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IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:	**)**	
	)	
CHATTANOOGA GAS COMPANY	**)**	**DOCKET NO. 20-00049**
PETITION TO OPT INTO AN	**)**	
ANNUAL REVIEW OF RATES	**)**	**Filed June 26, 2020**
MECHANISM PURSUANT TO	**)**	
TENN. CODE ANN. § 65-5-103(d)(6)	**)**	

CHATTANOOGA GAS COMPANY's FURTHER 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 further 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 and further requests on June 19, 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.

I. GENERAL OBJECTIONS

CGC hereby adopts its General Objections to the Consumer Advocate's First Discovery Requests previously filed on June 23, 2020. Subject to, and without waiving any objections made therein, CGC responses to the specific requests appear on the following pages with any applicable Specific Objections stated therein.

Respectfully Submitted,

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and

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Counsel for Chattanooga Gas Company

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing document has been served by electronic mail, postage pre-paid U.S. first-class mail, and/or delivering a copy by hand, upon the following person(s) on this the 26th day June, 2020:

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

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

Consumer Advocate Unit Data Request Set: CA-1

CA-1-38

QUESTION:

Provide a comprehensive explanation justifying the increase in Franchise Taxes incurred in the results of Docket No.18-00017 contrasted with the Franchise Tax recorded on the books during 2019.

RESPONSE:

In Docket 18-00017 the Commission used the 2017 franchise tax expense/accrual to develop a franchise tax factor and applied it to the attrition period plant-in-service balance, adopting a franchise tax amount of $136,334 for the attrition period. However, the 2017 franchise tax accrual used to develop this factor was abnormally low both compared to what was recorded in 2015 and 2016, and subsequently in 2018 and 2019 as shown below.

Account	2015	2016	2017	2018	2019
427130	$303,204	$380,496	$123,996	$403,998	$513,996

The 2017 franchise tax accrual was lower than normal because the accrual for that year was reduced for overpayment credits from prior years of $249,618. This application of overpayments from prior years resulted in a lower expense accrual for 2017. The actual franchise tax paid for 2017 was $403,961 and for 2018 was $473,230.

For 2019, the Franchise Tax accrual was based on the 2018 Tennessee franchise tax payment, increased for future growth in net worth/real and tangible property for 2019.

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 1-70

QUESTION:

Refer to CGC Tucker Exhibit GT-1 (ARM Model).xlsx. Specifically, refer to Schedule 28. Confirm that the amounts shown in column "Group Insurance – Medical 5 YR Avg" are the year ending totals for account "670500 Group Insurance – Medical" and "670501 Health Benefits Offset."

RESPONSE:

The amounts shown in column "Group Insurance – Medical 5 YR Avg" on Schedule 28 of Exhibit GT-1 are the year ending totals for account 670500 Group Insurance – Medical. However, there is no activity for GL8's account 670501 Health Benefits Offset. CA 1-70 Attachment A reflects the year ending totals for both accounts for 2015-2019.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

	A	B	C	D	E	F
1		Total Project Element	Total Project Element	Total Project Element	Total Project Element	Total Project Element
2		Total Plan	Total Plan	Total Plan	Total Plan	Total Plan
3		Final	Final	Final	Final	Final
4		Actual	Actual	Actual	Actual	Actual
5		FY15	FY16	FY17	FY18	FY19
6		YearTotal	YearTotal	YearTotal	YearTotal	YearTotal
7		Chattanooga Gas Company	Chattanooga Gas Company	Chattanooga Gas Company	Chattanooga Gas Company	Chattanooga Gas Company
8	670500 Group Insurance - Medical	652,559.12	470,039.47	458,871.11	164,087.13	718,182.80
9	670501 Health Benefits Offset	-	-	-	-	-

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

Consumer Advocate Unit Data Request Set: CA-1

CA 1-71

QUESTION:

Refer to CGC Tucker Exhibit GT-1 (ARM Model).xlsx. Specifically, refer to Schedule 20. Confirm (and provide all references) that the accounts in the table provided below have been removed from the costs allocated to CGC. If the accounts are not confirmed as being removed, provide the Company's justification (along with citations to the Company's rate case, if applicable) supporting the position of inclusion of these costs. Additionally, provide a narrative description of the type of charges typically coded to these accounts.

Account Number & Name	Fiscal Year AGLSC 2019 Balance
670594 Other/Sales Bonuses	$ 1,770,662
447002 Other Post Retire Ben-Ex Servi	$ 692,303
670461 LTI and Stock P/R Tax Exp	$ 148,074

RESPONSE:

670594 Other/Sales Bonuses
This account is used for compensation awarded outside of the company's PPP (AIP) and LTI plans, the costs most commonly result from one-time "spot" bonuses and retention agreements.

An adjustment has not been made to remove any cost incurred in AGSC account 670594 as this account is not part of the Company's PPP (AIP or short-term incentive program) or LTIP programs and does not appear to be removed/adjusted in order 18-00017.

447002 Other Post Retire Ben-Ex Servi
Account 447002 includes the non-service cost for other post-employment benefits (OPEB). OPEB expense is comprised of service cost, interest cost, prior service cost amortization, gain/loss amortization and expected return on assets. On January 1, 2018, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2017-07, the impact of which resulted in all of the cost identified above other than service cost being moved from account 670503 to below the line account 447002. The FASB issued this new guidance to address stakeholder

concerns that the aggregation of all components of these benefit costs into a single income statement line inappropriately combined heterogeneous cost components and was not sufficiently transparent. Please note that this standard also applies to pension costs.

Account 447002 is recorded below the line in Other Income, net in accordance with the aforementioned accounts standard. Allocations from AGSC for this account are allocated to CGC and reflected in below the line account 447011 Non-Service Cost Pension Allocated. Since amounts recovered for AGSC are based on cash contributions as opposed to expense recognized in accordance with GAAP, the costs included in this account are not included in CGC's operating income and an adjustment is not necessary.

670461 LTI and Stock P/R Tax Exp
This account captures AGSC's share of payroll taxes on equity awards, including restricted stock units (RSU) and performance share units (PSU).

An adjustment is made to remove the portion of costs allocated to CGC for charges to AGSC account 670461. Please see Exhibit GT-1, Tab 27. The LTI amounts adjusted/removed out of CGC's allocated costs is presented on line 19, totaling $301,499 and included both accounts 670461 LTI and Stock P/R Tax Exp and 670591 LTI Awards – Other. Also, the total AGSC amount from which CGC's portion of 301,499 is derived is presented in tab 27 on line 15 - 12,929,006, this amount ties to the total LTI Awards amount in the AGSC income statement on tab 20, row 60.

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 1-72

QUESTION:

Schedule 24 within Exhibit GT-1 indicates no charitable contributions were incurred by CGC, nor allocated to CGC, and thus no charitable contributions were removed from the ARM filing. With respect to any corporate giving (charitable contributions) performed by AGSC and/or SCS, respond to the following:

a. Identify the title and compensation (including pro-rata value of benefits) applicable to all AGSC/SCS employees engaged directly or indirectly in corporate giving; and
b. For all individuals identified above in part (a), quantify the amount of such labor and benefit costs, if any, allocated or assigned to CGC attributed to the corporate giving function, and provide an explanation of the allocation process used.

RESPONSE:

a. CGC objects to this request as it is not reasonably calculated to lead to the discovery of admissible evidence because there are no charitable contributions incurred by CGC, or allocated to CGC, so the titles and compensation of AGSC and/or SCS engaged in corporate giving are irrelevant and 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.

b. Same objection as (a). Notwithstanding this objection, CGC states: There are 3 employees of AGSC/SCS that would, directly or indirectly, participate in corporate giving functions. These employees spend less than 5% of their time engaged in tasks associated with charitable contributions. As a result, the cost would be de minimis.

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-1-73

QUESTION:

Southern Company Gas recently made a public announcement concerning three leadership positions related to climate action and sustainable energy within the creation of two new departments. Discuss in detail the extent any costs associated with the two new departments will be allocated directly or indirectly to CGC in the future, and provide the following information:

a. Provide all documents circulated to executive leadership supporting the goals and objectives of each of the two new departments;

b. Discuss in detail the Company's efforts in climate action and sustainable energy prior to the creation of the two new departments contrasted with the anticipated efforts going forward; and

c. Based upon the approved budget for the newly formed departments, provide the estimate of annualized costs that will be charged/allocated to CGC.

RESPONSE:

CGC objects to this request and its subparts as it is not reasonably calculated to lead to the discovery of admissible evidence because Southern Company Gas' three leadership positions and newly formed departments related to climate action and sustainable energy are 2020 activities that 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.

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 1-74

QUESTION:

Refer to the Plant (AGSC) Rollforward file, which supports the plant balances subsequently allocated to AGSC. The AGSC net plant balance of account 391(g) Office Furniture and Equipment approximates $52 million, with annual depreciation of nearly $15 million, stated on an AGSC basis. Provide a breakdown (or subledger components) of Account 391(g) by specific type of asset, stating its original cost and accumulated depreciation. For each category of assets rolling into this account, identify the physical location of the asset.

RESPONSE:

Please see CA 1-70 attachment A for the requested information for account 391.

In the preparation of this response, it was determined that the Company inadvertently allocated and included in rate base in CGC's ARM filing non-allocable plant in service, accumulated reserve and CWIP balances on the books and records of AGSC. The non-allocable asset and CWIP balances are either used entirely or predominately by another entity. The total revenue requirement associated with the non-allocable balances included in the ARM is approximately $30 thousand as presented in CA 1-70 Attachment B, Tab 1. An updated ARM annual reconciliation balance and rate reset reflecting the removal of the non-allocable balances will be provided as part of the rebuttal filing of witness Gary Tucker.

Also, the AGSC Rollforward file referred to in this question contained a minor error that has been corrected in CA 1-70 attachment A, tab 3. In the original file, a formula error on one of the supporting reports resulted in the misstatement of the plant details in column P, Dec 2018, as reflected below. Notwithstanding, the AGSC net plant balance of account 391 remains approximately $52 million, with annual depreciation of nearly $15 million. There is no revenue requirement impact as a result of this misclassification.

[Response continues on next page]

Description	Original File	Corrected File
390G - Structures and improvements	17,663,985	17,690,023
391G - Office furniture and equip	115,816,382	115,587,249
392G - Transportation equipment	3,422,858	3,625,953
393G - Stores equipment	3,353	3,353
394G - Tools, shop and garage equip	590,994	590,994
395G - Laboratory equipment	5,074	5,074
396G - Power operated equipment	355,927	355,927
397G - Communication equipment	3,846,138	3,846,138
398G - Miscellaneous equipment	215,097	215,097
Plant in Serv Adj		
Total	**$ 141,919,808**	**$ 141,919,808**

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas