



April 20, 2021

21-00048

Chairman Kenneth C. Hill
ATTN: Ectory Lawless, Docket Clerk
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: Chattanooga Gas Company's Petition for Approval of Its 2020 Annual Rate Review Filing Pursuant to T.C.A. § 65-5-103(d)(6)

Dear Chairman Hill:

Enclosed is CGC's Petition for Approval of its 2020 Annual Rate Review filing pursuant to T.C.A. § 65-5-103(d)(6).

Attached please find the following documents for filing:

1. Petition (with Verification of Paul Leath)
2. Proposed Procedural Schedule (Exhibit A to the Petition)
3. Direct Testimony and exhibits of 3 witnesses:
 - a. Paul Leath (No Exhibits)
 - b. Gary Tucker (3 Exhibits)
 - c. Archie Hickerson (9 Exhibits – including redline and clean versions of Revised Tariff Sheets)
4. Budget Affidavit of Tiffany Callaway-Ferrell

Numerous supporting documents and work papers are included in their Exhibits and other supporting documents and workpapers are supported by the witnesses and are provided for filing. All documents and workpapers required by the Settlement Agreement in Docket No. 19-00047 are provided in this filing.

Please note that there are a few documents which contain confidential information provided in accordance with TPUC practice and subject to a pending Protective Order to be issued by the Hearing Officer. CGC requests that the Hearing officer enter the Protective Order issued in last year's Docket No. 20-00049. The confidential documents are clearly marked and found at Schedules 27, 32, 34 (three separate Excel spreadsheets) and 35.1.

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In addition to this electronic filing, and pursuant to further conversations with Ms. Lawless we will deliver to her in the most efficient and practical manner a copy of this filing.

A courtesy copy of this filing is being provided to the Consumer Advocate.

Yours truly,

Butler Snow LLP

A handwritten signature in blue ink, appearing to read "J.W. Luna", is written over a light blue rectangular background.

J.W. Luna

JWL/cb
Enclosures

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

April 20, 2021

IN RE:)	
)	
CHATTANOOGA GAS COMPANY)	Docket No.
PETITION FOR APPROVAL OF ITS)	
2020 ANNUAL RATE REVIEW)	21- <u>00048</u>
FILING PURSUANT TO)	
TENN. CODE ANN. § 65-5-103(d)(6))	
)	

**CHATTANOOGA GAS COMPANY
PETITION FOR
APPROVAL OF ITS 2020 ANNUAL RATE REVIEW FILING**

Chattanooga Gas Company ("CGC" or "Company"), pursuant to Tennessee Code Annotated Section 65-5-103(d)(6) and the Rules and Orders of the Tennessee Public Utility Commission ("TPUC" or "Commission"), hereby files its Petition for Approval of its 2020 Annual Rate Review Filing ("Petition") pursuant to its Annual Review Mechanism ("ARM") approved in Docket No. 19-00047. In support of this Petition, CGC states as follows:

I. INTRODUCTION

1. CGC is incorporated under the laws of the State of Tennessee and is engaged in the business of transporting, distributing, and selling natural gas in the greater Chattanooga and Cleveland, Tennessee areas within Hamilton and Bradley Counties. CGC is a public utility pursuant to the laws of the State of Tennessee, and its public utility operations, including its rates, terms, and conditions of service, are subject to the jurisdiction of this Commission.

2. CGC is a wholly owned subsidiary of Southern Company Gas, a natural gas holding company that is the parent company operating regulated natural gas utilities in Georgia, Illinois, and Virginia in addition to CGC in Tennessee. Southern Company Gas, formerly known as AGL Resources, was acquired by the Southern Company in 2016.

3. CGC's principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

4. All correspondence and communication with respect to this Petition should be sent to the following on behalf of CGC:

J. W. Luna, Esq
Butler Snow LLP
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Director, External Affairs
Chattanooga Gas Company
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5. In Docket No. 19-00047, the Company requested approval to opt into an alternative regulatory method as authorized by Tennessee Code Annotated Section 65-5-103(d)(1)(a). Specifically, CGC sought an annual review of rates process as authorized by Tennessee Code Annotated Section 65-5-103(d)(6), with CGC's specific annual rate review mechanism referred to therein as the CGC "Annual Review Mechanism" or "ARM." The parties to the docket – the Consumer Advocate, the Chattanooga Regional Manufacturers' Association, Party Staff, and CGC – ultimately negotiated a Settlement Agreement that modified CGC's ARM. After conducting an evidentiary proceeding, the Commission approved the Stipulation and Settlement Agreement by its Order Approving Settlement Agreement dated October 7, 2019 ("2019 ARM Order"). Among other things, the approved CGC ARM contemplates a multiyear process with annual compliance filings on or before April 20 of each year reflecting the Company's prior calendar year or Historic Base Period.

6. CGC's 2019 ARM recovery was processed in Docket 20-00049. By order dated October 27, 2020 ("2020 ARM Order"), the Commission approved CGC's 2019 recovery as modified by certain pleadings in that docket. In approving the modified recovery, the Commission allowed for the accelerated recovery of certain tax credits and benefits, approved CGC's rate design, approved a new Schedule 39 for Outside Legal Services, and acknowledged that the Company and Consumer Advocate reserved their rights to take, and advocate, positions regarding: COVID-19 impacts, CGC's Allowance for Funds Used During Construction ("AFUDC")/Capital Works in Progress ("CWIP"), and the treatment of CGC's legal expenses.

7. Pursuant to the 2019 ARM Order and the 2020 ARM Order, CGC is requesting that the Commission conduct this annual rate review of CGC's 2020 Historic Base Period revenues and expenses, approve the Company's revenue deficiency and rate rebalancing, approve the proposed normalization for the recovery of the deficiency and rebalancing, and approve new rates

and the corresponding tariff sheets effective September 1, 2021 as set forth in further detail herein.

II. CGC'S 2020 HISTORIC BASE PERIOD REQUEST

8. Calendar year 2020, the Historic Base Period for purposes of this ARM case, was a difficult and challenging year for the Company, customers, and larger community. On the one hand, the extraordinary circumstances caused by the COVID-19 novel coronavirus pandemic materially and adversely impacted CGC and its customers in different ways and to varying degrees, resulting in a variety of unanticipated circumstances. For example, we have experienced an increase in customers falling behind in payments, prompting the creation of our Alternative Payment Plan which is a special customer repayment program. We have had to reprioritize essential and emergency services as COVID-19 impacted our workforce and the communities, all while implementing Centers for Disease Control and Prevention procedures for our employees. We needed to change our call center screening procedures before we assign work, and we created a Keep Me Informed procedure to check in with customers ahead of service calls so we can safely serve customers.

9. On the other hand, many of the communities served by CGC, after some initial COVID-19 shutdowns/slowdowns, rebounded quickly, if unequally, and the overall CGC service area ultimately saw very strong growth that required CGC to continue to make substantial infrastructure investments to replace, expand, and extend service lines and facilities. As CGC has reported these last several years, capital infrastructure investments continue to be a big driver for CGC. After fearing COVID-19 impacts, the Company ended up exceeding its original capital budget for 2020, and ultimately fell short of its higher reported revised capital budget only because of supply and permitting issues. While this large surge in capital infrastructure investments is expected to continue, many of these programs – such as those associated with better optimization

of CGC's LNG plant – over the long run will result in significant commodity savings for customers as CGC will be able to more cost effectively address supply and capacity needs for customers.

10. As will be presented more fully in its case in chief, for the 2020 Historic Base Period CGC has a total revenue deficiency of \$11.8 million, which is based upon a \$7.4 million 2020 deficiency and a \$3.9 rate reset including associated carrying charges on the deficiency. Capital investments are the largest single component of this increase, with other significant factors impacting this filing including increases in operations and maintenance expenses, expiring tax credits which were used to reduce CGC's 2019 deficiency as set forth in the 2020 ARM Order, and timing delays related to the normal regulatory lag associated with implementing the new rates from the 2018 rate case and the 2020 ARM Docket. This \$11.8 million recovery represents the prescribed or required ARM recovery under the 2019 ARM Order.

11. Given the size of the overall revenue deficiency and rate reset for the 2020 Historic Base Period and the projected future ARM recoveries anticipated over the next few years, CGC is proposing to voluntarily and temporarily limit the total rate increase for any year over the next four years to a maximum amount of \$6.8 million. In other words, under this alternative proposal, which CGC is recommending as our preferred recovery for this 2021 ARM Docket, CGC's ARM recovery in this docket will be a maximum of \$6.8 million regardless of the actual amount of the prescribed recovery for the 2020 Historic Base Period. With this cap, any excess due above the cap will be carried over for the next year. In subsequent years, any excess will be carried forward and combined with the over/under recovery of the successive years, and the cumulative recovery will be recovered up to the \$6.8 million cap in any given year through the 2024 ARM Docket. Thus, the maximum ARM recovery for the ARM Docket filings in 2021 through 2024 would be no more than \$6.8 million per year. If there is any cumulative net recovery left over after the 2024

recovery, that balance would be added to the 2025 ARM Docket filing. However, the four-year cap is premised on budget projections that indicate that there would not be a carry over to 2025 even though the Company will be spending approximately \$150 million in new capital investments during this four-year period. If the net cumulative recovery in any year is less than \$6.8 million, then the actual recovery for that year would be the lesser amount with no carry over to the next year, including, if applicable, 2024 to 2025.

12. CGC believes this voluntary annual cap for four years will provide our customers with greater rate predictability and stability. This cap will also help to reasonably minimize the rate shock of the otherwise applicable 2021 rate increase if the prescribed ARM recovery were put into effect. As CGC has separately reported to the Commission, and further details in its case in this docket, CGC projects some abnormally high levels of capital investments and certain other expenditures over the 2021 through 2024 period that would lead to some high and low recoveries each year. This proposal will generally serve to limit recoveries in the 2021 through 2024 dockets to no more than \$6.8 million.

13. In order for the Commission, customers, and parties to reasonably assess this preferred recommendation to cap ARM recoveries at no more than \$6.8 million per year, CGC will include additional information, beyond what is required by the 2019 ARM Order, such as assessments of its future capital investments, the recently approved pipe replacement program, and other projected projects and expenditures that will have a material impact on future year expenditures. By making this primary recommendation, CGC is not proposing to amend or revise its approved ARM or any of the methodologies approved in the 2019 ARM Order, as those would still be followed and filed each year. In making this voluntary temporary cap possible, CGC also reserves its rights with respect to the prescribed recovery of \$11.8 million, such that if its preferred

recommendation to cap recoveries as set forth herein is not adopted in full as filed (or as modified if CGC subsequently agrees in a writing to the Commission), then this preferred recovery becomes void and CGC shall seek the full prescribed recovery due to it. CGC further reserves its rights in a subsequent ARM Docket to seek a modification of the voluntary temporary cap or its elimination if circumstances on the record of such future ARM Docket merit a change due to changes in regulations or financial conditions that would adversely impact CGC's ability to recover its cumulative ARM recovery in a reasonable period of time.

14. In support of this Petition and the approval of CGC's ARM filing under the 2019 ARM Order, for both the prescribed and preferred rate recoveries set forth herein, CGC has attached the following direct testimony and accompanying exhibits, which are incorporated herein by reference:

- a. **Direct Testimony and Exhibits Witness Archie Hickerson, Director-Rates and Tariff Administration, Southern Company Gas.** Mr. Hickerson's testimony and exhibits support the revenue schedules and normalization adjustments required under the 2019 ARM Order. He is also our rate design witness. His exhibits include the proposed tariffs for both the Prescribed ARM recovery of \$11.8 million and the Preferred ARM recovery of \$6.8 million assuming approval of the proposed cap.
- b. **Direct Testimony Witness Paul Leath, Regional Director of Operations, Chattanooga Gas and Northeast Georgia.** Mr. Leath's testimony provides an overview of the case, important information regarding the economic growth of our service area in Hamilton and Bradley counties and how CGC is meeting those communities' needs, and a review of the operational activities that underlie the financial data provided by our other witnesses, especially capital expenditures,

COVID-19 impacts, and relief from the 2020 devastating tornado, all of which support the prescribed ARM recovery. Mr. Leath will also testify regarding the operational activities which support the budgeted and projected future expenditures, and which support approval of the \$6.8 million cap, which is the preferred ARM recovery.

- c. **Direct Testimony and Exhibits of Witness Gary Tucker, Manager of Regulatory Reporting, Southern Company Gas.** Mr. Tucker will provide the necessary testimony and exhibits regarding the calculation of the Historic Base Period annual reconciliation balance deficiency and the prospective 2021 rate reset of \$11.8 million necessary for the Company to earn its rate of return under the prescribed ARM recovery mechanism. Mr. Tucker's testimony also addresses the preferred \$6.8 million recovery cap, the supporting information regarding 2021-2024 budgeted and projected expenditures, and how that approach impacts future ARM filings. His testimony supports all the schedules except for those sponsored by Mr. Hickerson.
- d. **Budget Affidavit of Tiffany Callaway-Ferrell, Vice President, Operations, Chattanooga Gas Company.** Ms. Callaway-Ferrell provides the corporate officer attestation required by Schedule 30, CGC Budget for the year subsequent to the Historic Base Year. Ms. Callaway-Ferrell is not a testifying witness in the case.
- e. **Petition Verification of Paul Leath, Regional Director of Operations, Chattanooga Gas and Northeast Georgia.** Mr. Leath provides a verification of the petition and its supporting testimony, exhibits, and schedules being filed in support of this case.

- f. A request for the issuance of a standard protective order such as the one issued in CGC's 2020 ARM Docket to govern the production of confidential information to the Commission and Commission Staff, the Consumer Advocate, and any other intervenors who may be granted intervention.
- g. A request for the issuance of a scheduling order. CGC is providing a proposed case schedule that is attached to this Petition as Exhibit A, CGC 2021 ARM Docket, CGC Proposed Hearing Schedule. This Schedule is premised upon the same approximate time periods used in CGC's 2020 ARM Docket but with deadlines later in the case slightly backed up to provide some additional time at the end of the case for final case preparation or potential settlement negotiations.

15. Overall, there are essentially three parts to this first CGC ARM case. First there is the 2020 Historic Base Period operational and financial data supported by Mr. Leath, Mr. Tucker, and Mr. Hickerson and the resulting prescribed ARM recovery for 2020 of \$11.8 million. Their testimony includes certain exhibits as well as support for the more than 80 schedules and reports required by the 2019 ARM Order and the 2020 ARM Order along with some additional supporting information which is being provided. Second, there is the information associated with the projected revenues and expenses for the years 2021 through 2023 that will demonstrate why the proposed voluntary \$6.8 million cap will work in conjunction with the projected ARM recoveries for the next four years. Third, Mr. Hickerson provides the rate design and supporting tariffs for both the Prescribed ARM recovery of \$11.8 million and the Preferred ARM recovery of \$6.8 million based upon the size of the recovery and past cases. Under CGC's proposed rate design, CGC has applied a uniform percentage increase to customer charges, demand charges, and volumetric rates.

III. CONCLUSION

WHEREFORE, CGC respectfully prays that based upon the pleadings and documents submitted by CGC:

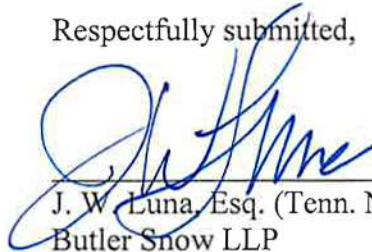
1. Notice be issued and a contested case be set regarding this Petition.
2. The Commission issue its standard protective order as requested herein.
3. The Commission issue a scheduling order based upon CGC's proposed case hearing schedule attached hereto or as the parties to this docket may otherwise agree.
4. The Commission find that the Company has provided the necessary schedules and other documentation thus complying with the minimum filing requirements and other terms and obligations of the 2019 ARM Order and the 2020 ARM Order that govern this proceeding.
5. The Commission approve CGC's prescribed ARM recovery of \$11.8 million as the total deficiency and rate reset for the 2020 Historic Base Period.
6. In lieu of authorizing rate increases corresponding to the prescribed ARM recovery of \$11.8 million, the Commission should approve CGC's proposed voluntary, temporary rate cap not to exceed \$6.8 million per year for the 2021 through 2024 ARM Dockets, with any net cumulative remaining recovery carried over to 2025 after application of the 2024 cap. CGC further reserves its rights in a subsequent ARM Docket to seek a modification of the cap or its elimination if circumstances on the record of such future ARM Docket merit a change due to changes in regulations or financial conditions that would adversely impact CGC's ability to recover its cumulative ARM recovery in a reasonable period of time.
7. The Commission authorize CGC in this docket to increase rates by a total of \$6.8 million under the preferred voluntary temporary rate cap mechanism. If the Commission does not authorize the voluntary rate cap, then the Commission should authorize the full recovery of the

prescribed \$11.8 million in increased rates.

8. The Commission approve the rate design and corresponding tariff pages for CGC's primary proposal, or in the alternative, approve the rate design and tariff pages for CGC's required ARM filing, depending upon which approach it takes.

9. CGC be granted such other and/or further relief as may be warranted.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J. W. Luna", is written over a horizontal line.

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Attorneys for Chattanooga Gas Company

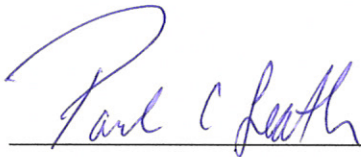
VERIFICATION

STATE OF TENNESSEE

COUNTY OF HAMILTON

I, Paul Leath, being duly sworn, state that I am the Regional Director of Operations, Chattanooga Gas Company, the Petitioner, in the subject proceeding; that I am authorized to make this verification on behalf of Chattanooga Gas Company; that I have read the foregoing Petition and exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information, and belief.

Sworn and subscribed before me this 19th day of April, 2021



Paul C. Leath

Notary Public: Meghan Breeze Miller (signature)

Meghan Breeze Miller (typed or printed name)

State of Tennessee, at Large

My Commission Expires: July 7, 2024

SEAL:



Exhibit A, CGC 2021 ARM Docket
CGC Proposed Procedural Schedule

Activity	Proposed Date
CGC ARM Petition, Testimony, and Exhibits filed at TPUC and served on Consumer Advocate (electronic and paper per order).	April 20, 2021
Informal Discovery Meeting, All Parties and Staff invited (attendance optional)	April 27-29, 2021
Consumer Advocate & other intervenors serve first discovery on CGC	Tuesday, May 4, 2021
CGC responds to Consumer Advocate/Intervenors first discovery.	Tuesday, May 18, 2021
Informal Discovery Meeting with all intervenors and staff (attendance optional)	Friday, May 21, 2021
Consumer Advocate/Intervenors serve second discovery on CGC.	Wednesday, May 26, 2021
CGC responds to Consumer Advocate second discovery.	Thursday, June 4, 2020
Informal Discovery Meeting (attendance optional)	Wednesday, June 9, 2021
Consumer Advocate & Intevenors Testimony	Friday, June 25, 2021
CGC discovery to Consumer Advocate & Intervenors on their testiony.	Wednesday, June 30, 2021
Consumer Advocate/Intervenors respond to CGC discovery	Thursday, July 8, 2021
CGC Rebuttal to Consumer Advocate and Intervenors	Monday, July 12, 2021
Informal Meeting of parties to discuss potential settlement	Monday, July 26, 2021
Prehearing Conference	TBA
Hearing, with closing statements, no briefs (21 days after CGC Rebuttal)	Monday, August 9, 2021