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IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

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

DIRECT TESTIMONEY OF DAVID DITTEMORE

August 11, 2020

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AFFIDAVIT

I, David Dittemore behalf of the Consumer Advocate Unit of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Unit.

David N. Dittemore
DAVID N. DITTEMORE

Sworn to and subscribed before me
this 10th day of August, 2020.

Tiffany M Blackman
NOTARY PUBLIC

My commission expires: March 22, 2023

TIFFANY M. BLACKMAN
STATE OF TENNESSEE NOTARY PUBLIC
WILSON COUNTY
Commission Expires MAR. 22, 2023

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION FOR THE RECORD.

A1. My name is David N. Dittemore. My business address is Office of the Tennessee Attorney General, War Memorial Building, 301 6th Ave. North, Nashville, TN 37243. I am a Financial Analyst employed by the Consumer Advocate Unit of the Tennessee Attorney General's Office (Consumer Advocate).

Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.

A2. I received a Bachelor of Science Degree in Business Administration from the University of Central Missouri in 1982. I am a Certified Public Accountant licensed in the state of Oklahoma (#7562). I was previously employed by the Kansas Corporation Commission (KCC) in various capacities, including Managing Auditor, Chief Auditor, and Director of the Utilities Division. For approximately four years, I was self-employed as a Utility Regulatory Consultant representing primarily the KCC Staff in regulatory issues. I also participated in proceedings in Georgia and Vermont, evaluating issues involving electricity and telecommunications regulatory matters. Additionally, I performed a consulting engagement for Kansas Gas Service (KGS), my subsequent employer during this time frame. For eleven years I served as Manager and subsequently Director of Regulatory Affairs for KGS, the largest natural gas utility in Kansas, serving approximately 625,000 customers. KGS is a division of One Gas, a natural gas utility serving approximately two million customers in Kansas, Oklahoma, and Texas. I joined the Tennessee Attorney General's Office in September 2017 as a Financial Analyst.

Overall, I have thirty years' experience in the field of public utility regulation. I have presented testimony as an expert witness on many occasions. Attached as Exhibit DND-1 is a detailed overview of my background.

Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION (TPUC)?

A3. Yes. I have submitted testimony in many TPUC Dockets since joining the Attorney General's Office.

Q4. WERE YOU RESPONSIBLE FOR REVIEWING THE COMPANY'S APPLICATION IN THIS DOCKET?

A4. Yes.

Q5. WHAT IS THE SCOPE OF YOUR TESTIMONY?

A5. The scope of my testimony addresses the following topics:

I. Overview and Commentary on CGC ARM Filing

II. Quality of Service Metrics

III. CGC Customer Impacts

IV. CGC Excess Accumulated Deferred Income (EADIT) Tax Proposal and Adjustments

V. Adjustments to CGC Operating Income

a. Accrued Taxes

b. Regulatory Legal Costs

c. Depreciation Expense on Unidentified Service Lines

VI. Proposal to Increase Miscellaneous Charges

VII. Proposed Rate Design

VIII. Proposed Considerations in Subsequent ARM filings

a. COVID Impacts

b. AFUDC/CWIP

Q6. ARE YOU SPONSORING SPECIFIC ADJUSTMENTS WITHIN THIS DOCKET?

A6. Yes. The impact of my proposed adjustments on Rate Base or Operating Income are identified below:

Table DND-1
Summary of Consumer Advocate Adjustments

Item	Revenue Req Component			Amount	CA Witness	Schedule
Increase in 2019 Amortization Expense	Expense		$	3,394,345	Dittemore	DND-2
Reduction in Rate Reset Amortization Expense	Expense		$	(3,394,345)	Dittemore	DND-2
Increase in Deferred Tax Savings (Rate Base Offset)	Rate Base	a/	$	(1,100,558)	Dittemore	DND-3
Increase in Taxes Other Than Income	Expense		$	85,841	Dittemore	DND-4
Regulatory - Legal Costs	Expense		[redacted]		Dittemore	DND-5
Reduction in Depreciation Expense	Expense		$	(143,735)	Dittemore	DND-6
Reduction in Proposed Miscellaneous Revenue	Other Revenue		$	15,800	Dittemore	DND-7/DND-8
Reduction in Regulatory Costs	Expense		$	(18,039)	Bradley	AB-2

I. OVERVIEW AND COMMENTARY ON CGC ARM FILING

Q7. DO YOU HAVE ANY PRELIMINARY COMMENTS CONCERNING THE CGC FILING?

A7. Yes. I would like to acknowledge the quality of the ARM filing and the general level of cooperation provided to the Consumer Advocate group during our review.[1] In addition to responding to formal discovery responses, CGC regulatory personnel also, at their suggestion, made themselves available for informal questions and discussions on two separate occasions which assisted in our review. Our review of the ARM filing was also aided by the Company's overview of its corporate cost allocation process, the subject of a meeting held in Atlanta last fall. While the review of the ARM filing poses challenges due to time constraints, the press of other business, and the complexity of the Southern Company Gas corporate structure, I want to acknowledge the significant cooperation provided by the Applicant. Our review indicates the filing generally follows the provisions of the Stipulation and Settlement Agreement in Docket No. 19-00047.

Q8. SHOULD THE ABSENCE OF IDENTIFICATION OF ISSUES NOT OTHERWISE CONTAINED IN YOUR TESTIMONY INDICATE YOUR AGREEMENT WITH ALL METHODOLOGIES EMBEDDED IN THE CGC ARM?

A8. No. It is not possible to review all aspects of a revenue requirement application, such as the Company's ARM filing; thus, silence on any given aspect of the filing should not be interpreted as agreement.

Q9. THERE ARE A NUMBER OF SCHEDULES SUPPORTED BY CGC WITHIN ITS FILING AS WELL AS THOSE PROVIDED IN DISCOVERY. CAN YOU IDENTIFY THE SCHEDULES THE CONSUMER ADVOCATE WILL BE WORKING FROM AND HOW THOSE RELATE TO THE PROPOSAL OF CGC?

[1] Notwithstanding the subject of the Motion to Compel submitted by the Consumer Advocate on July 24, 2020.

A9. Yes. I support the proposal of CGC to accelerate the return of non-protected Excess Accumulated Deferred Income Taxes (EADIT) to ratepayers with one modification that I will discuss later in testimony.[2] Therefore, the starting point for recognition of our adjustments to the CGC ARM is the revenue requirement deficiency reflected in CGC Exhibit CGC-3, comprised of the 2019 revenue deficiency ($4,160,209) less the CGC proposal to apply unprotected EADIT balances to 2019 results (-$3,394,315), producing a 2019 deficiency of $765,894. The Company adds to this balance its normalized results for 2019 to reflect the deficiency in pro-forma 2019 results resulting in a deficiency of $4,401,126. The two deficiencies summed together produce the requested rate increase of $5,188,095 as reflected on GT-3. The $4.4 million deficiency is presented in greater detail in the Attachment provided in response to Consumer Advocate Request No. 1-22.

II. QUALITY OF SERVICE METRICS

Q10. DO YOU BELIEVE THE ONGOING PERFORMANCE OF THE COMPANY IS A FACTOR IN CONSIDERING WHETHER THE ARM IS IN THE PUBLIC INTEREST?

A10. Yes.

Q11. HAVE YOU REVIEWED THE COMPANY'S 2019 OPERATING METRICS?

A11. Yes.

Q12. DO YOU HAVE COMMENTS REGARDING THE PERFORMANCE OF CGC DEPICTED IN THE REPORTED METRICS?

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[2] The Exhibit GTC-1 reflects the return of EADIT pursuant to the Commissions' order in Docket No. 18-00035.

A12. Yes. The operating metrics reported to the Commission indicate solid results. The emergency response time to odor calls is a particularly important metric. I calculated an overall weighted average response time of 28.55 minutes for the twelve-month period ended December 2019 provided by CGC to the Commission. I consider average emergency response times under thirty minutes to be an indication of focus in this important category. Likewise, I found the simple average of the monthly answered call rate of 97.28% to be positive as well.

III. CGC CUSTOMER IMPACTS

Q13. WHAT IS THE CUSTOMER IMPACT OF THE CGC PROPOSAL?

A13. As discussed in Mr. Hickerson's testimony the proposed rate increase in base rates is 15%.

Q14. HAVE THE IMPLICATIONS OF COVID-19 RESULTING IN THE ECONOMIC DOWNTURN IMPACTED UTILITIES IN A FASHION SIMILAR TO RATEPAYERS?

A14. No. The impact of the pandemic on the public has been well-documented. On the utility side, the Southern Company announced a dividend increase of 3.2% earlier this spring, after the onset of the pandemic.[3] Given the increase in dividend the Commission should not be overly concerned with the impact of the pandemic on utility shareholders.

[3] https://www.nasdaq.com/articles/southern-company-so-rewards-investors-with-dividend-hike-2020-04-22

IV. CGC EXCESS ACCUMULATED DEFERRED INCOME (EADIT) TAX PROPOSAL

Q15. CAN YOU SUMMARIZE CGC's PROPOSAL TO ACCELERATE THE FLOWBACK OF EADIT BEYOND THAT ORDERED BY THE COMMISSION IN DOCKET NO. 18-00035?

A15. Yes. The Company proposes to accelerate three different aspects of tax savings resulting from the Tax Cuts and Jobs Act (TCJA). First, the Company proposes to accelerate over one-year the regulatory liability established to capture the Income Tax Expenses savings accruing for the period January 2018 through the date new rates became effective in Docket No. 18-00017.[4] The Company also requests to use the Unprotected Excess Accumulated Deferred Income Taxes (EADIT) credits as an offset against the ARM revenue requirement deficiency, rather than the previously ordered five-year period.[5] Finally, the Company proposes to reclassify certain EADIT components previously included within the Protected EADIT balances and instead classify them as Unprotected EADIT and use this balance as a credit against the ARM deficiency.[6]

Q16. DO YOU AGREE CONCEPTUALLY WITH THE CGC PROPOSAL TO FLOW BACK THE EADIT TO RATEPAYERS OVER AN GREATLY ABBREVIATED TIME FRAME?

A16. Yes. I welcome the Company's proposal which transforms what would otherwise be a 23% rate increase to a somewhat less severe 15% increase.[7] The Company's proposal is

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[4] *See* Testimony of Gary Tucker, p. 11, TPUC Docket No. 20-00049, (May 29, 2020).
[5] *See* TPUC Order Docket No. 18-00017, p. 55; (January 15, 2019).
[6] *See* Company Exhibit GT-3, TPUC Docket No. 20-00049, (May 29, 2020).
[7] *See* Testimony of Archie Hickerson, p. 5, TPUC Docket No. 20-00049, (May 29, 2020).

creative, and I support the intent to moderate the impacts of this filing on CGC ratepayers in these challenging economic times. I will point out, however, that this is a one-time offset, and subsequent years' filing will have the entirety of the bill impact weighing on consumers.

Q17. ARE YOU PROPOSING MODIFICATIONS TO THE MANNER IN WHICH THE COMPANY PROPOSES TO ACCELERATE FLOWBACK OF EADIT?

A17. Yes. The Company has applied the outstanding balances of their Unprotected EADIT to reduce its 2019 deficiency. In doing so it has then eliminated the liability within its normalization adjustment for setting rates on a going-forward basis. I fully support the acceleration of flowback of EADIT to ratepayers, but I have two concerns with the approach taken by the Company.

Q18. PLEASE ADDRESS YOUR FIRST CONCERN.

A18. The retroactive application of the EADIT balances currently existing on the books of the Company has the appearance of retroactive accounting. The financial results from 2019 are closed, and I am concerned the application of 2020 balances to 2019 results may set a negative precedent for issues that arise in the future contrary to the public interest.

Q19. CONTINUE BY DISCUSSING YOUR SECOND CONCERN WITH USING THE EADIT TO OFFSET THE 2019 DEFICIENCY.

A19. The Company has calculated the normalized portion of its alternative revenue requirement of $4,401,125 as reflected in Exhibit GT-3 and in greater detail in its response to Consumer Advocate Request No. 1-22. Within the expanded calculation the Company has eliminated the net regulatory liability associated with the amount of January through September 2018 tax savings within its normalization calculation even though ratepayers will not begin to see the benefit of the accelerated regulatory liability until September 2020. In the interim, the Company will maintain the cash flow benefit of these funds and the revenue requirement within this filing should reflect that reality. The liability balance for the purpose of inclusion in the revenue requirement calculation should match the period in which ratepayers receive the benefit of the accelerated flowback.

Q20. WHAT IS YOUR RECOMMENDATION REGARDING THE ACCELERATION OF EADIT?

A20. Rather than applying the credits to 2019 results, I recommend amortizing these credits, the regulatory liability, as well as EADIT balances that would otherwise exist at December 31, 2020 over the four-month period beginning in September 2020, consistent with the period in which new rates become effective.

Q21. WHAT IS THE IMPLICATION OF YOUR PROPOSAL?

A21. My recommendation reverses the application of these credits to 2019 results; thus, instead of the CGC proposed 2019 historic base period deficiency of $765,894, the starting point would be $4,160,209 (both amounts reflected in GT-3). I then recommend applying the regulatory liability and EADIT credits to the normalized operating results. These adjustments have offsetting impacts, one increasing 2019 expenses, while the other reduces the normalized expenses. These adjustments are reflected within Exhibit DND-2. While the nominal amounts offset each other, the adjustment does impact the revenue requirement.

Q22. PLEASE CONTINUE WITH AN EXPLANATION OF HOW THIS ADJUSTMENT IMPACTS THE CGC ARM REVENUE REQUIREMENT.

A22. The Company has eliminated the ($1,844,710) balance of the deferred regulatory liability associated with tax savings for the period January – September 2018 as a deduction to Rate Base within Tab 2 of CA 1-22 within the calculated $4,401,125 normalized revenue deficiency. The Company's elimination of this Rate Base deduction increases Rate Base as well as its revenue requirement. However, the reality is the liability continues to exist until such funds are returned to ratepayers, and therefore it should not be eliminated in its entirety within the normalization calculation. Instead, such balances should be reflected within the Rate Base calculation using a thirteen-month average balance with such balances reduced by the recommended amortization occurring during the period September through December 2020. The thirteen-month average of the resulting regulatory liability is $1,100,558, as shown on Exhibit DND-3, which is inserted into the Rate Base calculation as reflected on Schedule 2.

Q23. DO YOU HAVE AN ALTERNATE RECOMMENDATION IN THE EVENT THE COMMISSION REJECTS YOUR PROPOSAL TO MOVE THE REGULATORY LIABILITY AND EADIT TAX CREDITS TO 2020?

A23. Yes. The 2019 reconciliation balance supported by the Company is $4,160,209. This balance reflected in Exhibit GT-3 includes carrying costs. The Company then nets the tax credits to this balance and recomputes carrying charges on this net balance, which already contains carrying charges in the amount of $24,962, reflecting a duplication of carrying charges. If the Commission rejects my proposal, the $24,962 of carrying charges should be eliminated from the revenue requirement calculation as it is duplicative.

V. ADJUSTMENTS TO CGC OPERATING INCOME

Q24. PLEASE CONTINUE WITH AN EXPLANATION OF ADJUSTMENT NO. 1 TO TAXES OTHER THAN INCOME.

A24. Consumer Advocate Adjustment No. 1 to Taxes Other than Income (TOTI) increases such expenses $85,841 by reflecting actual taxes paid associated with 2019 taxes rather than the level of accrued tax expense recorded on the books of the Company. While the Company has reflected its actual accrued (estimated) tax expense for 2019, I believe the Base Period results should be adjusted to reflect the actual taxes paid associated with 2019 operations rather than relying upon an estimated amount of such costs. This adjustment would increase the revenue requirement by the nominal amount of the adjustment, adjusted for the forfeited discount and uncollectible factors. This adjustment is shown on Exhibit DND-4.

Q25. CONTINUE WITH AN EXPLANATION OF OPERATING EXPENSE ADJUSTMENT NO. 2.

A25. Operating Expense Adjustment No. 2 reduces Operating Expenses [redacted] associated with those legal costs identified as CGC-Regulatory, as reflected on Exhibit DND-5.

Q26. WHAT IS THE BASIS FOR YOUR RECOMMENDATION TO EXCLUDE THESE COSTS?

A26. There are two reasons supporting the removal of these costs. First and most importantly, as of this testimony, the Company has refused to provide invoice support for the Consumer Advocates' review. The Company should not be permitted to withhold information that may be relevant to a determination of the reasonableness of proposed rates. The fact that such information is deemed confidential or proprietary by the Company does not alleviate this obligation to provide information that if withheld, could diminish the Consumer Advocate's ability to represent ratepayer interests.

Second, the legal costs of CGC continue to be very high. The Consumer Advocate expressed concerns with the level of legal costs in CGC's most recent rate case, Docket No. 18-00017.[8] Unfortunately, [redacted] above, the Company has also incurred $[redacted] associated with the Company's ARM filing, Docket 19-00047, and thus the total Regulatory – Legal costs incurred in 2019 amount to nearly [redacted].

The costs associated with Docket 19-00047 are deferred as a regulatory assets and are being amortized into the cost of service calculation pursuant to the terms of the Stipulation and Settlement Agreement in that docket per the testimony of Alex Bradley identified as Operating Expense No. 6.[9] Thus the $311,048 identified above is separate and distinct from any work performed in the Company's ARM docket.

Q27. HAS THE COMPANY PROVIDED CONVINCING INFORMATION DEMONSTRATING THAT THE [redacted] IS REASONABLE FOR LEGAL SERVICES PROVIDED IN 2019?

A27. No. In its response to 1-57, marked Confidential, [redacted]

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[8] *See* Pre-filed Direct Testimony of Hal Novak, pgs. 24-25, TPUC Docket No. 18-00017 (July 3, 2018).

[9] As discussed by Mr. Bradley, the Company's methodology accelerates the amortization of regulatory costs beyond that identified in the Commission's Order in Docket No. 18-00017.

[redacted]

Q28. [redacted]

[redacted]

Q29. CONTINUE WITH AN EXPLANATION OF OPERATING EXPENSE ADJUSTMENT NO. 3.

A29. Consumer Advocate Operating Expense Adjustment No. 3 reduces Depreciation Expense $143,735 within the normalization calculation. This adjustment was not applied to the calculation of the deficiency in 2019. This adjustment is necessary to eliminate the pro-rata portion of Depreciation Expense associated with service lines which are in excess of those necessary to serve existing and recently disconnected customers.

Q30. PLEASE DISCUSS THE SUPPORT FOR THIS ADJUSTMENT.

A30. Consumer Advocate Request No. 1-2 requested the Company to reconcile its service lines (75,622) with its active customer counts (67,760). The Company's response identified 2,791 services associated with inactive meters, leaving 5,071 inactive meters to be considered for retirement. This adjustment removes the depreciation expense associated with the unreconciled service lines so that ratepayers are not incurring these costs within the normalized revenue requirement calculation.

Q31. DO YOU EXPECT THE NUMBER OF SERVICE LINES TO BE GREATER THAN THE NUMBER OF ACTIVE CUSTOMERS AT ANY POINT IN TIME?

A31. Yes. When customers move there often may be periods of time where the dwelling is empty prior to a new tenant or owner moving in. The Company's identification of 2,791 inactive meters (meaning service lines) seems reasonable, and no adjustment associated with these temporarily inactive services is appropriate. However, the remaining unaccounted-for service lines – 5,071 – is much larger than I would expect. These lines are not providing service, and it has not been shown that they are available to provide service any time soon. Presumably most, if not all, of these service lines should be retired.

Q32. WHAT IS THE IMPACT ON THE REVENUE REQUIREMENT FROM THE COMPANY HAVING SERVICE LINES ON THEIR BOOKS AND RECORDS THAT ARE NOT AND WILL NOT PROVIDE FUTURE SERVICE?

A32. The resulting depreciation expense is overstated as it is calculated on abandoned service lines that have no clear prospect of providing service. As a result, I have quantified the pro-rata depreciation expense associated with these unreconciled service lines. Ratepayers should not be required to incur depreciation expense associated with these lines.

Q33. WILL THE COMPANY BE REQUIRED TO EXPEND CAPITAL TO RETIRE THESE SERVICE LINES?

A33. It is very likely that the Company would incur capital costs to safely retire some or all of these distribution services.

Q34. IS IT APPROPRIATE TO REFLECT THE REDUCTION IN DEPRECIATION EXPENSE WITHOUT REFLECTING THE CORRESPONDING CAPITAL EXPENDITURES NECESSARY TO REMOVE THESE LINES FROM SERVICE?

A34. Yes. The Company should not have this level of unaccounted-for lines. Once the capital is spent, it will be included as an increase in Rate Base and reflected in the ARM revenue requirement. Until such time as the Company incurs these capital costs, ratepayers should not incur Rate Base associated with expenditures that will be paid in the future, nor should ratepayers incur current Depreciation Expense associated with lines that cannot be demonstrated to provide service now or in the near future.

Q35. DID YOU ELIMINATE THESE COSTS FROM THE 2019 DEFICIENCY?

A35. No. I did not modify the 2019 Depreciation Expense for these costs. Instead, I limited the adjustment to the rate-reset calculation, resulting in an adjustment to the going-forward basis costs.

VI. PROPOSAL TO INCREASE MISCELLANEOUS CHARGES

Q36. CAN YOU SUMMARIZE THE COMPANY'S PROPOSAL TO INCREASE MISCELLANEOUS SERVICE CHARGES?

A36. Yes. The Company proposes to increase Turn-On and Meter Set charges of $5/month and Reconnect (Residential) and Reconnect (Non-Residential) charges of $10/month.[10] Mr. Hickerson indicates the increased charges are more reflective of the cost of providing these services.

Q37. ARE YOU IN COMPLETE AGREEMENT WITH MR. HICKERSONS' CONCLUSION?

A37. No. I agree with Mr. Hickerson that the proposal to increase the Turn-On charges from $15 - $20 is justified and should be approved. Likewise, the request to increase the Meter Set rate is justified by the Company's cost study provided in response to Consumer Advocate Request No. 1-27. In fact, the cost studies provided suggest that even with the proposed increases, these Miscellaneous Charges are still well below the cost of providing service. The table below summarizes information taken from Mr. Hickerson's testimony as well as the response to Consumer Advocate Request No. 1-27 and compares the proposed charges with the underlying cost to provide the service.

[10] See Testimony of Archie Hickerson, p. 8, TPUC Docket No. 20-00049, (May 29, 2020).

	Table DND-2		
CGC Miscellaneous Charges	**Proposed Rate**		**Cost Ranges**
Turn-On	$ 20		$55 - $69
Meter Set	$ 30		$69 - $96
Reconnect - Residential	$ 75		$55 - $66
Reconnect - Non Residential	$ 60		$57 - $69

As noted above, the proposed reconnect rates for the Residential customer class is proposed at $75, a rate that is in excess of the cost to provide this service. Another interesting aspect of the proposal is that while the cost to reconnect a non-Residential customer is slightly higher than the cost to reconnect a Residential customer, the proposed reconnect charge for a Residential customer is $15 greater than that proposed for the reconnection of a non-Residential customer.

Q38. WHY IS THE COST TO PROVIDE THESE SERVICES IDENTIFIED AS A RANGE RATHER THAN A SINGLE FIXED AMOUNT?

A38. The cost to provide these services varies based upon whether the work is performed during "Regular Time" or "Overtime."

Q39. WHAT IS YOUR RECOMMENDATION REGARDING THE PROPOSAL TO INCREASE THESE MISCELLANEOUS FEES?

A39. I recommend that the proposed Meter Set and Turn-On rate be approved, but the Reconnect charges for both Residential and Non-Residential customer be denied. The charges for Reconnection occur after customers have been disconnected for non-payment. In these very challenging economic times, I do not believe additional cost increases imposed on customers who have been disconnected would be in the public interest. In short, this is not the right time to increase these charges and, further, there is not overwhelming evidence that the existing rates for disconnection are significantly less than the actual cost of providing the service.

Q40. WHAT IS THE PRACTICAL EFFECT OF REJECTING A PORTION OF THE PROPOSED INCREASE IN MISCELLANEOUS FEES?

A40. The Company's proposal to increase Miscellaneous Fees reduces the necessary base rate increase. I have accepted the proposed rate changes for Meter Set and Turn-on Charges but not the proposed increases for Reconnects. The result is a reduction in Proposed Revenue of $15,800, as set forth in Exhibit DND-6. This translates to an increase in the Consumer Advocate Base Rates of $15,800.

VII. PROPOSED RATE DESIGN

Q41. CAN YOU SUMMARIZE THE COMPANY'S RATE DESIGN PROPOSAL?

A41. Yes. The Company simply proposes to increase all rates by approximately 15%, applying this level of increase to both the fixed customer charge and volumetric rates for all classes. The overall increase request of 15% is quite large and any move away from an across-the-board increase which is comparable to all rate classes would result in some rate classes incurring increases in excess of the 15%.

Q42. WHAT IS THE OVERALL PERCENTAGE INCREASE IN RATES PROPOSED BY THE CONSUMER ADVOCATE?

A42. The percentage increase supported by the Consumer Advocate is 13.63%, as reflected on the bottom of Exhibit DND-7.

Q43. WHAT IS YOUR RECOMMENDATION WITH REGARD TO SPREADING THE INCREASE AMONG RATE CLASSES?

A43. I agree with the Company's proposal to spread the increase evenly among rate classes.

Q44. WHAT IS YOUR PROPOSAL REGARDING THE DEVELOPMENT OF RATES WITHIN RATE CLASSES?

A44. At this time, ratepayers across the country are faced with record levels of unemployment and many small businesses have shut their doors. I believe that in this environment ratepayers should be given the opportunity to manage their utility bills by controlling usage to the greatest extent possible. Therefore, I am supporting a rate design where the entire increase is spread to the volumetric rates of the Company. The fixed customer charge rates would not be increased in my proposal. It is very difficult to see a rate increase of this magnitude imposed, regardless of how justified the Company believes it may be. In this regard, customers who wish to initiate their own personal austerity measures to manage their budgets should not be penalized by increases to the Company's fixed customer charge.

Q45. WHAT IS THE RESULT OF YOUR PROPOSED RATE DESIGN?

A45. My proposed rate design is set forth in Exhibit DND-8. As reflected within this file, each customer class would receive a 13.42% rate increase under the Consumer Advocate proposal. The proposed rates for each class are set forth in Columns 9 and 11. Exhibit DND-9 compares the Company and Consumer Advocate rate design for the Residential R-

1 customer class. As you can see, there is a substantial difference in rates between the two competing proposals.

VIII. PROPOSED CONSIDERATIONS IN SUBSEQUENT ARM FILINGS

Q46. WHY ARE YOU IDENTIFYING POTENTIAL CONSIDERATIONS IN THE NEXT ARM FILING WITHIN THIS DOCKET?

A46. We are in the midst of a pandemic with substantial economic impacts that could not have been foreseen at the time the ARM Docket was considered. By addressing the following issues, I want to avoid any perception in a subsequent ARM filing that I am proposing adjustments to the ARM structure in hindsight. The Company has been forthright with information in this Docket, and I would likewise prefer to be transparent by addressing concerns I have with the ARM structure at this time that may apply to the Company's next ARM filing.

Q47. CAN YOU PROVIDE BACKGROUND INFORMATION YOU BELIEVE IS RELEVANT AS WE CONSIDER THE STRUCTURE OF THE ARM GOING FORWARD?

A47. Yes. There are two things that I believe should be kept in mind as we look ahead to future CGC ARM filings. First, the COVID-19 pandemic has caused significant economic pressure on many individuals throughout the country, including CGC's customer base. Second, the rates produced by CGC's first ARM are very significant to CGC's customers, and I'm not aware of anything in my review of this filing that suggests rate increase trend within this case will not continue in future filings.

Q48. WITH THIS BACKGROUND INFORMATION, WHAT SPECIFIC CHANGES TO THE ARM MECHANISM DO YOU BELIEVE ARE APPROPRIATE IN NEXT YEAR'S FILING?

A48. The revenue implications associated with COVID-19 on CGC's operating results are unknown at this time; however, it seems likely that the Company will experience a decline in Commercial and possibly Industrial sales and transport revenue in 2020 due to the economic crisis associated with the pandemic. Unaltered, the structure of the ARM would permit any changes in revenue levels, regardless of the cause, to flow through the mechanism, impacting the resulting revenue requirement for the specific amount of the revenue change. The implications of COVID-19 are potentially far-reaching, and this certainly was not the type of event that could be envisioned when the ARM was developed.

Q49. DO YOU BELIEVE REVENUE REDUCTIONS ASSOCIATED WITH THE PANDEMIC SHOULD BE RECOVERED FROM OTHER RATEPAYERS?

A49. No. Within its approved return on equity (ROE), CGC is compensated for risk. The reduction in revenue associated with COVID-19 is the type of risk that should be shouldered by the Company and not simply shifted to the Company's remaining ratepayers. Further, if the public were aware that they were incurring higher rates due to the decline in consumption by neighboring small businesses shuttering their doors as a result of COVID, I don't believe such action would be either well-received or even understood. CGC should share in the financial burden of COVID-19, just as businesses do in the competitive marketplace. The public interest is not served well if regulation is used as a comprehensive shield from financial risk when a utility is simultaneously compensated for such risk. The financial implications (both revenues and expenses) of this once in a lifetime pandemic should be viewed as a one-off event, warranting special consideration, and not automatically run through the ARM model.

Q50. TURN TO YOUR NEXT CONCERN REGARDING THE STRUCTURE OF THE ARM MECHANISM.

A50. I believe it may be appropriate to revisit the methodology whereby both the Allowance for Funds Used During Construction (AFUDC) and Construction Work in Progress (CWIP) are included within the calculation of the revenue deficiency in future ARM proceedings.

Q51. PLEASE DEFINE AFUDC.

A51. AFUDC is the application of carrying charges while construction expenditures are being incurred. These carrying charges terminate at such time as the asset is closed and deemed to be providing service to ratepayers. NARUC's USoA contains the following reference to Allowance for Funds Used During Construction:

> *"Allowance for funds used during construction includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used."*

Thus, the AFUDC requirement calls for first attributing the cost of short-term debt with any remaining financing to be determined from the composite return of the combination of long-term debt and equity.

Q52. PLEASE DEFINE CWIP.

A52. CWIP refers to plant that is under construction (in fact, that phrase is the title used by the Company in its Earnings Test exhibit to describe these expenditures). CWIP represents the accumulation of costs during the construction of an asset at a given point in time. AFUDC is the application of carrying charges while construction expenditures are being incurred. These carrying charges terminate at such time as the asset is closed and deemed to be providing service to ratepayers.

Q53. HOW ARE AFUDC AND CWIP RELATED?

A53. AFUDC is an item of Other Revenue that is recorded as non-operating revenue (or a contra-expense for the portion of AFUDC related to debt related carrying charges) for Accounting purposes. Without regulatory intervention, such revenue would not be included within the revenue requirement calculation. The Federal Energy Commission (FERC) Uniform System of Accounts (USOA), permits the accrual of carrying charges (AFUDC) to apply to work orders (CWIP) while such projects are under construction. In this way, this "return" on construction activities is added to the overall cost of the project which provides a cash recovery to the Company when it is reflected in Rate Base.

Q54. HOW IS AFUDC AND CWIP TO BE TREATED WITHIN THE REVENUE REQUIREMENT CALCULATION SPECIFIED IN THE ARM?

A54. In Docket No. 18-00017, the balances of CWIP and AFUDC were both incorporated into the revenue requirement. Likewise, both components were to be included in the revenue requirement in the ARM Settlement Agreement which was subsequently adopted by the Commission.

Q55. WHY ARE YOU SUGGESTING THE COMMISSION CONSIDER MODIFICATION TO THE TREATMENT OF THE AFUDC AND CWIP GIVEN THAT THE PARTIES REACHED AGREEMENT ON THIS ISSUE IN 2019?

A55. The impact of inclusion of the AFUDC/CWIP issue produces a much greater revenue requirement deficiency in the ARM docket than it did in the Company's last rate case

(Docket No. 18-00017), which warrants a second look at this issue. While the parties had to look to the last rate case to establish methodologies for the ARM, after the establishment of the ARM and going forward, this is not necessarily a requirement.

Q56. COMPARE THE IMPACT OF THIS ACCOUNTING ISSUE AS IT IMPACTED THE RESULTS IN DOCKET NO. 18-00017 WITH THE RESULTS IN THE PENDING ARM INVESTIGATION.

A56. The AFUDC revenue included above-the-line in the Docket No. 18-00017 rate case was $823,951, which compares with a level of CWIP of $12,457,439. The combination of those two items produces a return of 6.61%. The corresponding revenue deficiency associated with having these items above the line then is the difference between the Commission-authorized return in Docket No. 18-00017 of 7.12%[11] and the 6.61% just referenced, further adjusted for income tax implications. The corresponding numbers in the current CGC ARM filing are (AFUDC) $541,233[12] and (CWIP) $19,004,354, resulting in a return in this case of 2.85%. In simple terms, the difference between the actual return of 2.85% and the authorized return of 7.12%, further grossed-up for taxes, represents the revenue deficiency in this case resulting from the inclusion of CWIP and AFUDC within the revenue requirement. The revenue requirement shortfall in this case, inclusive of income tax impacts, resulting from the inclusion of AFUDC and CWIP within the operating results is $1,099,136[13], or an amount representing approximately 21%[14] of the

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[11] *See Commission Order*, Commission Exhibit 11, Docket 18-00017 (January 15, 2019).
[12] *See* Schedule 5 of Exhibit GT-1. This total includes AFUDC-Interest of $172,195 and AFUDC Equity of $369,038.
[13] This amount is computed by applying income taxes to the difference between the authorized return in Docket 18-00017 (7.12% less the actual return on CWIP of 2.85%) applied to the CWIP balance of $19,004,354.
[14] $1,134,080/$5,188,095 (GT-3) = 21%.

total revenue deficiency. This deficiency occurs despite the Company's accounting for AFUDC pursuant to the Uniform System of Accounts prescribed by FERC.

Q57. DID YOU INQUIRE ABOUT THIS RETURN DISPARITY ON CWIP?

A57. Yes. At my request, the Company prepared and provided a reconciliation of AFUDC recordings during the year. The calculations appear reasonable and the response provided justification for the lack of AFUDC recordings on certain projects, thus reducing the return calculation referenced above. However, this reconciliation calculation on its own does not justify inclusion in the revenue requirement.

Q58. IS THE RECOGNITION OF CWIP IN RATE BASE A REQUIRED COMPONENT IN DETERMINING THE REASONABLENESS OF JUST AND REASONABLE RATES?

A58. No. Admittedly, whether to recognize the linked items of AFUDC and CWIP in revenue requirement calculations is a grey area; however, inclusion of these components is not required to arrive at just and reasonable rates. In other words, rates based upon the exclusion of CWIP and AFUDC within the revenue requirement calculation would comply with the Commission mandate to adopt just and reasonable rates.

Q59. WHAT IS THE ARGUMENT AGAINST INCLUSION OF CWIP AND AFUDC WITHIN THE REVENUE REQUIREMENT?

A59. By definition, CWIP is not providing service to ratepayers. There is a strong theoretical regulatory argument that plant not providing service to ratepayers should not be included in Rate Base. This lack of providing service to ratepayers is the underlying premise behind the application of carrying charges (AFUDC) while an asset is under construction. By inclusion of both CWIP and AFUDC within the revenue requirement, the underlying math essentially ignores the actual AFUDC rates (calculated pursuant to the FERC USOA) and instead reconciles those balances to the full authorized rate of return. The inclusion of CWIP and AFUDC within the revenue requirement essentially overrides the accounting requirements established within the FERC USOA.

Q60. ARE YOU CONCERNED THAT THERE IS A DOUBLE-COUNT SITUATION ASSOCIATED WITH CARRYING CHARGES WITHIN THE FERC PRESCRIBED AFUDC CALCULATION AND SIMULTANEOUSLY REFLECTING A TEST PERIOD BALANCE OF CWIP IN RATE BASE WITHIN THE ARM CALCULATION?

A60. Yes. Let's assume a construction project is initiated July 1, 2019 and accrues costs at the rate of $100,000 per month for twelve months, at which point it is completed and placed into service, thereby resulting in a total project cost of $1.2 million. The Company will accrue AFUDC each month based upon the cumulative balance of construction costs. Within the ARM calculation, the construction costs are summed at the end of the period and averaged over the entire period base period, resulting in a Rate Base component for these costs of $300,000 (the average CWIP balance associated with this project over the entire base period). With the provision of carrying charges within the ARM, the Company would begin accruing a full return on the $300,000 balance in computing its ARM results. Meanwhile, the $600,000 CWIP balance at January 1 will continue to also accrue AFUDC charges into the year 2020, increasing the overall cost of the construction project and essentially generating a continuing AFUDC return on construction costs of which a portion is also in Base Rates.[15]

Q61. DOES THIS COMPUTATION RESULT IN AN OVERSTATEMENT OF BOTH AFUDC AND PLANT-IN-SERVICE?

A61. Yes.

Q62. IF BOTH AFUDC AND PLANT-IN-SERVICE ARE OVERSTATED, WOULD THEY OFFSET EACH OTHER IN PROPORTION WITHIN THE REVENUE REQUIREMENT?

A62. No. Recall that the application of AFUDC to construction projects may result in an effective return significantly less than the authorized return, and thus excessive application of carrying charges on increases to the revenue requirement and the fact that the prescribed AFUDC rate is not stated on a pre-tax rate of return basis, whereas revenue requirement deficiencies are determined on a pre-tax basis so that the after tax rate of return matches the authorized return. Further, the overstated Rate Base (through duplication of carrying charges) translates to overstated Depreciation, a cost borne by ratepayers. Therefore, I believe that next year's filing should include an investigation into AFUDC and CWIP as currently calculated in CGC's ARM. Again, I bring this matter up in order to be transparent about the Consumer Advocate's concerns.

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[15] In reality the cash return would not be received by the Company until its ARM mechanism request is approved by the Commission; however, an accrued return is generated beginning January 1 through the application of carrying charges on any revenue deficiencies generated within the ARM using the half-year convention method. Therefore, the reality is the Company would earn an authorized return on its CWIP balance in this example effective January 1, 2020.

Q63. ARE THERE INCOME TAX EXPENSE IMPLICATIONS FROM THE INCLUSION OF AFUDC WITHIN THE REVENUE REQUIREMENT?

A63. Yes. The AFUDC revenue mentioned earlier in my testimony is included within the calculation of Income Tax Expense, both in the Company's and the Consumer Advocate's Income Tax Expense calculation, consistent with the terms of the CGC Settlement Agreement in Docket. Thus, the after-tax amount of AFUDC is even lower than referenced earlier. However, AFUDC is not subject to taxation by the IRS, but instead the revenue received by the Company associated with the return of and on accumulated AFUDC is taxed at the time it is received. If AFUDC and CWIP are retained as above the line items within the Company's ARM, the parties should address the appropriate treatment of AFUDC within the Income Tax Expense calculation.

Q64. DOES THIS CONCLUDE YOUR TESTIMONY?

A64. Yes; however, I reserve the right to supplement my testimony if new information becomes available.

Exhibit DND-1

David Dittemore

<u>Experience</u>

Areas of Specialization
Approximately thirty-years experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Tennessee Attorney General's Office; **Financial Analyst September, 2017 – Current**
Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; **Director Regulatory Affairs 2014 – 2017; Manager Regulatory Affairs, 2007 - 2014**
Responsible for directing the regulatory activity of Kansas Gas Service (KGS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KGS, formulated strategic legislative options for KGS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis. I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007
Principal; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003
Manager Regulatory Affairs; Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

Manager, Wholesale Billing Resolution; Manage a group of professionals responsible for resolving Wholesale Billing Disputes greater than $50K. During my tenure, completed disputes increased by over 100%, rising to $150M per year.

Kansas Corporation Commission; 1984- 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of $2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.

Chief of Accounting 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

Accountant Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) – Not a license to practice

Consumer Advocate
Proposed Adjustments to CGC ARM
Docket No. 20-00049

Exhibit DND-2

Amortization of Deferred Tax Savings

		TCJA Tax Reserve	Unprotected ADIT Accelerated Portion Only	Federal Basis ADIT's Accelerated Portion Only
January		0		
February		0		
March		0		
April		0		
May		0		
June		0		
July		0		
August		0		
September		$ (461,178)	$ (148,112)	$ (239,289)
October		$ (461,178)	$ (148,112)	$ (239,289)
November		$ (461,178)	$ (148,112)	$ (239,289)
December		$ (461,178)	$ (148,112)	$ (239,289)
Total Normalization Expense Adjustment	a/	$ (1,844,710)	$ (592,447)	$ (957,157)
Total Reduction to Normalized Amortization Expense		$ (3,394,315)		

a/ Exhibit GT-1, Schedule 2A1/ See Docket 18-00035

Increase in 2019 Amortization Expense (GT-3)

CGC Amortization Credits - Reflected in 2019 Results	b/	$ (3,394,315)
Amortization Credits - Reflected in 2019 Results per CA		0
Increase in Amortization Expense - 2019 Results		$ 3,394,315

b/ Exhibit GT-3

Consumer Advocate
Proposed Adjustments to CGC ARM
Docket No. 20-00049

Exhibit DND-3

Month		Tax Liability - Tax Savings January - October 2018	ADIT on Tax Savings	Net Liability
December	2019 a/	(1,844,710)	482,115	(1,362,595)
January	2020 a/	(1,844,710)	482,115	(1,362,595)
February	a/	(1,844,710)	482,115	(1,362,595)
March	a/	(1,844,710)	482,115	(1,362,595)
April	a/	(1,844,710)	482,115	(1,362,595)
May	a/	(1,844,710)	482,115	(1,362,595)
June	a/	(1,844,710)	482,115	(1,362,595)
July	a/	(1,844,710)	482,115	(1,362,595)
August	a/	(1,844,710)	482,115	(1,362,595)
September		(1,383,533)	361,586	(1,021,946)
October		(922,355)	241,057	(681,298)
November		(461,178)	120,529	(340,649)
December		-	-	-
Average		(1,489,958)	389,401	**(1,100,558)**

a/ Exhibit GT-1, Schedule 2A1

The balance above represents the appropriate rate base reduction associated with the deferred tax savings to be amortized beginning in September 2020. CGC has improperly eliminated the Rate Base impacts of these deferred savings in the normalized period.

Consumer Advocate
Proposed Adjustments to CGC ARM
Docket No. 20-00049

Exhibit DND-4

Adjustment to Increase Other Taxes (Excluding Payroll)

2019 Other Taxes Paid	a/	$	3,394,822
2019 Taxes Accrued	a/	$	3,308,981
Increase in Other Taxes reflected in 2019 results		$	85,841

a/ See the response to Consumer Advocate 2-10

Consumer Advocate
Proposed Adjustments to CGC ARM
Docket No. 20-00049

Exhibit DND-5

Operating Expense Adjustment No. 2

CONFIDENTIAL

Item	Amount	Source
Regulatory - Legal		Confidential Response 1 - 57

Consumer Advocate
Proposed Adjustments to CGC ARM
Docket No. 20-00049

Exhibit DND-6

Operating Expense Adjustment No. 3

	Amount	**Source**
Depreciation Expense - Service Lines	$ 1,920,624	Exhibit GT-1, Schedule
Total Service Lines	67,760	Response to Consumer Advocate Request 2-2
Depreciation Expense per Service Line	28.34	
Unidentified Service Lines	5,071	
Reduction in Depreciation Expense - Normalization	$ (143,735)	

Consumer Advocate
ARM
Docket No. 20-00049

Exhibit DND-7

Miscellaneous Revenue

CGC Current

	Billing Determinants				Existing Rates			Proposed Revenue		
	Residential	Non Residential		Grand Total	Res	Non-Res		Res	Non-Res	Total
Meter Set Charge	1,152	173		1,325	25.00	25.00		28,800	4,325	33,125
Reconnect Charge	588	59		647	65.00	50.00		38,220	2,950	41,170
Seasonal Reconnect Charge	710	223		933	65.00	50.00		46,150	11,150	57,300
Turn-on Charge	7,282	688		7,970	15.00	15.00		109,230	10,320	119,550
	9,732	1,143		10,875				222,400	28,745	**251,145**

CGC Proposed

	Billing Determinants				Proposed Rates			Proposed Revenue		
	Residential	Non Residential		Grand Total	Res	Non-Res		Res	Non-Res	Total
Meter Set Charge	1,152	173		1,325	30.00	30.00		34,560	5,190	39,750
Reconnect Charge	588	59		647	75.00	60.00		44,100	3,540	47,640
Seasonal Reconnect Charge	710	223		933	75.00	60.00		53,250	13,380	66,630
Turn-on Charge	7,282	688		7,970	20.00	20.00		145,640	13,760	159,400
Total Revenue per Proposed Rates	9,732	1,143		10,875				277,550	35,870	**313,420**
Increase From Current Miscellaneous Revenue								55,150	7,125	**62,275**

Consumer Advocate Proposal

	Billing Determinants				Proposed Rates			Proposed Revenue		
	Residential	Non Residential		Grand Total	Res	Non-Res		Res	Non-Res	Total
Meter Set Charge	1,152	173		1,325	30.00	30.00		34,560	5,190	39,750
Reconnect Charge	588	59		647	**65.00**	**50.00**		38,220	2,950	41,170
Seasonal Reconnect Charge	710	223		933	**65.00**	**50.00**		46,150	11,150	57,300
Turn-on Charge	7,282	688		7,970	20.00	20.00		145,640	13,760	159,400
Total Revenue per Proposed Rates	9,732	1,143		10,875				264,570	33,050	**297,620**
Increase From Current Miscellaneous Revenue								42,170	4,305	**46,475**

Reduction in Revenue from that Proposed by CGC **$ 15,800**

Increase in Revenue from Base Period **46,475**

Consumer Advocate
Proposed Rate Design
Docket No. 20-00049

Exhibit DND-8

Description	Weather Normalized Historic Base Period Winter Nov-Apr	Summer Apr-Oct	Total		Current Winter Rates Nov-Apr Rates 8/1/2018	Revenue	Current Summer Rates May-Oct Rates 8/1/2018	Revenue	Present Total Revenue	Proposed Winter Rates Nov-Apr Rates	Revenue	Proposed Summer Rates May-Oct Rates	Revenue	Proposed Total	Target Increase
	1	2	3		4	5	6	7	8	9	10	11	$ 12	13	
Residential R-1															
Number of Bills	352,022	346,599	698,621	a/	$ 17.00	$ 5,984,374	$ 14.00	$ 4,852,386	$ 10,836,760	$ 17.00	$ 5,984,374	$ 14.00	$ 4,852,386	$ 10,836,760	
Volumes Therms Weather Normalized			36,244,457	b/	$ 0.11591	0	$ 0.11591		$ 4,201,095.1	$ 0.17158		$ 0.17158		6,218,824	
Total Revenue									$ 15,037,855					$ 17,055,584	
Increase														$ 2,017,729	$2,017,893
% increase														13.42%	
Multi-Family R-4 Number of Units	1,110	1,110	2,220	a/	$ 6.25	$ 6,937.50	$ 6.25	$ 6,937.51	$ 13,875	$ 6.25	$ 6,938	$ 6.25	$ 6,938	$ 13,875	
Volumes Therms Weather Normalized	53,902	16,794	70,696	b/	$ 0.21768	$ 11,733.30	$ 0.19350	$ 3,249.70	$ 14,983	$ 0.27394	14,766	$ 0.24351	$ 4,090	18,855	
Total Revenue									$ 28,858					$ 32,730	
Increase														$ 3,872	$3,872
% increase														13.42%	
Commercial C-1 Number of Bills	39,919	38,509	78,428	a/	$ 31.00	$ 1,237,489	$ 26.80	$ 1,032,041	$ 2,269,530	$ 31.00	$ 1,237,489	$ 26.80	$ 1,032,041	$ 2,269,530	
Volumes Therms Weather Normalized	6,321,067	875,420	7,196,487	b/	$ 0.18581	$ 1,174,517	$ 0.14589	$ 127,715	$ 1,302,232	$ 0.25420	$ 1,606,815	$ 0.19958	$ 174,716	$ 1,781,531	
Total Revenue						$ 2,412,006		$ 1,159,756	$ 3,571,763		$ 2,844,304		$ 1,206,758	$ 4,051,062	
Increase														$ 479,299	$479,286
% increase														13.42%	
Commercial C-2 Number of Bills	11,821	11,557	23,378	a/	$ 75.00	$ 886,575	$ 75.00	$ 866,775	$ 1,753,350	$ 75.00	$ 886,575	$ 75.00	$ 866,775	$ 1,753,350	
DDDC Frim Demand Dths	197,934	185,405	395,134	b/	$ 6.35		$ 6.35		$ 2,509,101	$ 7.40		$ 7.40		$ 2,925,117	
Volumes Therms Weather Normalized															
0-3,000 Therms	16,230,469	5,874,308	22,104,777	b/	$ 0.18744	$ 3,042,239	$ 0.14717	$ 864,522	$ 3,906,761	$ 0.21852	$ 3,546,651	$ 0.17157	$ 1,007,862	$ 4,554,513	
3,001-5,000 Therms	1,930,133	698,621	2,628,754	b/	$ 0.17109	$ 330,226	$ 0.11683	$ 81,620	$ 411,846	$ 0.19946	$ 384,979	$ 0.13620	$ 95,153	$ 480,132	
5,001-15,000 Therms	2,520,710	912,310	3,433,020	b/	$ 0.16666	$ 420,102	$ 0.10892	$ 99,369	$ 519,470	$ 0.19429	$ 489,756	$ 0.12698	$ 115,844	$ 605,600	
Over 15,000 Therms	806,783	292,045	1,098,829	b/	$ 0.08623	$ 69,569	$ 0.08623	$ 25,183	$ 94,752	$ 0.10053	$ 81,104	$ 0.10053	$ 29,358	$ 110,462	
Total Therms			29,663,891												
Total Revenue						4,748,711		1,937,469	9,195,281				$ 2,114,992	10,429,173	
Increase														$ 1,233,892	$1,233,892
% increase														13.42%	
												5,389,064			
Commercial T-3 Number of Bills	273	271	544	c/	$ 75.00	$ 20,475	$ 75.00	$ 20,325	$ 40,800	$ 75.00	$ 20,475	$ 75.00	$ 20,325	$ 40,800	
DDDC Frim Demand Dths	26,685	26,436	53,121	c/	$ 6.35		$ 6.35		$ 337,319	$ 7.23		$ 7.23		$ 384,308	
Volumes Therms															
0-3,000 Therms	755,674	631,041	1,386,715	c/	$ 0.18744	$ 141,644	$ 0.14717	$ 92,870	$ 234,514	$ 0.21355	$ 161,375	$ 0.16767	$ 105,807	$ 267,182	
3,001-5,000 Therms	402,050	280,449	682,499	c/	$ 0.17109	$ 68,787	$ 0.11683	$ 32,765	$ 101,552	$ 0.19492	$ 78,369	$ 0.13310	$ 37,329	$ 115,698	
5,001-15,000 Therms	1,300,776	692,471	1,993,247	c/	$ 0.16666	$ 216,787	$ 0.10892	$ 75,424	$ 292,211	$ 0.18988	$ 246,986	$ 0.12409	$ 85,931	$ 332,916	
Over 15,000 Therms	995,174	225,252	1,220,426	c/	$ 0.08623	$ 85,814	$ 0.08623	$ 19,423	$ 105,237	$ 0.09824	$ 97,768	$ 0.09824	$ 22,129	$ 119,897	
Total Revenue									$ 1,111,633					$ 1,260,800	
Increase														$ 149,167	$149,167
% increase														13.42%	
Industrial F-1/T-2 Number of Bills	209	211	420	c/	$ 300.00	$ 62,700	$ 300.00	$ 63,300	$ 126,000	$ 300.00	$ 62,700	$ 300.00	$ 63,300	$ 126,000	

Consumer Advocate
Proposed Rate Design
Docket No. 20-00049

Exhibit DND-8

Description	1	2	3	4	5	6	7	8	9	10	11	$ 12	13	Target Increase
	Weather Normalized													
	Historic Base Period			Current Winter Rates Nov-Apr		Current Summer Rates May-Oct		Present Total Revenue	Proposed Winter Rates Nov-Apr		Proposed Summer Rates May-Oct		Proposed Total	
DDDC Frim Demand Dths	80,411	78,886	159,297 c/	$ 6.35		$ 6.35		$ 1,011,537	$ 7.25		$ 7.25		$ 1,155,059	
Volumes Therms														
0-15,000 Therms	2,984,619	2,627,591	5,425,197 c/	$ 0.08064	$ 240,680	$ 0.08064	$ 211,889	$ 437,488	$ 0.09208	$ 274,829	$ 0.09208	$ 241,953	$ 499,561	
15,000-40,000Therms	3,845,969	3,224,536	6,104,799 c/	$ 0.06891	$ 265,026	$ 0.06891	$ 222,203	$ 420,682	$ 0.07869	$ 302,629	$ 0.07869	$ 253,730	$ 480,371	
40,001-150,000	6,481,360	5,102,982	7,250,462 c/	$ 0.03908	$ 253,292	$ 0.03908	$ 199,425	$ 283,348	$ 0.04462	$ 289,230	$ 0.04462	$ 227,720	$ 323,551	
Over 150,000 Therms	1,068,992	850,460	1,797,936 c/	$ 0.02402	$ 25,677	$ 0.02402	$ 20,428	$ 43,186	$ 0.02743	$ 29,320	$ 0.02743	$ 23,327	$ 49,314	
Total Revenue								$ 2,322,241					$ 2,633,856	
Increase													$ 311,616	$311,616
% increase													13.42%	
Revised for Discontinued Special Contract														
Industrial(F-1/T-2+T-1) Number of Bills	84	84	168 c/	$ 300.00	$ 25,200	$ 300.00	$ 25,200	$ 50,400	$ 300.00	$ 25,200	$ 300.00	$ 25,200	$ 50,400	
DDDC Frim Demand Dths	32,404	32,394	64,798 c/	$ 6.35		$ 6.35		$ 411,467	$ 7.23		$ 7.23		$ 468,656	
Capacity (Non Firm) Demand (T-1)	38,132	36,925	75,056 c/	$ 1.35		$ 1.35		$ 101,326	$ 1.54		$ 1.54		$ 115,409	
Volumes Therms														
0-15,000 Therms	1,258,974	1,232,317	2,474,062 c/	$ 0.08064	$ 101,524	$ 0.08064	$ 99,374	$ 199,508	$ 0.09185	$ 115,634	$ 0.09185	$ 113,186	$ 227,237	
15,000-40,000Therms	1,844,103	1,668,551	3,433,970 c/	$ 0.06891	$ 127,077	$ 0.06891	$ 114,980	$ 236,635	$ 0.07849	$ 144,739	$ 0.07849	$ 130,960	$ 269,524	
40,001-150,000	4,447,743	3,985,629	7,926,817 c/	$ 0.03908	$ 173,818	$ 0.03908	$ 155,758	$ 309,780	$ 0.04451	$ 197,976	$ 0.04451	$ 177,407	$ 352,835	
Over 150,000 Therms	7,329,896	7,178,766	6,272,062 c/	$ 0.02402	$ 176,064	$ 0.02402	$ 172,434	$ 150,655	$ 0.02736	$ 200,535	$ 0.02736	$ 196,400	$ 171,594	
Total Revenue								$ 1,459,771					$ 1,655,654	
Increase													$ 195,883	$195,883
% increase													13.42%	
Interruptible Industrial Transportation (T-1) Number of Bills	102	102	204 c/	$ 300.00	$ 30,600	$ 300.00	$ 30,600	$ 61,200	$ 300.00	$ 30,600	$ 300.00	$ 30,600	$ 61,200	
Capacity (Non Firm) Demand (T-1)	53,925	53,923	107,848 c/	$ 1.35		$ 1.35		$ 145,595	$ 1.54		$ 1.54		$ 166,359	
Volumes Therms														
0-15,000 Therms	1,389,842	1,503,658	2,893,500 c/	$ 0.08064	$ 112,077	$ 0.08064	$ 121,255	$ 233,332	$ 0.09214	$ 128,061	$ 0.09214	$ 138,548	$ 266,610	
15,000-40,000Therms	1,924,834	2,105,556	4,030,390 c/	$ 0.06891	$ 132,640	$ 0.06891	$ 145,094	$ 277,734	$ 0.07874	$ 151,557	$ 0.07874	$ 165,787	$ 317,344	
40,001-150,000	2,272,860	2,009,063	4,281,943 c/	$ 0.03908	$ 88,824	$ 0.03908	$ 78,514	$ 167,338	$ 0.04465	$ 101,492	$ 0.04465	$ 89,712	$ 191,204	
Over 150,000 Therms	3,100,757	3,141,740	6,242,497 c/	$ 0.02402	$ 74,480	$ 0.02402	$ 75,465	$ 149,945	$ 0.02745	$ 85,103	$ 0.02745	$ 86,227	$ 171,330	
Total Revenue								$ 1,035,144					$ 1,174,047	
Increase													$ 138,903	$138,903
% increase													13.42%	
				Total Sales and Transport Margin-All Rates Schedules				$ 33,762,545				$ 4,530,362	$ 38,292,907	$4,530,513

a/ Non Gas Revenue Schedule 15
b/ Weather Normalized Usage Schedule 16.1

c/ Customers, Volume, & Base Revenue Schedule 16.4

Revenue Requirement Deficiency	$4,576,988
Less: Increase in Miscellaneous Revenue	($46,475)
Total Rate Increase	$4,530,513
Annual Revenue at Present Rates	$ 33,762,545
Targeted Revenue	$38,293,058
Overall Percentage Increase	13.42%

Consumer Advocate
ARM
Docket No. 20-00049

Exhibit DND-9

Summary of Proposals to
Increase Residential Rates
R-1 Only

	CGC Proposal a/		**Consumer Advocate Proposal b/**	
	Winter Rate November - April	Summer Rate May - October	Winter Rate November - April	Summer Rate May - October
Customer Charge	$ 19.60	$ 16.10	$ 17.00	$ 14.00
Volumetric Rate per Therm	0.13351	0.13351	0.17273	0.17273

a/ Exhibit ARH-7
b/ Exhibit DND-7