

Before the
Tennessee Public Utility Commission

Docket No. 21 - 00093

August 23, 2021

Petition of Chattanooga Gas Company for Approval of Negotiated
Franchise Agreement with the City of Chattanooga,
Tennessee Pursuant to Tennessee
Code Annotated§ 65-4-107

Testimony Of
Archie R. Hickerson
On Behalf Of
Chattanooga Gas Company

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 (formerly AGL
6 Resources, Inc.). Southern Company Gas is the parent holding company for four natural
7 gas distribution companies, including Chattanooga Gas Company. The other companies
8 are in Georgia, Illinois, and Virginia.

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

10 A. My duties include development, coordination, and review analytical activities related to
11 rates and tariff administration for Chattanooga Gas Company and the other natural gas
12 distribution companies that are subsidiaries of Southern Company Gas.

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

14 A. I am testifying on behalf of Chattanooga Gas Company (“Company” or “CGC”).
15

16 **II. BACKGROUND AND EXPERIENCE**

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

18 A. I received a Bachelor of Science degree with a major in mathematics and, later, accounting
19 from Austin Peay State University in Clarksville, Tennessee. I am a Chartered Global
20 Management Accountant, and I am licensed as a Certified Public Accountant in the State
21 of Tennessee. I have over 44 years of experience with utility ratemaking, utility
22 accounting, and the regulation of public utilities. Over this period, I have worked for
23 consumers of utilities and others in addition to my work for Southern Company Gas. Prior
24 to becoming Director - Rates and Tariff Administration in 2013, I served as Director -

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

20
21 **Q. Have you previously testified before any state regulatory commission other than the**
22 **Tennessee Public Service Commission, the Tennessee Regulatory Authority, or the**
23 **Tennessee Public Utility Commission?**

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

3
4 **III. PURPOSE OF TESTIMONY**

5 **Q. What is the purpose of your testimony in this proceeding?**

6 A. The purpose of my testimony is to present information to the Commission relating to the
7 franchise agreement entered into between CGC and the City of Chattanooga, Tennessee
8 (“Chattanooga” or the “City”), as authorized by Ordinance No. 13696.

9 **Q. Could you please explain the circumstances that caused a need for a franchise**
10 **agreement between CGC and Chattanooga?**

11 A. Yes. Under Section 65-26-101 of the Tennessee Code Annotated, CGC is required to have
12 the consent of Chattanooga, in the form of a municipal ordinance, in order to enter onto the
13 streets and alleys of Chattanooga for the purpose of placing, maintaining, or expanding its
14 natural gas distribution and transmission facilities. CGC is currently providing natural gas
15 service to Chattanooga pursuant to a ten (10) year franchise agreement between the
16 Company and Chattanooga that was approved by the City and accepted by CGC on March
17 1, 2011 (“Current Franchise”). Pursuant to the terms of the Current Franchise, the existing
18 authorization to enter onto the property of the City and to provide natural gas service
19 expired July 1, 2021. As such, under Tennessee law, a new franchise agreement is
20 necessary in order for CGC to continue its provision of service to the City after that date.

21
22 **Q. When and how did CGC begin pursuing a new franchise arrangement with**
23 **Chattanooga?**

1 A. Prior to the expiration of the Current Franchise Agreement, and in the ordinary course of
2 the Company's business, CGC began negotiations with Chattanooga for renewal of its
3 franchise authority in December 2020.

4 **Q. What was the result of those negotiations?**

5 A. The negotiations were ultimately successful and resulted in a franchise agreement
6 acceptable to both the Company and the City. The franchise agreement was incorporated
7 into City Ordinance No. 13696 and presented to the Chattanooga City Council for second
8 reading on August 3, 2021.

9 **Q. Was the ordinance approved by the City?**

10 A. Yes. Ordinance No. 13696, a copy of which is attached as Exhibit A to the Petition filed in
11 this docket, and incorporated herein by reference, was subsequently approved by the City's
12 Council on August 3, 2021 and approved by the Mayor of the City. Ordinance No. 13696
13 renews GCG's franchise arrangement with the City for a period of ten (10) years.

14 **Q. What are the primary provisions of the new franchise ordinance?**

15 A. The new franchise ordinance grants CGC the right to provide service to customers within
16 the municipal limits of the City and access to the streets and public rights-of-way within
17 the City. In exchange for these rights and accesses, CGC will pay an annual franchise fee
18 of five point one five percent (5.15%) of the annual gross revenues it collects from
19 customers who are located and provided service within City limits. This is the same
20 percentage that is currently collected. CGC must also comply with certain procedures with
21 respect to the conduct of its business within the City's corporate limits.

22 Additionally, the Company and the City agreed to increase the permit fee floor amount
23 from \$100,000 in the Current Franchise to \$150,000 in the new franchise agreement.

1 **Q. Are there other notable differences in the new franchise agreement and the Current**
2 **Franchise?**

3 A. Yes. The City negotiated for CGC to provide additional information with each quarterly
4 franchise payment, and include additional information in the annual report to the City.

5 **Q. Is CGC satisfied with the negotiated resolution of these issues?**

6 A. Yes. Both parties were ultimately able to agree with the negotiated result and that result is
7 reflected in Ordinance No. 13696, which was approved by the Chattanooga City Council
8 on second reading on August 3, 2021, and approved by the Mayor, and subsequently
9 accepted by CGC.

10 **Q. In your opinion, are the franchise terms set forth in Ordinance No. 13696 necessary**
11 **and proper for the public convenience and in the public interest?**

12 A. Yes, on a number of grounds. First, the new franchise terms reflected in Ordinance 13696
13 will establish a ten-year arrangement through which the current and future residents,
14 business enterprises and governmental facilities located within the city limits of
15 Chattanooga will be able to receive, under the supervisory jurisdiction of the Commission,
16 the benefits of continuing natural gas service provided by Chattanooga Gas Company. This
17 arrangement will help ensure the continuing availability of high quality natural gas service
18 to the citizens of Chattanooga for the foreseeable future. Second, the new franchise
19 agreement facilitates the provision of such natural gas service to customers within the city
20 limits of Chattanooga by an established and proven provider of that service well known to
21 both the City of Chattanooga and this Commission and possessing the requisite expertise,
22 facilities, systems and gas supply and transportation assets necessary to provide such
23 service. Third, the new franchise arrangement establishes adequate and proper mechanisms

1 for access by Chattanooga Gas Company to public rights-of-way, new and existing
2 customers, and existing service lines, transmission and distribution facilities located within
3 the City. These mechanisms help to ensure that Chattanooga Gas Company is able to
4 provide both adequate and efficient service and to comply with the requirements of this
5 Commission to ensure the safety and protection of residents and property within the City
6 of Chattanooga. Fourth, the new franchise arrangement provides an incentive for
7 Chattanooga Gas Company to invest in infrastructure needed to provide improved and
8 expanded service within Chattanooga by ensuring that the Company will have the right to
9 provide service within these areas for a sufficient period in order to permit it to have the
10 opportunity to recover the capital investment in such facilities under the rates approved by
11 the Commission. Fifth, payment of the franchise fees provided for in the new franchise
12 agreement, in addition to the Company's ongoing duty to repair excavation work as it is
13 performed, will act to offset long term road maintenance expenses that may be incurred by
14 the City during the term of the new arrangement and will help support the provision of
15 municipal services by the City of Chattanooga to its citizens.

16 **Q. In summary, in your opinion, is the new franchise arrangement attached as Exhibit**
17 **A in the public interest?**

18 A. Yes.

19 **Q. What are you asking the Commission to do in this proceeding?**

20 A. Based on the facts discussed above, we are asking the Commission to approve the new
21 franchise agreement between CGC and the City as reflected in Ordinance No. 13696 to be
22 effective immediately upon approval of the Commission.

1 **Q. What parameters has CGC been operating under since the expiration date of the**
2 **prior franchise?**

3 A. We have continued to serve our customers in Chattanooga under the authority provided by
4 T.C.A. 65-4-107(b) pending approval of the new franchise.

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

6 A. Yes.

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