

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

September 8, 2021

IN RE:

**PETITION OF CHATTANOOGA GAS COMPANY FOR
APPROVAL OF ITS ASSET MANAGER REQUESTS
FOR PROPOSALS**

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**DOCKET NO.
21-00069**

ORDER APPROVING REVISED ASSET MANAGER REQUEST FOR PROPOSAL

This matter came before Chairman Kenneth C. Hill, Vice Chairman Herbert H. Hilliard, Commissioner Robin L. Morrison, Commissioner John Hie, and Commissioner David F. Jones of the Tennessee Public Utility Commission (“TPUC” or “Commission”), the voting panel assigned to this docket, during the regularly scheduled Commission Conference held on July 13, 2021, for consideration of the *Chattanooga Gas Company’s Petition for Approval of Its Asset Manager Requests for Proposals* (“*Petition*”) filed by Chattanooga Gas Company (“CGC,” “Company,” or “Petitioner”) on June 14, 2021. In its *Petition*, CGC requests the Commission’s approval of its revised asset manager request for proposals (“RFP”) pursuant to its Performance-Based Ratemaking Mechanism (“PBRM”) tariff.

BACKGROUND AND *PETITION*

CGC is an entity incorporated under the laws of the State of Tennessee engaged in the transportation, distribution, and sale of natural gas in Hamilton and Bradley Counties within the state. The Company is a public utility subject to the jurisdiction of the Commission. CGC is a wholly-

owned subsidiary of Southern Company Gas, which, in addition to CGC, is the parent company of regulated natural gas utilities in Georgia, Illinois, and Virginia.¹

In its *Petition*, CGC seeks to obtain Commission approval of its revised RFP for an asset manager, which is based upon certain changes to its PBRM tariff approved in TPUC Docket No. 21-00067.² In support of its *Petition*, the Company submitted the Pre-Filed Direct Testimony of Archie Hickerson, Director of Rates and Tariff Administration for Southern Company Gas, and Christopher Bellinger, Manager of Gas Supply, Southern Operations, for Southern Company Gas.³

CGC utilized the services of an asset manager to provide its system gas supply requirements and to manage certain natural gas assets.⁴ The Commission opened an investigation and review of CGC's asset management practices in TPUC Docket No. 07-00224. As a result of the review, TPUC ordered the Company to submit future asset manager RFPs for Commission approval prior to publication for bid.⁵ By separate order, the Commission also required a triennial review of CGC's capacity planning by an independent consultant commencing in 2013.⁶ Three triennial reviews have been completed, with reports filed in TPUC Docket No. 07-00224 in June 2014,⁷ June 2017,⁸ and June 2020.⁹

¹ *Petition*, pp. 1-2 (June 14, 2021).

² *Id.* at 5. See also *In Re: Chattanooga Gas Company Petition for Approval of Tariff Amendments to its Asset Manager Tariff*, Docket No. 21-00067, *Order Approving Tariff Amendments* (Pending).

³ *Id.* at 6. See also Archie Hickerson, Pre-Filed Direct Testimony (June 14, 2021); Christopher Bellinger, Pre-Filed Direct Testimony (June 14, 2021).

⁴ *Id.* at 3.

⁵ *In Re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order* (September 23, 2009).

⁶ *In Re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order Regarding Triennial Review Procedures and Criteria* (October 13, 2009).

⁷ *In Re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order Extending Triennial Review Process* (December 29, 2014).

⁸ *In Re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order Extending Triennial Review Process* (November 9, 2017).

⁹ *In Re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order Concerning 2020 Triennial Review and Extending Review Process* (October 27, 2020) ("2020 Review Order").

In the most recent triennial review, conducted by Exeter Associates, Inc. (“Exeter”), the Exeter Report identified areas of concern and made certain recommendations for improvement. The Commission accepted the Exeter Report and in its *2020 Review Order* directed Commission Staff to “work closely with Chattanooga Gas Company to ensure implementation of the modifications proposed by Exeter Associates, Inc. in its report to Chattanooga Company’s next Request for Proposals.”¹⁰ Since the *2020 Review Order*, CGC collaborated with designated Commission Staff to develop revisions to the RFP process consistent with the Exeter Report. CGC’s *Petition* seeks approval of tariff revisions that the Company and Commission Staff have proposed to improve the RFP process.¹¹ CGC filed a petition in a separate docket seeking approval of the amendments to the PBRM tariff relative to the RFP for selection of an asset manager.¹² No party sought intervention in this matter.

Archie Hickerson, Director of Rates and Tariff Administration for Southern Company Gas, submitted Pre-Filed Direct Testimony along with two exhibits supporting the proposed amendments. Exhibit ARH-1 to his testimony is a copy of the Third Revised Sheet Nos. 56B and 56C, and ARH-2 is a redlined version of these same sheets.¹³ Mr. Hickerson’s testimony focuses on the proposed tariff revisions for which approval is sought in TPUC Docket No. 21-00067. These proposed tariff changes are incorporated into the RFP submitted for approval in the present docket.¹⁴ Specifically, CGC proposes to change the advertising period from a minimum of thirty (30) days, which may be shortened with the written consent of Commission Staff to not less than fifteen (15) days, to a minimum of five (5) days through a systematic notification process that includes publication in trade journals as reasonably available. Mr. Hickerson states that advertising for five (5) consecutive days

¹⁰ *Id.* at 10.

¹¹ *Petition*, p. 5 (June 14, 2021).

¹² *Id.*

¹³ Archie Hickerson, Pre-Filed Direct Testimony, p. 3, Exh. ARH-1 & ARH-2 (June 14, 2021).

¹⁴ *Id.* at 3-6. *See also In Re: Chattanooga Gas Company Petition for Approval of Tariff Amendments to its Asset Manager Tariff*, Docket No. 21-00067, *Order Approving Tariff Amendments* (Pending).

in available trade journals should guarantee that the RFP advertisement will be seen by businesses that are likely to have an interest in supplying services to CGC.¹⁵ Mr. Hickerson also states that the second tariff revision would remove wording that could conflict with a provision in the proposed Asset Management Agreement that would allow the agreement to be extended or renewed with Commission approval. Removing unnecessary language provides clarification concerning an incumbent asset manager.¹⁶

Christopher Bellinger, Manager of Gas Supply (Southern Operations) for Southern Company Gas, also submitted Pre-Filed Direct Testimony along with one exhibit, the proposed Asset Manager RFP and attachments, in support of the Company's *Petition*. Mr. Bellinger explains the reasoning for CGC's utilization of an asset manager for its natural gas supply and provides a historical review of the triennial review initiated by the Commission. Mr. Bellinger testifies that in accordance with the *2020 Review Order*, CGC worked with Commission Staff to implement recommendations contained in the Exeter Report and addressed in the *2020 Review Order*. One recommendation was that CGC should include three (3) years of historical daily interstate pipeline usage data in the next RFP, said data should include usage of in-ground storage purchases to meet the Company's storage fill requirements. Mr. Bellinger states that CGC provided the usage data as recommended.¹⁷ He also testifies that CGC modified the RFP to address the recommendation that the RFP require all bidders to be willing to accept the Asset Management and Agency Agreement and Gas Purchase and Sales Agreement ("AMAA") and Exhibits in its entirety and allow for proposed changes to be presented for CGC's consideration by including an alternative, wherein bidders may provide a mark-up of the AMAA, along with an explanation of each proposed change to the base documents.¹⁸ Exeter also

¹⁵ *Id.* at 3-4.

¹⁶ *Id.* at 5-6.

¹⁷ Christopher Bellinger, Pre-Filed Direct Testimony, pp. 3-5 (June 14, 2021).

¹⁸ *Id.* at 5.

recommended that CGC should revise the RFP to provide that the Asset Manager would be designated to utilize Excluded Assets when not needed by CGC for its on-system requirements and include a three-year history of daily Excluded Asset availability. Mr. Bellinger states that the current AMAA allows the Asset Manager to optimize Excluded Assets when designated not needed by CGC for on-system requirements. However, CGC proposes to revise the language in the AMAA to remove CGC's option to select a third party or designate the Asset Manager to be its agent and allow only the Asset Manager to be its agent for the limited purpose of optimizing any portion of the Excluded Assets.¹⁹ Mr. Bellinger also testifies that because physical daily operation details were not retained with regard to unrequested Excluded Assets, it is not realistic for CGC to attempt to provide historical availability to satisfy Exeter's recommendation to include a three (3) year history of the Excluded Assets' availability. In the alternative, CGC will provide three (3) years of customer demand, historical storage usage, and historical transportation usage to potential bidders, as well as annual summer storage injection and winter storage withdrawal plans.²⁰ Mr. Bellinger explains that CGC does not agree with Exeter's recommendation that the RFP should include provisions that would provide an Asset Manager the ability to engage in off-system liquified natural gas ("LNG") tanker and displacement sales due to the operational risk of LNG inventory not being unavailable to meet customer demand because it was used by the Asset Manager is too great to allow LNG assets to be available for optimization.²¹ Finally, Mr. Bellinger states that though not recommended by Exeter, the proposed RFP is revised to require potential bidders to sign a non-disclosure agreement before receiving historical usage data for assets covered by the AMAA, as CGC considers this data to be commercially sensitive.²²

¹⁹ *Id.* at 7-9.

²⁰ *Id.*

²¹ *Id.* at 10.

²² *Id.* at 10-11.

THE HEARING

A Hearing in this matter was held before the voting panel of Commissioners during the regularly scheduled Commission Conference on July 13, 2021, as noticed by the Commission on July 2, 2021. Participating in the Hearing were:

Chattanooga Gas Company – J.W. Luna, Esq., Butler Snow LLP, 150 3rd Avenue South, Suite 1600, Nashville, TN 37201; Archie Hickerson, Director of Rates and Tariff Administration for Southern Company Gas, 10 Peachtree Place, Atlanta, GA 30309.

During the Hearing, Archie Hickerson testified on behalf of the Company. First, he adopted his Pre-Filed Direct Testimony and then presented a summary of his testimony to the Commission. Mr. Hickerson was subject to questions from the voting panel of Commissioners and Commission Staff. The Company also had Mr. Bellinger available for questions by telephone. However, neither the Commission nor Commission Staff had questions for Mr. Bellinger. Members of the public were given an opportunity to offer comments, at which time, no one indicated a desire to comment or speak on the matter.

FINDINGS AND CONCLUSIONS

In its *Petition*, CGC has asked the Commission to consider revisions to the Asset Manager RFP, which has been revised in collaboration with Commission Staff to incorporate recommendations made by Exeter in its 2020 triennial review. In summary, Exeter recommended that the RFP be revised to:

1. Provide three (3) years of historical daily interstate pipeline usage data, including usage of in-ground storage purchases;
2. Allow bidders to provide edits to the proposed Asset Management and Agency Agreement and Gas Purchase and Sales Agreement and Exhibits;
3. Designate the asset manager to utilize excluded assets when not needed by CGC for its on-system requirements;
4. Include a “three-year history of daily Excluded Asset Availability”; and

5 Include the ability of the asset manager to engage in off-system LNG tanker and displacement sales.

The RFP submitted for approval includes three (3) years of historical daily interstate pipeline usage data and in-ground storage purchases and allows bidders to propose edits and mark-ups to the AMAA, as recommended. The voting panel found that adoption of these recommendations was reasonable.

While the RFP was modified to provide that only the asset manager would be designated to optimize the excluded assets, which is consistent with Exeter's recommendation, the proposed RFP would provide a three (3) year history of usage, rather than availability, of the excluded assets. Based upon the lack of historical information and CGC's tracking of data, the Company asserted that it would not be able to provide a three (3) year history of the availability of excluded assets. In light of these circumstances, the voting panel found that the modified approach to implement Exeter's recommendations concerning excluded assets is reasonable.

Because CGC has relied heavily on its LNG assets as its primary facility to meet peaking demand coupled with growing consumer demands on the system, the Company has determined that the operational risk of LNG inventory not being readily available to meet customer demand because it was used by the asset manager is too great to allow the LNG assets to be made available for optimization. The voting panel found that for these reasons it is reasonable that CGC would disallow optimization of its LNG facility as recommended by Exeter.

Finally, though not recommended or otherwise addressed by Exeter, CGC modified the RFP to include a provision that requires potential bidders to sign a non-disclosure agreement prior to receipt of commercially sensitive historical information regarding assets and usage. This modification to the RFP was the result of collaboration between CGC and Commission Staff. The panel found that this modification to the RFP is reasonable in order to protect data the Company and Commission Staff determined is commercially sensitive.

The voting panel found that the proposed revised asset manager RFP is reasonable and unanimously voted to approve the RFP. The panel further noted for the record that approval of the revised RFP in this docket does not address or resolve any outstanding issues under consideration in TPUC Docket No. 20-00139 to evaluate CGC's purchases and related sharing incentives.

IT IS THEREFORE ORDERED THAT:

1. *Chattanooga Gas Company's Petition for Approval of Its Asset Manager Requests for Proposals* is approved.
2. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.
3. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman Kenneth C. Hill,
Vice Chairman Herbert H. Hilliard,
Commissioner Robin L. Morrison,
Commissioner John Hie, and
Commissioner David F. Jones concurring.**

None dissenting.

ATTEST:



Earl R. Taylor, Executive Director