

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

CHATTANOOGA GAS COMPANY
PETITION FOR APPROVAL OF ITS
2020 ANNUAL RATE REVIEW
FILING PURSUANT TO
TENN. CODE ANN. § 65-5-103(d)(6)

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DOCKET NO. 21-00048

CONSUMER ADVOCATE'S RESPONSES TO FIRST SET OF DISCOVERY
REQUESTS FROM THE TENNESSEE PUBLIC UTILITY COMMISSION

The Consumer Advocate Unit in the Financial Division of the Office of the Attorney General ("Consumer Advocate"), by and through Herbert H. Slatery III, Attorney General and Reporter for the State of Tennessee, pursuant to Rules 26, 33, and 34 of the Tennessee Rules of Civil Procedure, Tennessee Public Utility Commission (TPUC or the "Commission") Rule 1220-1-2-.11, and the Agreed Procedural Schedule entered by the Hearing Officer in this Docket, hereby submits its responses to the *First Set of Discovery Request of the Commission* filed on July 7, 2021.

CONSUMER ADVOCATE'S RESPONSES

1. Please reconcile the Outside Service Costs of \$277,635 as presented by Mr. Dittmore on page 2 of this testimony to the \$401,117 as presented by Mr. Novak on page 18 of his testimony.

RESPONSE:


The \$277,635 amount that was identified in Mr. Dittmore's testimony represents his recommended disallowance of the PwC Study costs that are included in Outside Services Expense. The \$401,117 amount that was identified in Mr. Novak's testimony

represents the revenue requirement impact of excluding the \$277,635 amount from the PwC Study.

As a result of cooperative discussions and information sharing, the Parties agree that the revenue requirements impact associated with the PwC study is \$296,194. The Parties also agreed to remove half of the Outside Service expense related to the PwC shared service study. As a result, the Parties agree that revenue requirement impact of this adjustment will have an approximate value of \$148,097 for the annual true-up rate reset as presented in CGC Tucker Exhibit GT-4 as filed on July 14, 2021.

Additionally, the Advocate has also attempted to show the effect of this adjustment as a singular item within the attachment to this response. The attachment CA 1-1 shows the Company's calculation is accurate and within the range of reasonableness.

RESPECTFULLY SUBMITTED,


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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail, with a courtesy copy by electronic mail, upon:

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This the 15th day of July, 2021.


Karen H. Stachowski
Assistant Attorney General

	Annual True-Up Revenue Requirement Rate Adjustment		
	As Filed	Updated	Difference
Noramalized Rate Base	187,345,624 A/	187,345,623 B/	(1)
Current Year Unamortized ARM Asset/(Liability) and Related Deferred Tax	2,837,224 C/	2,783,993 D/	(53,231)
Annual Rate True-Up Normalized Historic Base Period	190,182,848	190,129,616	(53,232)
Operating Income	4,854,004 E/	4,960,237 F/	106,233
Earned Return	2.59%	2.65%	0.0006
Fair Rate of Return	7.12%	7.12%	-
Required Operating Income	13,536,456	13,532,667	(3,789)
Operating Income Deficiency	8,682,452	8,572,431	(110,021)
Gross Revenue Conversion Factor	1.347168975	1.347168975	-
Revenue Deficiency (Surplus)	11,696,730	11,548,513	(148,217)

A/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 1, cell J11
 B/ Tab Rate Base
 C/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 2, cell M40
 D/ Tab Historic Base Period, cell F34 - F38
 E/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 1, K13
 F/ Tab Oper Inc.

Item	Rate Case 18-00017	Prior ARM 20-00049	A/ 13-Month Average	Prior ARM Asset/Liability	C/ Normalization Adjustments	D/ Current ARM Asset/Liability	Adjusted Amount	
Additions:								
Plant-in-Service	301,415,025	315,200,253	352,338,509	0	0	0	352,338,509	
Construction Work in Progress (CWIP)	12,457,439	19,004,354	13,709,361	0	0	0	13,709,361	
Deferred LNG Maintenance, net of ADITs	0	0	256,983	0	0	0	256,983	
Incremental ARM Reg Asset, net of ADITs	0	0	82,205	0	0	0	82,205	
Material and Supplies	343,442	402,877	487,141	0	-56,377	0	430,765	
Prepayments	46,803	48,487	27,568	0	14,635	0	42,203	
Stored Gas Inventory	9,425,959	9,199,844	7,757,841	0	750,552	0	8,508,393	
Deferred Rate Case Expense	1,117,499	1,278,489	991,122	0	0	0	991,122	
Working Capital	0	0	187,704	0	57,183	0	244,887	B/
Unamortized ARM Reconciliation Balance	0	1,981,102	3,809,812	0	-3,809,812	3,769,029	3,769,029	
Deferred Pension Contribution	0	82,598	693,997	0	0	0	693,997	
Total Additions	324,806,167	347,198,156	380,342,242	0	-3,043,818	3,769,029	381,067,453	
Deductions:								
Removal of Non-allocable Net AGSC Plant	0	340,186	542,881	0	0	0	542,881	
Accumulated Depreciation	127,903,439	132,712,913	138,302,817	0	0	0	138,302,817	
Accumulated Deferred Income Tax-ADIT	23,114,266	24,975,430	25,553,498	0	-835	0	25,552,663	
Regulated Liability-EDIT	22,177,646	22,289,323	21,044,625	0	0	0	21,044,625	
Deferred Income Tax-ARM Reconciliation	0	517,761	995,694	0	-995,694	985,036	985,036	
Deferred Tax Cuts & Jobs Act Regulatory I	0	922,355	1,773,760	0	0	0	1,773,760	
Customer Advances for Construction	0	0	0	0	0	0	0	
Reserve for Uncollectible	169,708	201,415	288,440	0	-57,808	0	230,631	
Reserve for Health Insurance	33,409	45,928	84,345	0	-20,840	0	63,504	
Other Reserves	72,774	62,194	145,665	0	-58,920	0	86,745	
Customer Deposits	1,612,342	1,988,149	1,985,513	0	0	0	1,985,513	
Accrued Interest on Customer Deposits	332,933	351,772	369,662	0	0	0	369,662	
Total Deductions	175,416,517	184,407,444	191,086,900	0	-1,134,099	985,036	190,937,837	
Total Rate Base	149,389,650	162,790,730	189,255,343	0	-1,909,719	2,783,993	190,129,616	

A/ CA-2-010 Attachment (6-16-2021) GT-1, Sch.2 column J

B/ Tab CWC

C/ CA-2-010 Attachment (6-16-2021) GT-1, Sch.2 column L

D/ Tab 'Historic Base Period'

	As Filed		Per Novak		Difference
Historic Operating Revenues	68,167,063	A/	68,167,063	A/	-
Historic O&M	48,076,795	B/	47,937,978	C/	(138,817)
Historic Other Expense	12,098,982	D/	12,135,287	E/	36,304
Historic Total Operating Expense	60,175,777		60,073,265		(102,513)
Historic Utility Operating Income	7,991,285		8,093,798		102,513
Historic Rate Base as filed	189,259,426	F/	189,255,343	G/	(4,083)
Historic Earned Return	4.22%		4.28%		0
Fair Rate of Return	7.12%		7.12%		-
Historic Required Operating Income	13,470,731		13,470,440		(291)
Historic Operating Income Deficienc	5,479,446		5,376,642		(102,804)
Annual Carrying Charges (1/2)	195,003		191,344		(3,659)
Total	5,674,448		5,567,986		(106,462)
Income Tax Gross-Up Factor	1.35382116		1.35382116		-
Annual Reconciliation Balance	7,682,188		7,538,057		(144,131)
Average Balance	3,841,094		3,769,029		(72,065)
Composite Tax Rate	26.135%		26.135%		-
Deferred Tax on Avg Balance	1,003,870		985,036		(18,834)

- A/** CA-2-010 Attachment (6-16-2021) GT-1, Sch. 5, cell L16
B/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 5, cell L22
C/ Tab Oper Inc.
D/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 5, cells L25:L31)
E/ Tab 'Other Expense'
F/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 2, cell J40
G/ Tab 'Rate Base'

Description	Historic Base Period with Rate Making Adjustments	Normalization Adjustment Schedule 16.3 & Schedule 28	Historic Base Period Normalized	Adjustment to include Amortization of Current Year ARM Regulatory Asset/(Liability)	Historic Base Period With Annual True- Up Revenue Requirement Rate Adjustment	
Operating Revenue	68,167,063	3,388,510	71,555,573		71,555,573	A/
Operating Expense:						
Purchased Gas Expense	30,528,398	-	30,528,398		30,528,398	A/
O&M Expense	17,409,580	(708,298)	16,701,281		16,701,281	A/
Depreciation Expense	8,214,820	304,676	8,519,496		8,519,496	A/
Amortization -ARM Reconciliation Balance (ARM Regulatory Asset/(Liability))	990,551	(990,551)	-	7,538,057	7,538,057	A/
Interest on Customer Deposits	78,210	(34,970)	43,240		43,240	A/
General Taxes (Taxes Other than Income)	3,760,637		3,760,637		3,760,637	A/
Total Operating Expense [L2:L7]	60,982,195	(1,429,143)	59,553,053	7,538,057	67,091,110	
NOI Before Excise and Income Tax [L1-L7]	7,184,867	4,817,653	12,002,520	(7,538,057)	4,464,463	
AFUDC (Equity-Portion)	(340,428)		(340,428)		(340,428)	
Interest Expense	4,339,740	(43,791)	4,295,949	63,839	4,359,788	B/
Permanent Differences	23,000		23,000		23,000	
Net Income Before Excise and Income Tax [L8:L11]	2,527,699	4,861,444	7,389,143	(7,601,896)	(212,753)	
Tennessee Excise Tax Calculation						
Net Income Before Excise and Income Tax [L11]	2,527,699	4,861,444	7,389,143	(7,601,896)	(212,753)	
Excise Tax Rate	6.5%	6.5%	6.5%	6.5%	6.5%	
Excise Tax Expense [L12 x L13]	164,300	315,994	480,294	(494,123)	(13,829)	
Less After - Tax Excess Deferred Tax Liability Amortization	(18,081)		(18,081)		(18,081)	
Net Excise Tax Expense [L14:L15]	146,219	315,994	462,213	(494,123)	(31,910)	
Excise Tax Current [L16-L18]	262,905	315,994	578,899	(494,123)	84,776	
Excise Tax Deferred	(116,686)	-	(116,686)	-	(116,686)	
Federal Income Tax Calculation						
Net Income Before Excise and Income Tax [L12]	2,527,699	4,861,444	7,389,143	(7,601,896)	(212,753)	
Net Excise Tax Expense [L16]	146,219	315,994	462,213	(494,123)	(31,910)	
Net Income Before Federal Income Tax [L19:L20]	2,381,479	4,545,450	6,926,930	(7,107,773)	(180,843)	
FIT Rate	21.0%	21.0%	21.0%	21.0%	21.0%	
Federal Income Tax Expense [L21 x L22]	500,111	954,545	1,454,655	(1,492,632)	(37,977)	
Less After-Tax Excess Deferred Tax Liability Amortization-	(891,297)	500,995	(390,302)		(390,302)	
Less After-Tax Excess Deferred Tax Liability Amortization-Tax Cust & Jobs Act	(340,649)	340,649	-		-	
Less After-Tax Excess Deferred Tax Liability Amortization- Federal	(35,585)		(35,585)		(35,585)	
Less Acceleration of federal basis adjustment EDIT Amortization	(178,328)	178,328	-		-	
Less Acceleration of 2021 Unprotected EDIT Amortization	(109,403)	109,403	-		-	
Net Federal Income Tax Expense [L23:L26]	(1,055,150)	2,083,919	1,028,768	(1,492,632)	(463,864)	
Federal Income Tax -Current [L27-L29]	101,379	2,083,919	2,185,297	(1,492,632)	692,665	
Federal Income Tax -Deferred	(1,156,529)	-	(1,156,529)	-	(1,156,529)	

A/ Tab Oper Inc.

B/ Tab Interest

		A/ B/ D/	A/ B/ D/	A/ B/ D/	A/ B/ D/	A/ B/ D/	A/ B/ D/	A/ B/ D/	A/ B/ D/	
		Rate Case 18-00017	Prior ARM 20-00049	Base Amounts	Ratemaking Adjustments	Adjusted	Normalization Adjustment	Normalized	ARM Amortization	Rate Adjustment
Item										
Revenue:										
Revenues		70,473,656	69,602,788	67,039,511	-451,806	66,587,705	3,461,930	70,049,634	0	70,049,634
AFUDC - Debt		0	172,195	161,760	0	161,760		161,760	0	161,760
AFUDC - Equity		823,951	369,038	340,428	0	340,428		340,428	0	340,428
Other Revenues		675,121	854,766	3,646,559	-2,569,389	1,077,171	-73,419	1,003,751	0	1,003,751
Total Operating Rev		71,972,728	70,998,788	71,188,257	-3,021,195	68,167,063	3,388,510	71,555,573	0	71,555,573
Operating & Maintenance Expense:										
Purchased Gas Expense		38,611,525	35,313,102	30,550,482	-22,084	30,528,398	0	30,528,398	0	30,528,398
Operating & Maintenance Expense-Labor		3,216,717	3,581,237	3,994,127	-299,961	3,694,166	0	3,694,166	0	3,694,166
Operating & Maintenance Expense-Non Lab		8,733,561	11,389,445	17,956,455	-4,241,042	13,715,413	-708,298	13,007,115	0	13,007,115
Total O&M Expense		50,561,803	50,283,783	52,501,064	-4,563,087	47,937,978	-708,298	47,229,679	0	47,229,679
Other Expense:										
Depreciation Expense		7,718,131	8,246,593	8,462,331	-247,512	8,214,820	304,676	8,519,496	0	8,519,496
ARM Amortization		0	3,962,204	990,551	0	990,551	-990,551	0	7,538,057	7,538,057
Interest on Customer Deposits		96,740	83,159	78,210	0	78,210	-34,970	43,240	0	43,240
Taxes Other than Income		3,339,316	3,528,665	3,781,027	-20,390	3,760,637	0	3,760,637	0	3,760,637
State Excise (Income) Tax		372,213	30,433	28,577	117,643	146,219	315,994	462,213	-494,123	-31,910
Federal Income Tax		264,062	-3,286,068	-1,410,522	355,371	-1,055,150	2,083,919	1,028,768	-1,492,632	-463,864
Total Other Expens		11,790,462	12,564,985	11,930,175	205,112	12,135,287	1,679,068	13,814,355	5,551,302	19,365,657
Total Expenses		62,352,265	62,848,769	64,431,239	-4,357,974	60,073,265	970,770	61,044,034	5,551,302	66,595,336
Utility Operating Int		9,620,463	8,150,019	6,757,018	1,336,780	8,093,798	2,417,741	10,511,539	-5,551,302	4,960,237

A/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 5, column J
 B/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 5, column K
 C/ Tab O&M
 D/ CA-2-010 Attachment (6-16-2021) GT-1, Sch. 5, column N
 E/ Tab Tax

	<u>Adjusted Base Amount</u>
Other Expense:	
Depreciation Expense	8,214,820 A/
ARM Amortization	990,551 A/
Interest on Customer Deposits	78,210 A/
Taxes Other than Income	3,760,637 A/
State Excise (Income) Tax	146,219 B/
Federal Income Tax	-1,055,150 B/
Total Other Expense	<u>12,135,287</u>

A/ WHN Analysis of CGC ARM, Schedule 5

B/ Tab 'Tax'

Item	Rate Case 18-00017	Prior ARM 20-00049	Current ARM Historic	Current ARM Normalized	Current ARM True-Up
Capital Structure:					
Short-Term Debt	6.30%	6.30%	6.30%	6.30%	6.30%
Long-Term Debt	44.47%	44.47%	44.47%	44.47%	44.47%
Equity	49.23%	49.23%	49.23%	49.23%	49.23%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Cost Rate:					
Short-Term Debt	3.01%	3.01%	3.01%	3.01%	3.01%
Long-Term Debt	4.73%	4.73%	4.73%	4.73%	4.73%
Equity	9.80%	9.80%	9.80%	9.80%	9.80%
Weighted Cost:					
Short-Term Debt	0.19%	0.19%	0.19%	0.19%	0.19%
Long-Term Debt	2.10%	2.10%	2.10%	2.10%	2.10%
Equity	4.82%	4.82%	4.82%	4.82%	4.82%
Overall Return	7.12%	7.12%	7.12%	7.12%	7.12%
Total Weighted Cost	2.29%	2.29%	2.29%	2.29%	2.29%
Average Rate Base	#####	#####	189,255,343	187,345,623	190,129,616
Interest Expense:					
Short-Term Debt	283,951	309,885	358,885	355,264	360,543
Long Term Debt	3,149,672	3,436,579	3,980,856	3,940,686	3,999,245
Total	3,433,623	3,746,396	4,339,740	4,295,949	4,359,788
Required Equity	7,224,252	7,882,318	9,130,700	9,038,565	9,172,879
Total Return	10,657,876	11,628,714	13,470,440	13,334,514	13,532,667

A/ Tab Rate Base

A/

Line No.	Description	Adopted Docket 18-00017	Prior Year Adopted Docket 20-00049	Historic Base Period	Annual True-Up Revenue Requirement Rate Adjustment
1	Revenue Lag	c/ 43.76	43.76	43.76	43.76
2	Expense Lag	b/ 39.01	36.92	39.14	38.95
3	Net Lag	4.75	6.84	4.62	4.81
4	Daily Cost of Service	b/ 180,221	173,895	173,317	178,570
5	Cash Working Capital	856,635	1,189,613	800,964	858,148
6	Less: Tax Collections Withheld	a/ (506,569)	(600,665)	(613,260)	(613,260)
7	Net Cash Working Capital Provided	350,066	588,948	187,704	244,887

Description	Deficiency		Reset	
	Historic Base Period Amount	Lag	Historic Base Period Amount	Lag
Operating & Maintenance Expense				
Purchased Gas	\$30,528,398 c/	40.94 b/	\$30,528,398 c/	40.94 b/
O&M Labor	3,694,166 a/	14.01 b/	3,694,166 a/	14.01 b/
Pension	22,144 a/	0.00 b/	22,144 a/	0.00 b/
Post-Retirement Benefits Other than Pension	199,615 a/	0.00 b/	199,615 a/	0.00 b/
Miscellaneous Employee Benefits	(936) a/	4.47 b/	(936) a/	4.47 b/
401 K Benefits	135,468 a/	12.07 b/	135,468 a/	12.07 b/
Health/Life Insurance Expense	294,881 a/	8.98 b/	504,818 a/	8.98 b/
Allocated Cost	6,326,336 a/	21.94 b/	6,120,790 a/	21.94 b/
Uncollectible	325,527 a/	43.76 b/	231,783 a/	43.76 b/
Other Operating Expense	6,412,378 f/	31.49 b/	5,793,434 f/	31.49 b/
Taxes				
Taxes-Other than Income Tax	3,760,637 c/	171.16 b/	3,760,637 c/	171.16 b/
State Excise (Income) Tax-Current	262,905 d/	37.88 b/	578,899 d/	37.88 b/
State Excise (Income) Tax-Deferred	(116,686) d/	0.00 b/	(116,686) d/	0.00 b/
FIT-Current	101,379 d/	37.88 b/	2,185,297 d/	37.88 b/
Fit-Deferred	(1,156,529) d/	0.00 b/	(1,156,529) d/	0.00 b/
Other Expense				
Depreciation and Amortization	8,214,820 c/	0.00 b/	8,519,496 c/	0.00 b/
Interest on Customer Deposits	78,210 c/	0.00 b/	43,240 c/	0.00 b/
Interest Short-Term Debt	345,508 e/	(51.36) b/	341,886 e/	(51.36) b/
Interest Long-Term Debt	3,832,473 e/	45.76 b/	3,792,303 e/	45.76 b/
Total Working Capital Requirements [L1:L19]	\$63,260,694	\$2,475,935,963	\$65,178,224	#####
Net Lead(lag) Days [Col E L20/Col BCL20]		39.14		38.95
Daily Working Capital Requirements. Col C L20/365	\$173,316.97		\$178,570.48	
Return on Equity	\$ 9,130,700		\$ 9,038,565	
Total Cost of Serviced	\$72,391,394		\$74,216,789	
	0		-	