

**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 CHRISTOPHER BELLINGER

1 **I. WITNESS INTRODUCTION AND BACKGROUND**

2 **Q. Will you please state your name and business address?**

3 A. My name is Christopher Bellinger. My business address is 10 Peachtree Place NE,
4 Atlanta, GA 30309

5 **Q. By whom and in what capacity are you employed?**

6 A. I am the Manager, Gas Supply, Southern Operations, for Southern Company Gas
7 (“SCG”). In my position with Southern Company Gas, I am responsible for
8 managing the gas supply for the customers of Chattanooga Gas Company (“CGC”
9 or “Company”) and other local gas distribution companies in the southern region
10 of Southern Company Gas.

11 **Q. Will you please summarize your educational and professional background?**

12 A. I have my Bachelor of Business Administration in Finance from the University of
13 Georgia. I have worked for Southern Company Gas for almost 16 years in the gas
14 supply for Southern Operations, starting as an analyst and working my way up to
15 my current manager position. Prior to Gas Supply, I worked for Sequent for about
16 three years.

17 **Q. Have you previously testified before this Commission?**

18 A. Yes, I provided rebuttal testimony in CGC’s last rate case in Docket No. 18-00017
19 regarding certain customer-specific gas supply issues.

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

21 A. I am testifying on behalf of Chattanooga Gas Company (“Company” or “CGC”) in
22 support of the tariff changes to the Performance Based Rate Making (“PBRM”)
23 Asset Manager tariff amendments that Mr. Archie Hickerson is proposing. With

1 the Commission's approval of the tariff changes advocated by Mr. Hickerson, CGC
2 will be able to issue a revised Request for Proposals ("RFP") for an asset or gas
3 supply manager.

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

5 A. Yes, I am sponsoring one exhibit, Exhibit CB-1, Proposed Asset Manager RFP and
6 attachments for Approval, which is being filed on a confidential basis so no
7 potential bidder gains an unfair competitive advantage from reviewing the
8 document in this docket.

9 **II. GAS SUPPLY ASSET MANAGER FOR CGC & THE 2020 REVIEW**

10 **Q. Why does CGC have an asset manager for its natural gas supply?**

11 A. In order to best optimize CGC's natural gas assets, gas transportation and storage,
12 peaking services, and wholesale marketing, it is appropriate to utilize an entity
13 whose business is focused on those issues. In our experience for CGC and the other
14 Southern Company Gas local distribution gas companies, an asset manager allows
15 us to maximize our natural gas resources and supply for the benefit of customers.

16 **Q. How did the current process for obtaining an asset manager come about?**

17 A. While CGC had been obtaining asset manager services via a competitive bid
18 process for many years, the Commission opened Docket No. 07-00224 at the
19 request of the Consumer Advocate to initiate proceedings to investigate and review
20 CGC's asset management and capacity issues in conjunction with CGC's
21 performance based ratemaking mechanism ("PBRM"). In 2009, the Commission
22 issued two orders regarding CGC's asset management practices. The first order
23 required CGC to submit future requests for proposals ("RFPs") to engage an asset

1 manager for approval by the Commission before placing them out to bid and
2 required that a triennial review of capacity planning would commence beginning in
3 2012 with the selection of an independent consultant.¹ The second order set forth
4 the procedures and criteria for the triennial review process.² There have been three
5 triennial reviews since 2013 resulting in reports being released in June 2014,³ June
6 2017,⁴ and June 2020.⁵ This docket and the corresponding RFP docket are both
7 outgrowths of the 2020 triennial review process.

8 **Q. Who was the reviewer making the 2020 triennial review report?**

9 A. Pursuant to the RFP process, Exeter Associates, Inc. (“Exeter”) performed the 2020
10 review, just as it has for all three triennial reviews related to CGC’s PBRM. In
11 the most recent Exeter report filed by CGC in Docket No. 07-00224 on June 29,
12 2020 (“Exeter Report”), Exeter made a number of conclusions, findings of fact, and
13 recommendations and also identified areas of concern and improvement that may
14 warrant further consideration.

¹ Docket No. 07-00224, *In re: Docket to Evaluate Chattanooga Gas Company’s Gas Purchases and Related Sharing Incentives*, Order (September 23, 2009).

² Docket No. 07-00224, *In re: Docket to Evaluate Chattanooga Gas Company’s Gas Purchases and Related Sharing Incentives*, Order Regarding Triennial Review Procedures and Criteria (October 13, 2009).

³ Docket No. 07-00224, *In re: Docket to Evaluate Chattanooga Gas Company’s Gas Purchases and Related Sharing Incentives*, Order Extending Triennial Review Process (December 29, 2014).

⁴ Docket No. 07-00224, *In re: Docket to Evaluate Chattanooga Gas Company’s Gas Purchases and Related Sharing Incentives*, Order Extending Triennial Review Process (November 7, 2017).

⁵ Docket No. 07-00224, *In re: Docket to Evaluate Chattanooga Gas Company’s Gas Purchases and Related Sharing Incentives*, Order Concerning 2020 Triennial Review And Extending Review Process (October 27, 2020), herein after “2020 Triennial Review Order.”

1 **Q. What recommendations did Exeter make with respect to the RFP process?**

2 A. The Exeter Report at pages 48-50 identified several “areas of concern with the
3 Performance Based Ratemaking Mechanism.” In general, Exeter was proposing
4 changes that it felt would bring additional bidders to the RFP process, especially
5 since Sequent Energy Management, which had been CGC’s asset manager for more
6 than 20 years, was a corporate affiliate of CGC.

7 **Q. Is Sequent no longer an affiliate of CGC?**

8 A. In May it was announced that Southern Company would sell Sequent to Williams
9 Company in a transaction that is expected to close in the third quarter of this year.

10 **Q. Did the Commission accept Exeter’s recommendations with respect to the
11 asset manager?**

12 A. In the Commission’s Order dated October 27, 2020 in Docket No. 07-00224, at
13 page 8, the Commission noted “that Exeter’s recommendations will be beneficial
14 in making the AMA contract more desirable to potential bidders and benefit the
15 customers.” Based upon its acceptance of this recommendation, “The Commission
16 directed Commission Staff to work closely with CGC to ensure implementation of
17 Exeter’s proposals in the Company’s next RFP. . . .”

18 **Q. Has CGC worked with the Commission Staff to implement the
19 recommendations addressed in the Order?**

20 A. Yes, we have. In the remainder of my testimony in this docket, I will address the
21 specific recommendations pertaining to what should be included in the RFP. In the
22 other docket in which CGC is seeking approval of certain tariff revisions to the

1 PBRM Asset Manager tariff proposed by Mr. Hickerson, I will address the specific
2 recommendations that Exeter that impact the tariff.

3 **Q. Let's turn now to then to the specific recommendations impacting the RFP**
4 **itself. One of Exeter's recommendations was that CGC should include three**
5 **(3) years of historical daily interstate pipeline usage data in its next RFP,**
6 **including usage of in-ground storage purchases to meet CGC storage fill**
7 **requirements. Will the 3-year historical daily interstate pipeline usage data**
8 **be provided as recommended?**

9 A. Yes.

10 **Q. Exeter recommended that CGC modify the RFP requirement that "all bidders**
11 **must be willing to accept in their entirety the Asset Management and Agency**
12 **Agreement and Gas Purchase and Sales Agreement and Exhibits included in**
13 **the RFP" to allow for proposed changes to be presented to CGC for**
14 **consideration. How has the RFP been modified to address this**
15 **recommendation?**

16 A. Yes. CGC has revised the RFP to allow bidders in the alternative to provide a mark-
17 up of the Asset Management and Agency Agreement ("AMAA") (including all
18 exhibits), along with an explanation of each exception to the base documents.

1 **Q. Exeter also recommended that to eliminate uncertainty, CGC should revise**
2 **the RFP to provide that the Asset Manager would be designated to utilize the**
3 **Excluded Assets (SONAT no-notice assets, FT-NN Contract No. FSNG130 and**
4 **CSS Contract No. SSNG69) when not needed by CGC for its on-system**
5 **requirements and to include a three-year history of daily Excluded Asset**
6 **availability. Would you explain what these “Excluded Assets” are?**

7 A. The Excluded Assets are comprised of a storage service (“CSS”) and a
8 transportation contract (“FTNN”) used to deliver CSS storage gas to the CGC city-
9 gate or reduce the amount of gas delivered to the CGC city-gate by injecting excess
10 gas into the CSS storage facility without the requirement to schedule the
11 transaction(s) on the pipeline’s electronic bulletin board. These assets are a no-
12 notice supply source and critical balancing service that can be called on instantly
13 when needed to adjust the level of gas supply to match the physical real-time needs
14 of the system due to an increase or decrease in daily demand and as a contingency
15 supply source in the event of a supply disruption from another pipeline that serves
16 CGC.

17 **Q. Why are these excluded from the assets that are covered by the annual AMA**
18 **payment?**

19 A. The Excluded Assets are not included in the AMAA Assets for which management
20 and optimization responsibilities are delegated to Asset Manager, and shall not be
21 eligible for nomination, optimization, or other management activities by the Asset
22 Manager. CGC, at its option, may designate the Asset Manager to be its agent for
23 the limited purpose of optimizing any portion of the Excluded Assets deemed by

1 CGC to be unneeded for CGC's on-system requirements. The availability of these
2 Excluded Assets for off-system sales cannot be guaranteed or reliably predicted by
3 a bidder, and therefore should not be considered as a reliable resource for
4 determining AMAA profitability for the flat fee portion of the AMAA. To ensure
5 CGC receives its share of the margin from optimization of the Excluded Assets it
6 does not include their usage by the Asset Manager in the annual AMAA payment
7 and will share in the profits per the CGC tariff.

8 **Q. How has CGC addressed this recommendation in the RFP?**

9 A. The current AMAA allows the Asset Manager to optimize the Excluded Assets
10 when deemed by CGC to be unneeded for CGC's on-system requirements. For the
11 upcoming RFP, CGC revised its language in the AMAA to remove its option to
12 select a third party or designate the Asset Manager to be its agent for the limited
13 purpose of optimizing any portion of the Excluded Assets to only allow the Asset
14 Manager to optimize the Excluded Assets.

15 **Q. Exeter recommended that CGC include a "three-year history of daily
16 Excluded Asset availability". Does CGC have the daily availability of the
17 Excluded Assets?**

18 A. No.

19 **Q. Will you explain why CGC doesn't have this information?**

20 A. The Asset Manager did not request the use of the Excluded Assets for optimization
21 during the last three years therefore the Excluded Assets were not made available
22 to the asset manager. The details of the real-time physical operating conditions for
23 each day have not been retained which would allow CGC to retrospectively

1 determine if the assets could have been made available if requested. If the
2 conditions for each day were available, such a determination would require the
3 conditions on each of the 1,096 days in the past three years to be individually
4 reviewed along with the options available to CGC on each day, throughout the day,
5 in order to determine if the Excluded Assets could have been made available.

6 The actual usage or non-usage is not an appropriate measure of the asset's
7 availability. Lack of use or limited usage of the asset by CGC, on any day during
8 the past three years, does not indicate that the asset was not required to be held in
9 reserve for the day. On any single day, during the winter or summer, multiple real-
10 time physical operating conditions can change that will require CGC to vary from
11 its planned flowing gas supply and storage utilization activity (injection or
12 withdrawal) for the day. The result is an unplanned modification to the expected
13 use of the Excluded Assets. For example, if the weather forecast is incorrect and
14 the actual temperature is lower (colder) than what had been forecasted, CGC may
15 be required to use the no-notice rights to withdraw and deliver gas on the FTNN
16 transport that works in conjunction with CSS storage in order to meet the
17 unexpected increase in customers' demand for gas to heat their homes.

18 The inverse also happens. If the actual temperature is higher (warmer) than
19 the forecasted temperature, resulting in the volume of gas that CGC had scheduled
20 to be delivered for the day being greater than the amount needed by its Customers,
21 CGC could use the no-notice provision of the CSS storage and its associated FTNN
22 transport to reduce the scheduled gas deliveries to the system and inject the
23 unplanned excess gas supply into storage. There are other occurrences that can

1 result in CGC having to change its daily supply plan. A marketer may have less
2 gas delivered than its customers consume on a given day or the marketer could
3 deliver more gas to CGC than the marketer's customers need. Both instances could
4 result in CGC having to modify its aggregate system supply and/or storage
5 utilization plans for the day and that change would impact the use of the Excluded
6 Assets.

7 Such operational real-time uncertainty often requires CGC to hold the
8 Excluded Assets in reserve and not make them available for optimization. Even in
9 circumstances where the utility makes assets available to an asset manager for
10 optimization on a given day, CGC must protect its ability to meet the needs of its
11 customers. Due to the lack of historical information, and the numerous variables
12 that lead to the uncertainty around availability, it is not realistic for CGC to attempt
13 to provide historical availability any more than it could forecast future availability
14 of the Excluded Assets.

15 **Q. What information will be provided to potential bidders relative to these assets?**

16 A. CGC will provide 3-years of customer demand, 3 years of historical storage usage,
17 3 years of historical transportation usage, and CGC's annual summer storage
18 injection and winter storage withdraw plans.

19 **Q. Exeter recommends that in its next AMA RFP, CGC include provisions in the**
20 **RFP that would provide an Asset Manager the ability to engage in off-system**
21 **LNG tanker and displacement sales. The RFP should specify the terms and**
22 **conditions under which LNG would be available for such sales. Does**
23 **Chattanooga agree with this recommendation?**

1 A. No.

2 **Q. Will you please explain CGC's position concerning this recommendation?**

3 A. As CGC customer demand for natural gas continues to grow and upstream
4 resources become further limited and constrained, the Company increasingly relies
5 on the firm deliverability and inventory of the on-system LNG facilities. The
6 operational risk of LNG inventory being unavailable to meet customer demand
7 because it was used by the Asset Manager to make off-system LNG tanker and
8 displacement sales, is too great for the Company to allow the LNG assets to be
9 made available for optimization.

10 **Q. Is it correct that CGC is requiring potential bidders to sign a non-disclosure**
11 **agreement before receiving historic usage data for the assets covered by the**
12 **AMA?**

13 A. Yes.

14 **Q. Why is it necessary that the potential bidders sign the non-disclosure**
15 **agreement?**

16 A. This change was not in the Exeter Report but was discussed with the Commission
17 Staff. The Company considers the historical usage data for the assets included in
18 the AMA to be commercially sensitive. The data could be used by pipeline service
19 providers and natural gas suppliers to form their service offerings and prices to
20 CGC, with a potentially adverse impact to CGC customers' natural gas costs. This
21 data should only be made available to those market participants who are legitimate
22 potential bidders for the AMA arrangement.

1 **Q. Will the non-disclosure agreement requirement discourage legitimate**
2 **potential bidders?**

3 A. No. Legitimate potential bidders for the AMA arrangement understand that the
4 data is commercially sensitive and that a non-disclosure agreement is often required
5 when participating in an RFP process.

6

7 **IV. CONCLUSION**

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

9 A. Yes.