

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
CHATTANOOGA GAS COMPANY'S)	
PETITION FOR APPROVAL OF ITS)	
2020 ANNUAL RATE REVIEW)	DOCKET NO. 21-00048
FILING PURSUANT TO)	
TENN. CODE ANN. § 65-5-103(d)(6))	
)	

DIRECT TESTIMONY

OF

DAVID N. DITTEMORE

June 25, 2021

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

A1. My name is David N. Dittmore. My business address is Office of the Tennessee Attorney General, John Sevier Building, 500 Dr. Martin L King Jr. Blvd., 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 issues. 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 of

experience in the field of public utility regulation. Attached as Exhibit DND-1 is a detailed summary of my background.

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

A3. Yes. I have submitted testimony in numerous dockets before the Commission.

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A4. The purpose of my testimony is to support an adjustment to eliminate \$277,635 of Outside Services costs associated with a Price Waterhouse Coopers (PWC) study commissioned by Chattanooga Gas Company (CGC or the “Company”) within the historic base period. These costs are identified within cell J 137 of Schedule 28.1 within Exhibit GT-1.¹ Importantly, the Company has identified these costs as non-recurring and included them as a reduction to normalized expenses for purposes of the true-up revenue requirement deficiency, thus this adjustment is exclusive to determining the 2020 revenue deficiency. I will also briefly address the implications of COVID-19 within this docket.

Q5. IS THERE CONTEXT YOU BELIEVE SHOULD BE CONSIDERED IN CONSIDERING WHETHER RATEPAYERS SHOULD INCUR THESE COSTS?

A5. Yes. In TPUC Docket No. 20-00049, the Commission authorized a \$4,758,576 revenue increase which represented a 13.9% increase to all customer classes.² In the present

¹ The balance of these costs (\$50,000) comprising the total PWC costs of \$327,635 relate to a pipeline safety management system assessment and is not included within the proposed adjustment.

² *Order Approving 2019 ARM Filing*, p. 6, TPUC Docket No. 20-0049 (October 27, 2020).

Docket, the Company is seeking an increase of 17.3%.³ Even assuming the Company can meet its stated goal of capping increases over the next four Annual Rate Mechanism (ARM) filings at \$6.8 million⁴, it is clear CGC customers will continue to bear significant rate increases over this period. The Commission should view the reasonableness of this discretionary expense keeping in mind the ongoing rate pressure faced by CGC customers.

Q6. WHAT WAS THE PURPORTED PURPOSE OF THE STUDY?

A6. The stated purpose was “to provide an independent assessment of the costs incurred by Southern Company Gas (‘Gas’) and its AGL Services Company (‘AGSC’) on behalf of CGC, the costs charged by AGSC for services either provided directly by AGSC or by Southern Company Services (‘SCS’) through AGSC to CGC and of CGC’s related Administrative and General (‘A&G’) costs.”⁵

Q7. DO YOU AGREE THIS WAS AN ‘INDEPENDENT STUDY’?

A7. No. This study (or assessment) was not independent. An example of an independent study is the triennial report submitted by Exeter in TRA⁶ Docket No. 07-00224, which reviews the Company’s performance-based mechanism. An important characteristic of an independent study is that the various stakeholders have input into the scope of the study,

³ This is based upon the voluntary cap proposal by the Company, otherwise the Company’s calculated revenue deficiency of \$11.78 million which would equate to an overall increase of nearly 30%.

⁴ Direct Testimony of Paul Leath at 7:12-15, TPUC Docket No. 21-00048 (April 20, 2021). Further, Mr. Leath identifies anticipated infrastructure investments of \$150 million over the next four years. *Id.* at 7:12-15.

⁵ *Chattanooga Gas Company Petition for Approval of its 2019 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(D)(6)*, file <Schedule 32.1 CAM Supplemental Schedule> at p. 1, TPUC Docket No. 20-00049 (May 29, 2020).

⁶ The Tennessee Regulatory Authority, or TRA, is the predecessor agency to the TPUC, just as the Tennessee Public Service Commission predated the TRA. While the nomenclature has changed, the scope and function of these entities has remained essentially the same.

as well as the party selected to perform the study. The study performed by PWC had neither of those characteristics.

Q8. ARE YOU SUGGESTING THAT THE COMPANY SHOULD REFRAIN FROM CONDUCTING STUDIES UNLESS THEY ARE INDEPENDENT AND SUBJECT TO A COLLABORATIVE PROCESS AS OCCURS WITHIN THE TRIENNIAL REVIEW?

A8. No, not at all. The Company has the freedom to hire outside parties to conduct studies it deems necessary or that further its financial objectives. This issue before the Commission, however, is whether ratepayers should pay for such studies.

Q9. NOTWITHSTANDING THE CONCERN WITH THE INDEPENDENCE OF THE STUDY, DO YOU TAKE EXCEPTION TO ANY OF THE DATA CONTAINED IN THE STUDY?

A9. No.

Q10. WAS THE STUDY REQUIRED PURSUANT TO A COMMISSION ORDER IN TPUC DOCKET No. 18-00017?

A10. No.

Q11. IN YOUR OPINION WAS THE STUDY NECESSARY?

A11. No, it was not.

Q12. DO YOU BELIEVE RATEPAYERS SHOULD INCUR THE COSTS OF THIS STUDY?

A12. No, I do not.

1 **Q13. WHY SHOULD THIS COST BE EXCLUDED FROM COSTS RECOVERED**
2 **FROM RATEPAYERS?**

3 **A13.** Considering the significant rate pressures faced by CGC ratepayers, coupled with the
4 discretionary nature of the study, these costs should not be assigned to the Company's
5 ratepayers. One year ago, amid the pandemic, the Company's customers incurred a double-
6 digit rate increase.⁷ Now a year later, ratepayers are facing a proposed 17.3% increase.
7 With the capital expenditures planned for the system, as referenced in Mr. Leath's
8 testimony⁸, it appears that CGC consumers will continue to face significant rate increases.

9 **Q14. HAVE YOU REVIEWED THE TESTIMONY OF MR. LEATH AND REVIEWED**
10 **SCHEDULES 35.11 AND 35.11A REGARDING THE IMPACT OF COVID-19**
11 **WITHIN THE TEST PERIOD?**

12 **A14.** Yes, I have. Based upon this review I am not recommending any adjustment to the
13 historical test period results.

14 **Q14. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A14.** Yes.

⁷ *Order Approving 2019 ARM Filing*, TPUC Docket No. 20-0049 (October 27, 2020).

⁸ Direct Testimony of Paul Leath at 11:3 – 15:5, TPUC Docket No. 21-00048 (April 20, 2021).

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TENN. CODE ANN. § 65-5-103(d)(6)

DOCKET NO. 21-00048

AFFIDAVIT

I, David Dittmore, on 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. Dittmore
DAVID N. DITTEMORE

Sworn to and subscribed before me
this 25th day of June, 2021.

Terra Allen
NOTARY PUBLIC

My commission expires: September 28, 2022



David Dittimore

Experience

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 onsite 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