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 FIRST RESPONSES AND OBJECTIONS TO THE SECOND DISCOVERY REQUEST OF THE CONSUMER ADVOCATE

Pursuant to the July 6, 2020, Order Establishing Procedural Schedule, Chattanooga Gas Company ("CGC" or "Company") hereby submits its first responses and objections to the Second Discovery Request of the Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General's Office ("Consumer Advocate") provided to CGC on July 8, 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.

GENERAL OBJECTIONS

CGC hereby adopts its general objections to the Consumer Advocate's First Discovery Requests previously filed on June 12, 2020, and Chattanooga Gas Company's Further Responses and Objections to the First Discovery Request of the Consumer Advocate filed on June 26, 2020. Subject to, and without waiving any general objection made therein, CGC's first responses to the Second Discovery Requests appears hereafter on the subsequent pages and attachments being provided.

Respectfully Submitted,

____

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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 15th day July, 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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Docket No. 20-00049
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Consumer Advocate Unit Data Request Set: CA-2

CA 2-1

QUESTION:

Regarding the response to CA Request No. 1-5:

a. Provide the allocated premiums recorded on CGC's books related to i) business interruption insurance and ii) property damage insurance for 2019;

b. Identify the deductibles associated with the policy(ies) associated with i) business interruption or lost revenue and ii) property damage applicable for the 2019 policy year; and

c. Identify the corresponding 2019 deductibles for i) business interruption insurance and ii) property damage insurance for each of the retail natural gas utility affiliates of CGC.

RESPONSE:

a. There is a $55,893 combined premium for property damage and business interruption recorded to CGC's ledger, Account 670300 General Business Insurance.

b. Property and Business Interruption coverage has a combined $1,000,000 deductible.

c. Property and Business Interruption coverage has a combined $1,000,000 deductible.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

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Consumer Advocate Unit Data Request Set: CA-2

CA 2-2

QUESTION:

Exhibits ARH-8 and ARH-9 identify 58,218 R-1 Residential customers. The bill count in the winter months suggests a winter average of 58,670 customers. This compares with 66,803 actual services lines reflected on the books of CGC, for a difference of approximately 8,000 service lines. For any portion of the difference in service line counts which are unrelated to abandoned services, quantify the difference, identify the reason for the difference, and provide a description of how the reconciliation amount was determined.

RESPONSE:

At any given time, there are meters and service lines that are inactive. This can be the result of a customer moving and the new customer not yet moving into the premise, the new occupant of the premises not yet activating service, construction, remodeling, or repairs that result in service not being provided, seasonal disconnection, etc. If, at the time of deactivation of service, it is anticipated that service will be reestablished at a premise the service line is not retired. If it is later determined that it is not probable that the service line will be reused, the line will be retired. Attachment A provides a reconciliation of the total number of service lines as of December 31, 2019 as shown on the report to the Department of Transportation and the active services.

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

DOT Report	Service Lines 12/31/2019	
Rate Schedule		
Residential General ServiceR-1	66,803	
Residnetial Multi-Family Housing Service R-4	2	
Small Commercial and Industrial General Service C-1	6,848	
Medium Commercial and Industrial General Service C-2	1,828	
Industrial	141	
Total Service Lines		75,622
With Inactive Meters		(2,791)
Inactive Service lines to be evaluated for retirement		(5,071)
Active Services Lines		67,760

Active Customers 12/31/29	12/31/2019	
Rate Schedule		
Residential General ServiceR-1	59,016	
Residnetial Multi-Family Housing Service R-4	2	
Small Commercial and Industrial General Service C-1	6,649	
Medium Commercial and Industrial General Service C-2	1,979	
Industrial	114	
Active Customers 12/31/2019		67,760

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CA 2-3

QUESTION:

Provide all contracts or similar documents between Pivitol Home Solutions and CGC.

RESPONSE:

In June of 2018 Pivotal Home Solutions was sold to American Water. Chattanooga Gas Company terminated its agreement with Pivotal Home Solutions, and entered into the following replacement agreements with Nicor Energy Services Company d/b/a Pivotal Home Solutions:

1. Billing and Marketing Agreement, dated June 4, 2018
2. Call Handling Agreement, dated June 4, 2018

Please refer to CA 2-3 Attachment A and CA 2-3 Attachment B, respectively, for copies of both agreements. These agreements are CONFIDENTIAL and should be treated as such.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

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CA 2-4

QUESTION:

Provide a comprehensive explanation of a) the specific services and b) the specific assets, whether tangible or intangible, that Pivotal Home Solutions provides to CGC.

RESPONSE:

Please see CA 2-003 Confidential Attachment B for the Call Handling Agreement between CGC and Pivotal Home Solutions (PHS), the agreement contains all of the services provided by PHS to CGC. PHS is a non-affiliate, third party entity. Therefore, CGC does not have the information requested in part b).

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

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Consumer Advocate Unit Data Request Set: CA-2

CA 2-5

QUESTION:

Provide a comprehensive explanation of a) the specific services and b) the specific assets, whether tangible or intangible, that CGC provides to Pivotal Home Solutions.

RESPONSE:

Please see CA 2-003 Confidential Attachment A for the Billing and Marketing Agreement between CGC and Pivotal Home Solutions (PHS), the agreement contains all of the services provided by CGC to PHS. The customer billing function performed by CGC and billed to PHS is performed utilizing the Company's Customer Care and Billing (CC&B) system.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

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Consumer Advocate Unit Data Request Set: CA-2

CA 2-6

QUESTION:

Regarding the response to CA No. 1-15 indicating that CGC has no contracts with C-1 customers except for line extension agreements, provide the rationale for retaining the tariff language requiring a year-to-year contract for customers in excess of 1,000 therms per day. To the extent this language is related in any way to concerns over ability to serve due to capacity constraints, address the continuing need for this language in light of recent capital expenditures included in Rate Base to expand capacity. Further address the applicability of the tariff language related to the availability of gas supply.

RESPONSE:

The tariff language is related to concerns over the ability to serve such a customer as a result of capacity constraints. While the recent capital expenditures provide for expanded capacity within the system, there are locations that remain constrained. In such locations it may require material investment to provide the supply of gas to a new customer with a demand of 1,000 therms per day. In order to ensure that a continuing stream of revenue is available to cover the revenue requirements of such investments, so that other customers are not adversely impacted, the language needed is for CGC to have the ability to require such contracts when needed. Since both East Tennessee Natural Gas Pipeline and Southern Natural Gas Pipeline are fully subscribed, interstate pipeline capacity may not be available to serve such a customer. If the Company can procure the needed additional capacity, such a contract may be needed to provide assurance that the required revenue is available to cover the increase in costs.

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

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Consumer Advocate Unit Data Request Set: CA-2

CA 2-7

QUESTION:

Regarding the response to CA No. 1-31, provide the following:

a. Indicate whether the Legacy Cross Bore program is performed by internal labor or contractors; and

b. Indicate whether CGC performed a "root-cause" analysis or similar study to determine how Cross Bore situations occur. If so, provide the results of the study.

RESPONSE:

a. The inspection and remediation work for the Legacy Cross Bore Program is being performed by both internal labor and contractors.

b. CGC has performed studies to determine the cause of cross bores. Cross bores occur when underground utilities are not located, not marked, or marked incorrectly when using non-excavational methods to install new or replace gas lines. CGC has implemented policies to prevent new cross bores from occurring. The policies were first implemented in 2011 and have been updated and revised since that time, most recently in February 2020. The Legacy Cross Bore Program investigates cross bores installed prior to 2011.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

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CA 2-10

QUESTION:

Provide the actual tax payments made in 2019 for Property Taxes, Gross Receipts Taxes, and Net Worth Taxes that correspond to the accruals recorded in accounts 427550, 427101, and 427130 respectively as shown on Schedules 8 and 19.

RESPONSE:

Taxes other than income taxes paid in 2019 total $3,394,822, and 2019 accruals total $3,308,981. Details for the requested tax payments are provided in the table below.

Account	Payment Jurisdiction	Period	Date of Payment	Payment Amount	Accrual	
427550 Other Corporate Taxes						
	Tennessee Public Utility Commission	01/01/2018 - 12/31/2018	4/15/2019	335,814	291,223	
Total Other Corporate Taxes				**335,814**	**291,223**	
427101 Gen Tax Expense- Property Tax					2,000,004	
	Bienville Parish Police Jury	01/01/2018 - 12/31/2018	1/8/2019	158		a/
	Bradley County Trustee	01/01/2018 - 12/31/2018	1/15/2019	90,793		
	City of Cleveland	01/01/2018 - 12/31/2018	1/15/2019	74,369		
	Dillard Partnership	01/01/2018 - 12/31/2018	2/1/2019	35,034		
	City of Chattanooga	01/01/2018 - 12/31/2018	1/24/2019	684,133		
	Town of Lookout Mountain	01/01/2018 - 12/31/2018	1/29/2019	5,249		
	Hamilton County	01/01/2018 - 12/31/2018	1/24/2019	1,159,608		
	Town of Signal Mountain	01/01/2018 - 12/31/2018	2/8/2019	2,498		
	Bienville Parish Police Jury	01/01/2019 - 12/31/2019	12/10/2019	72,453		
	Monroe County Tax Collector	01/01/2019 - 12/31/2019	12/17/2019	17,462		
	City of Chattanooga - Bonny Oaks	01/01/2019 - 12/31/2019	10/8/2019	3,964		
	Dayton Independent School District	01/01/2019 - 12/31/2019	10/15/2019	5,517		
	Liberty County	01/01/2019 - 12/31/2019	11/19/2019	16,593		
Total Gen Tax Expense- Property Tax				**2,167,832**	**2,000,004**	
427102 Gross Receipts Tax						
	Tennessee Department of Revenue	07/01/2018 - 06/30/2019	7/26/2019	370,175	510,228	

Total Gross Receipts Tax			**370,175**	**510,228**
427130 Net Worth Tax				
Tennessee Department of Revenue	01/01/2019 - 12/31/2019	Various	521,000	507,527
Total Net Worth Tax			**521,000**	**507,527**
Grand Total - Taxes other than Income			**3,394,822**	**3,308,981**

a/ 2018 tax adjustment due to change in assessor's software.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

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Consumer Advocate Unit Data Request Set: CA-2

CA 2-11

QUESTION:

Refer to Account 670530 Retirement Savings Plus Plans as reflected in Account 670530 within Schedule 19. Provide a comprehensive explanation of this expense including, but not limited to the following:

a. Identify the employee(s) to which it pertains;

b. Describe how this retirement benefit differs from the traditional defined benefit pension plan;

c. Describe how this expense is determined;

d. Describe why this expense is not rolled into the overall pension payment adjustment calculation; and

e. Provide the justification for recovery of this cost within the revenue requirement.

RESPONSE:

a. The charges in Account 670530 are for the Company match on eligible employee contributions to the Employee Savings Plan of Chattanooga Gas. All CGC employees are eligible to participate in the plan. The Company matches 100% of the first 4% and 55% of the next 2% that employees contribute to the 401(k) plan. The maximum Company match is 5.1% each pay period of eligible pay provided an employee contributes 6% of their eligible pay to their 401(k) account.

b. As discussed in a. above, this is a 401(k) plan, and employees must participate and elect to contribute to the 401(k) plan to receive Company matching funds.

c. Please see the response to part a. above.

d. The 401(k) plan and pension plan are two separate retirement plans offered to CGC employees. The pension plan is provided to all employees and is funded entirely by the Company; the 401(k) plan is available to all employees but participation in the plan by the employee is voluntary. Company 401(k) matches vary depending on employee contributions as noted in response to part a.

e. In the Company's most recent rate case, Docket 18-00017, 401(k) benefits were included in the Company's cost of service and approved for rate setting purposes. No adjustment was made to remove or adjust 401(k) benefits in the cost of service approved by the Tennessee Commission.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

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CA 2-12

QUESTION:

Regarding Account 600047, Pay-No Gas AGLC Work, provide a comprehensive explanation of this account along with the support for the charges totaling $39,320 for the YE 2019.

RESPONSE:

The costs reflected in Account 600047 are for charges to reactivate meters, and check/relight appliances for active customers whose meters were left off and locked for various reasons. The costs incurred are internal payroll charges associated with performance of the above activities.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

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CA 2-13

QUESTION:

Regarding Account 625930, Outside Svc- LNG Storage Maint, provide a comprehensive explanation for the 124% increase in the charges from the year ending 2018 to 2019. Additionally, provide the General Ledger support for the charges making up the $115,611 2019 account balance.

RESPONSE:

The increase in Account 625930 is primarily related to non-recurring charges for plant maintenance and software licensing. The Company incurred $61,395 in expenses related to LNG maintenance performed by Player and Company. The costs include maintenance and repair to the LNG tank foundation, pressure washing, and installing and removing scaffolding. Additionally, the Company incurred $23,674 in expenses from Honeywell International, Inc. for a onetime software licensing fee.

Of the Player and Company charges, $9,974 is related to annually performed maintenance. For purposes of determining the rate reset, the Company made a normalization adjustment removing the non-recurring portion of these charges in the amount of $75,094 ($61,395 – $9,974 + $23,674) as shown in Schedule 28.2 of Exhibit GT-1. This adjustment reduces the rate reset amount from $115,611 to $40,517, or a reduction of over 20% from 2018.

Please note, the annual maintenance amount of $9,974 was removed from the Honeywell charges in Schedule 28.2 but should have been removed from the Player and Company charges. The overall normalization adjustment is correct, there is no impact to the calculation of the rate reset.

Witness: Gary Tucker
Manager – Regulatory Reporting
Southern Company Gas

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CA 2-17

QUESTION:

On July 5, 2020, Dominion announced the cancellation of the Atlantic Coast Pipeline project ("ACP project"). Please confirm that the cancellation of this project will not have a material direct or indirect impact on the ability of CGC to acquire necessary capacity to serve its customers. If this cannot be confirmed, discuss how the project cancellation will impact the future interstate pipeline capacity markets accessed by CGC.

RESPONSE:

CGC was not participating as a planned shipper on the Atlantic Coast Pipeline project. The Company does not expect there to be a direct impact to the utility's capacity resource portfolio or natural gas costs. Though it is possible that the canceled pipeline project may have an indirect impact on the utility and its customers, it would be speculative for the Company to provide an estimate of the effect to the markets accessed by CGC.

Witness: Paul Leath
Director - Regional Operations
Southern Company Gas

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CA 2-18

QUESTION:

Refer to the response to CA No. 1-35 (page 67) and Schedule 5.1:

a. Please confirm that the surcharges listed applicable to the ICMR tariff are currently in effect despite the reference to cancellation at June 30, 2019;

b. Please confirm that such credits are designed to refund the $600,000 reflected as an adjustment related to AMA fees as identified within Schedule 5.1;

c. Discuss how any excess or deficiency between amounts actually returned to customers through the IMCR and the $600,000 in fees are treated on the books and records of CGC;

d. Provide the underlying billing determinants supporting the rates developed within the IMCR tariff on page 67; and

e. Please confirm that CGC does not intend to modify the IMCR tariff as a result of this docket.

RESPONSE:

a. The IMCR surcharges/credits on Tariff Sheet 55 are revised each year in the annual IMCR filing. The IMCR credits on page 67 of the response to CA No. 1-35 are those that became effective on July 1, 2019. The IMCR credits that became effective on July 1, 2018 as a result of the previous year's annual IMCR filing were terminated effective June 30, 2019 as indicated in the footnote.

   The credits as shown on page 67 of the response to CA No. 1-35 are no longer in effect. The new IMCR credits that were included in the annual 2020 IMCR filing became effective on July 1, 2020 and the credits that became effective on July 2019 were terminated effective June 30, 2020.

b. As provided on Tariff Sheet 48, the intent of the IMCR surcharges/credits is:

This Interruptible Margin Credit Rider is intended to authorize the Company to recover ninety percent (90%) of the gross profit margin losses that result from rates negotiated under the provisions of Special Service Rate Schedule SS-1 or from Customers who switch to alternate fuels where the Company is unable to meet alternate fuel competition.

This Interruptible Margin Credit Rider is also intended to authorize the Company to recover not more than fifty percent (50%) of the gross profit margin that results from transactions with non-jurisdictional Customers that rely on the Company's gas supply assets (all such transactions including off-system sales) should such transactions be made by the Company. The Company shall also recover through this Rider other costs authorized by the Commission.

In accordance with the tariff provision. the IMCR credits on Tariff Sheet 55 are designed to credit to the customers the Customers' share of the Asset Management Fee and other gains from off-system sales, plus the related accrued interest.

c. Any difference in the amount actually recovered from or credited to the Customers, as appropriate, is included in the amount to be recovered or credited in the next IMCR filing after the termination of the applicable IMCR surcharge or credit.

d. Billing Determinants used in 2019 IMCR filing.

Rate Schedule	Demand Determinants DTHs	Volume Determinants DTHs
C-2	31,214.44	
F-1/T-2	19,554.31	
T-3	4,492.87	
All Other	95,692.38	
R-1		3,655,851.23
R-4		7,341.78
C-1		721,424.17

e. Chattanooga Gas Company confirms that it is not proposing any changes to the IMCR provision on Tarff Sheet 48 in this docket.

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

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CA 2-19

QUESTION:

Provide the monthly calculation, support, and all rationale, accounting or otherwise, relied upon for the calculation of AFUDC (debt and equity) for the months of April, September, and October 2019.

RESPONSE:

AFUDC is calculated on all eligible project charges in CWIP, AFUDC is not calculated on accruals. The calculation of AFUDC is the CWIP balance, consisting of current month ending balance except in the first month of eligible activity which uses half of the balance, multiplied by the monthly AFUDC debt and equity rates. AFUDC rates are based on the most recently authorized cost of capital for CGC. AFUDC is not computed if a project does not receive charges for 90 days or more. However, the AFUDC calculation will begin again if the project has new charges even after the 90-day inactivity period. In the case that AFUDC has ceased but started again, the charges will not be retroactively calculated and "caught up" for the months that have transpired between the last inactive period and the current month. Finally, AFUDC ceases when a project is ready for its intended use and is placed into service. If a project is backdated, placing a project into service in a prior period, then any AFUDC charges that took place between the backdated in-service date and current date will be reversed. The need to backdate a project generally occurs when the Project Controls group does not in-service a project in a timely manner.

See CA 2-19 Attachment for an example calculation of AFUDC.

Please note, there was no unusual activity or adjustments to the calculation of AFUDC for April or September 2019. However, in October 2019 a project was backdated to July 2019. As a result of backdating the project, the AFUDC recorded for July through September totaling $124K was reversed in October.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

Assumptions

1 This is based on 1 project
2 CWIP first charge month is January for **$1,000**. ($500 base used in first month for AFUDC calculation)
3 No activity is added to the project in February, March, April, and May
4 New activity is added to the project in June ($500) and July ($500)
5 In the month of August, the in-service date is backdated to May
6 Approved Equity Rate **0.00401667**
6 Approved Debt Rate **0.00190833**

		(see #2)	**(see #3)**	**(see #3)**	**(see #3)**	**(see #3)**	**(see #4)**	**(see #4)**	**(see #5)**	**Ending CWIP placed into service**
	CWIP Balance	$1,000.00	$1,002.96	$1,008.91	$1,014.88	$1,020.90	$1,520.90	$2,025.40	$2,037.40	**$2,020.90**
		January	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**August**
	CWIP balance used in Calculation	**$500.00**	**$1,002.96**	**$1,008.91**	**$1,014.88**	**$0.00**	**$760.45**	**$2,025.40**		
Type	**Rate**	AFUDC Calculated	AFUDC Calculated	AFUDC Calculated	AFUDC Calculated	AFUDC Calculated	AFUDC Calculated	AFUDC Calculated	AFUDC Calculated	
Equity	**0.00401667**	$2.01	$4.03	$4.05	$4.08	$0.00	$3.05	$8.14	($11.19)	
Debt	**0.00190833**	$0.95	$1.91	$1.93	$1.94	$0.00	$1.45	$3.87	($5.32)	
	Total	$2.96	$5.94	$5.98	$6.01	$0.00	$4.51	$12.00	($16.51)	

a/ Please note that amounts are rounded in our system when they are annulaized

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Consumer Advocate Unit Data Request Set: CA-2

CA 2-20

QUESTION:

Reconcile the 2019 Reconciliation Balance of $4,160,209 within Exhibit GT-3 with the corresponding balances on Schedule 29 of GT-1.

RESPONSE:

Please see line number 32 on Schedule 29 for the Annual Reconciliation Balance of $4,160,209 which ties to the balance shown in Exhibit GT-3.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

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CA 2-21

QUESTION:

Refer to the ADIT balances within accounts 279100 Accelerated Federal Tax Depreciation

Property and 279150 Accelerated State Tax Depreciation - Property reflected in Schedule 2AI within Exhibit GT-1. Indicate whether the balances in these two accounts are synchronized with monthly changes to book depreciation which is tied to the growing balance of gross plant-in-service. If so, explain how these estimated entries are made. If these two accounts are not synchronized monthly with book depreciation associated with gross plant-in-service, provide a comprehensive explanation of the timing and methodology used to record transactions in these accounts.

RESPONSE:

The ADIT balances within Accounts 279100 Accelerated Federal Tax Depreciation Property and 279150 Accelerated State Tax Depreciation – Property are not synchronized with monthly changes to book depreciation. Such ADIT balances are estimated using forecast data on an annual basis and are allocated across each month at the beginning of the year. On a quarterly basis, the calculations are revised using a combination of actual data and remaining forecast data for the year. The revised calculations are compared with the existing calculation to determine whether a change needs to be made. In the event a revision is made, the balance will be trued-up to the revised amount in the month of change. On an annual basis, the balances are trued-up to the tax return filed with the federal and state governments.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas

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CA 2-22

QUESTION:

Refer to line 29 within Schedule 9 of Exhibit GT-1. Line 29 calculates a federal deferred tax of slightly more than $2 million for the historic base period. Provide a complete explanation of the Company's position on whether it would be appropriate to reflect the base period average deferred tax balance as a rate base offset within the calculation of the normalized historic base period.

RESPONSE:

Line 29 on Schedule 9 of $2,027,098 is the federal deferred income tax expense for 2019; the offset or credit for this amount is included in the ADIT balances included in rate base.

Witness: Gary Tucker
Manager, Regulatory Reporting
Southern Company Gas