

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

June 14, 2021

IN RE:

**CHATTANOOGA GAS
COMPANY'S PETITION FOR
APPROVAL OF ITS ASSET
MANAGER REQUEST FOR
PROPOSALS**

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Docket No.

21- 00069

DIRECT TESTIMONY OF ARCHIE HICKERSON

1 **I. WITNESS IDENTIFICATION**

2 **Q. Please state your name and business address.**

3 **A.**Archie R. Hickerson, Ten Peachtree Place, Atlanta, Georgia 30309.

4 **Q. By whom and in what position are you employed?**

5 **A.**I am Director of Rates and Tariff Administration at Southern Company Gas
6 (formerly AGL Resources, Inc.). Southern Company Gas is the is the parent
7 holding company for four natural gas distribution companies, including
8 Chattanooga Gas Company. The other companies are in Georgia, Illinois, and
9 Virginia.

10 **Q. What are your duties in your position as Director - Rates and Tariff**
11 **Administration?**

12 **A.**I develop, coordinate, and review analytical activities related to rates and tariff
13 administration for Chattanooga Gas Company and the other natural gas distribution
14 companies that are subsidiaries of Southern Company Gas.

15 **Q. For whom are you testifying?**

16 **A.**I am testifying on behalf of Chattanooga Gas Company (“Company” or “CGC”).

17 **II. BACKGROUND AND EXPERIENCE**

18 **Q. Please summarize your education background and experience.**

19 **A.**I received a Bachelor of Science degree with a major in mathematics and later
20 accounting from Austin Peay State University in Clarksville, Tennessee. I am a
21 Chartered Global Management Accountant, and I am licensed as a Certified Public
22 Accountant in the State of Tennessee. I have over 44 years of experience with
23 utility ratemaking, utility accounting, and the regulation of public utilities. Over

1 this period, I have worked for consumers of utilities and others in addition to my
2 work for Southern Company Gas. Prior to becoming Director - Rates and Tariff
3 Administration in 2013, I served as Director- Regulatory Affairs and Planning for
4 AGL Services Company from 2010-2013, Director - Regulatory Affairs for
5 Chattanooga Gas Company and Virginia Natural Gas from 2004-2010, and
6 Manager - Rates for AGL Services Company from 2000-2004. Prior to joining
7 AGL Resources, I was the Director of the Consumer Advocate Division Staff with
8 the Tennessee Office of the Attorney General and Reporter (1994-2000), where I
9 often appeared as an expert witness to present comments on utility cost of service,
10 cost allocation and rate design, and to supervise the technical staff, notably in
11 proceedings before the Tennessee Public Service Commission ("TPSC") and the
12 Tennessee Regulatory Authority ("TRA"). I also served on the National
13 Association of State Utility Consumer Advocates' ("NASUCA") Accounting and
14 Tax Committee, and as an observer member of the National Association of
15 Regulatory Utility Commissions' ("NARUC") Staff Subcommittee on Accounts.
16 From 1976-1982, I was a financial Analyst for TPSC, then served as Assistant
17 Director of the TPSC Accounting Division for four years (1982-1986), and later as
18 the Deputy Director of the TPSC's Utility Rate Division for approximately seven
19 years (1987-1994). While employed by the TPSC, I served on the NARUC Staff
20 Subcommittee on Communications, the NARUC Staff Subcommittee on Accounts,
21 and the NARUC's Southern Accounting Taskforce. My work at TPSC, like much
22 of my later experience, included significant work with compliance and

1 management audits, cost of service, rate design and earnings, and rate
2 investigations of utilities.

3 **Q. Have you previously testified before any state regulatory commission other**
4 **than the Tennessee Public Service Commission, the Tennessee Regulatory**
5 **Authority, or the Tennessee Public Utility Commission?**

6 A. Yes. I have testified before the Georgia Public Service Commission, the Virginia
7 State Corporation Commission, and the Illinois Commerce Commission.

8

9 **III. CGC RFP TARIFF CHANGES**

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to provide the tariff support for the changes in the
12 Request for Proposal (“RFP”) process that Mr. Christopher Bellinger discusses in
13 his testimony.

14 **Q. Are you sponsoring any Exhibits?**

15 A. Yes:

16 Exhibit ARH-1 Chattanooga Gas Company, Gas Tariff,
17 TPUC No. 1, Third Revised Sheet 56B.

18 Exhibit ARH-2 Chattanooga Gas Company, Gas Tariff,
19 TPUC No. 1, Third Revised Sheet 56B, changes marked.

20 **Q. What are the proposed tariff changes supporting the RFP process?**

21 A. There are two changes. The revision to the advertising requirements for an RFP
22 and the removal of wording that could possibly conflict with an agreement that

1 includes a provision that allows an Asset Management Agreement to be extended
2 or renewed with the approval of the Commission.

3 **Q. What are the changes to the advertising requirement?**

4 A. Currently the tariff requires:

5 . The RFP shall be advertised for a minimum period of
6 thirty (30) days through a systematic notification process
7 that includes, at a minimum, contacting potential asset
8 managers, including past bidders and other approved asset
9 managers, and publication in trade journals as reasonably
10 available. This thirty (30)-day minimum period may be
11 shortened with the written consent of the TPUC Staff to a
12 period of not less than fifteen (15) days.

13 The advertising requirement is be changed to:

14 The RFP shall be advertised for a minimum of five (5) days
15 through a systematic notification process that includes, the
16 publication in trade journals as reasonably available.

17 **Q. How does the revised advertising requirement compare with the advertising**
18 **requirement for other regulated gas utilities in Tennessee?**

19 A. It's similar to Atmos Energy's tariff provision:

20 The RFP shall be advertised twice in a 30-day period as part
21 of a systematic notification process. This 30-day minimum
22 period may be shortened with the written consent of the
23 TRA Staff and Consumer Advocate to a period of not less
24 than 15 days.

25 While Atmos' tariff provides for the RFP to be advertised twice in 30 days, CGC
26 is proposing to advertise the RFP for five consecutive days in available trade
27 journals. As explained by Mr. Bellinger, the trade journals are widely reviewed
28 by entities that provide asset management and gas supply services. By advertising

1 for 5 consecutive days, the business that are likely to have an interest in supplying
2 such service to CGC will be aware of the RFP.

3 **Q. What RFP advertising requirement are included in Piedmont Natural Gas'**
4 **tariff?**

5 A. There are no RFP advertising requirements included in Piedmont Natural Gas'
6 tariff.

7 **Q. Will you address the removal of wording that could possibly conflict with an**
8 **agreement that includes a provision that allows an Asset Management**
9 **Agreement to be extended or renewed with the approval of the Commission?**

10 A. Currently the paragraph 5 is:

11 An incumbent asset manager shall not be granted an
12 automatic right to match a winning bid proposal. If the
13 incumbent asset manager desires to continue its asset
14 management relationship with the Company after expiration
15 of its asset management agreement, it shall submit a written
16 bid proposal in accordance with the Company's RFP
17 procedures. The bid proposal shall be evaluated pursuant to
18 the procedures set forth in paragraph 4 above.

19 The Company proposes to include in the next Asset Management Agreement a
20 provision that will allow for renewal or extension of the agreement with the
21 Commission's approval. Since the wording after the first sentence requires an
22 incumbent asset manager to submit a written bid in accordance with the Company
23 RFP procedure, an extension or renewal, even with Commission approval would
24 be in violation of the tariff. In order to avoid the conflict with the tariff, the first
25 sentence is being retained and the remainder of the paragraph is being deleted.
26 The intent of this provision was to prevent an incumbent asset manager from

1 having the right to avoid having to submit a proper bid and simply match another
2 bidder's response to an RFP. That provision that: "An incumbent asset manager
3 shall not be granted an automatic right to match a winning bid proposal" is being
4 retained.

5 **Q. Are there any other tariff changes associated with the RFP process?**

6 A. No there are not. However, please note that Mr. Bellinger will have additional
7 testimony on those changes not associated with changes in the tariff.

8

9 **III. CONCLUSION**

10 **Q. Does this conclude your testimony?**

11 A. Yes.

TPUC NO. 1

THIRD REVISED SHEET NO.56B

PERFORMANCE-BASED RATEMAKING
(Continued)

Standards of Conduct

The Company must conduct its business to conform to the following standards:

1. All purchases from an affiliated gas supplier of gas for system supply or storage shall be at the price and in accordance with the terms provided in a fully executed contract between the Company and the affiliated gas supplier.
2. The Company and the affiliated gas supplier shall maintain records to show that such purchases are not at a price greater than the market price at the time of the transaction.
3. All sales of gas by the Company to an affiliated gas supplier shall be in accordance with the provisions of the Company's approved tariff or at the price and in accordance with the terms provided in a fully executed contract between the Company and the affiliated gas supplier. Any sale of gas to an affiliate not in accordance with an approved tariff provision shall be at a price that is not less than the greater of the cost as recorded on the Company's books or the market price at the time of the transaction.
4. The Company shall maintain records to show that sales to an affiliated supplier are in accordance with the applicable tariff provision or, if not provided under an approved tariff provision, the price is not less than the greater of the cost as recorded on the Company's books or market price at the time of the transaction.
5. An affiliated gas supplier shall not make sales to any customer's premise that is connected to the Company's distribution facilities.
6. The Company shall not disclose to any affiliated gas supplier any information that the Company receives from a non-affiliated gas supplier that the non-affiliated gas supplier has identified as confidential unless the prior consent of the parties to which the information relates has been voluntarily given.
7. To the maximum extent practicable, the Company's operating employees and the operating employees of an affiliated gas supplier must function independently of each other.
8. The Company must maintain its books of accounts and records separately from those of an affiliated gas supplier.
9. The Company shall maintain sufficiently detailed records of all transactions with any affiliated gas supplier.

RFP PROCEDURES FOR SELECTION OF ASSET MANAGER AND/OR GAS PROVIDER

1. In each instance in which Chattanooga Gas Company (Company) intends to engage the services of an asset manager to provide system gas supply requirements and/or manage its assets regulated by the Tennessee Public Utility Commission (TPUC), the Company shall develop a written request for proposal (RFP) defining the Company's assets to be managed and detailing the Company's minimum service requirements. The RFP shall also describe the content requirements of the bid proposals and shall include procedures for submission and evaluation of the bid proposals.
2. The RFP shall be advertised for a minimum of five (5) days through a systematic notification process that includes, the publication in trade journals as reasonably available.
3. The procedures for submission of bid proposals shall require all initial and follow-up bid proposals to be submitted in writing or submitted by e-mail on or before a designated proposal deadline. The Company shall not accept initial or follow-up bid proposals that are not written or submitted by e-mail, or that are submitted after the designated proposal deadline.

TPUC NO. 1

THIRD REVISED SHEET NO.56C

PERFORMANCE-BASED RATEMAKING
(Continued)

Following receipt of initial bid proposals, and on a non-discriminatory basis, the Company may solicit follow-up bid proposals from those submitting initial bid proposals in an effort to obtain the most overall value for the transaction.

4. All initial and follow-up bid proposals shall be evaluated as they are received. The criteria for choosing the winning bid proposal shall include, at a minimum, the following: (a) the total value of the bid proposal; (b) the bidder's ability to perform the RFP requirements; (c) the bidder's asset management qualifications and experience; and (d) the bidder's financial stability and strength. The winning bid proposal shall be the one with the best combination of attributes based on the evaluation criteria. If, however, the winning bid proposal is lower in amount than any other initial or follow-up bid proposal(s), the Company shall explain in writing to the TPUC why it rejected each higher bid proposal in favor of the lower winning bid proposal. The Company shall maintain records demonstrating its compliance with the evaluation and selection procedures.
5. An incumbent asset manager shall not be granted an automatic right to match a winning bid proposal.
6. The Company may develop additional procedures for asset management selection as it deems necessary and appropriate so long as such procedures are consistent with the agreed-upon procedures described herein.
7. The Company shall retain all RFP documents and records for at least four (4) years and such documents and records shall be subject to the review and examination of the TPUC Staff. The Asset Manager shall maintain documents and records of all transaction that utilize the Company's gas supply assets. All documents and records of such transactions shall be retained for two years after termination of the agreement and shall be subject to review and examination by the Company and the TPUC Staff.

TPUC NO. 1

~~SECOND~~ THIRD REVISED SHEET NO.56B

PERFORMANCE-BASED RATEMAKING
(Continued)

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The Company must conduct its business to conform to the following standards:

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2. The Company and the affiliated gas supplier shall maintain records to show that such purchases are not at a price greater than the market price at the time of the transaction.
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6. The Company shall not disclose to any affiliated gas supplier any information that the Company receives from a non-affiliated gas supplier that the non-affiliated gas supplier has identified as confidential unless the prior consent of the parties to which the information relates has been voluntarily given.
7. To the maximum extent practicable, the Company's operating employees and the operating employees of an affiliated gas supplier must function independently of each other.
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2. The RFP shall be advertised for a minimum ~~period of thirty (30)~~ five (5) days through a systematic notification process that includes, ~~at a minimum, contacting potential asset managers, including past bidders and other approved asset managers, the and~~ publication in trade journals as reasonably available. ~~This thirty (30) day minimum period may be shortened with the written consent of the TPUC Staff to a period of not less than fifteen (15) days.~~

ISSUED: ~~OCTOBER 22, 2018~~ MAY 21, 2021
~~NOVEMBER 1, 2018~~ JUNE 21, 2021

EFFECTIVE:

ISSUED BY: ~~WENDELL DALLASTIFFANY CALLAWAY-FERRELL~~, VP

TPUC NO. 1

~~SECOND~~ THIRD REVISED SHEET NO.56C

3. The procedures for submission of bid proposals shall require all initial and follow-up bid proposals to be submitted in writing or submitted by e-mail on or before a designated proposal deadline. The Company shall not accept initial or follow-up bid proposals that are not written or submitted by e-mail, or that are submitted after the designated proposal deadline.

PERFORMANCE-BASED RATEMAKING

(Continued)

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