. The end use customer ratio is used for any remaining costs except for AGSC call center department costs. The call center department costs, including call center representatives and management support staff, are allocated using the call volume ratio. The use of two ratios for Customer Service provides a better alignment of cost causation factors based on the services being provided to the utilities.

Please see *Schedule 32E Allocation Matrix Service Providers, Customer Service Provider,* submitted as part of the Company's ARM filing on May 29, 2020 for a breakdown by department of the allocation factors used for the Customer Service Provider. In the column titled "Allocation Driver", call volume ratios are noted with "Call Center 1" and "Call Center 2". Call Center 2 represents leak call volumes, and Call Center 1 represents all other customer inquiries into the call center.

Additionally, the calculation of the ratios used to allocate costs to CGC is impacted by the "target" companies (Target column in Schedule 32E). The target companies may vary by department depending on which affiliates the specific department is providing services.

Witness: Gary Tucker
Manager - Regulatory Reporting
Southern Company Gas

CHATTANOOGA GAS COMPANY
Docket No. 20-00049
Chattanooga Gas Company's 2019 Annual Rate Review

Consumer Advocate Unit Data Request Set: CA-1

CA-1-69

QUESTION:

Refer to the Call Volume tab within Schedule 32G, the causal allocation factors. Provide a comprehensive explanation detailing how these ratios are applied to a subset of the AGSC customer service costs. If the filing identifies the list of AGSC accounts to which this ratio applies, please identify the appropriate schedules. If the filing does not specifically contain the accounts to which this ratio applied, identify such costs by account.

RESPONSE:

Please see *Schedule 32E Allocation Matrix Service Providers, Customer Service Provider,* submitted as part of the Company's ARM filing on May 29, 2020 for the requested information. In the column titled "Allocation Driver", call volume ratios are noted with "Call Center 1" and "Call Center 2". Call Center 2 represents leak call volumes, and Call Center 1 represents all other customer inquiries into the call center.

Witness: Gary Tucker
Manager - Regulatory Reporting
Southern Company Gas

Respectfully Submitted,

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Attorneys for Chattanooga Gas Company

CERTIFICATE OF SERVICE

I hereby certify that per agreement of parties, a true and exact copy of the foregoing document has been served by electronic mail on this the 23rd day of June, 2020 to:

Daniel P. Whitaker, III, Esq.
Vance Broemel, Esq.
Karen H. Stachowski, Esq.
Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Group
P.O. Box 20207
Nashville, Tennessee 37202

Counsel for the Consumer Advocate

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