

Before the
Tennessee Public Utility Commission

Docket No. 21-00094

September 3, 2021

Joint Request of Chattanooga Gas Company and Kordsa, Inc. For
Approval of Special Contract

Testimony Of
Ashley K. Vette
On Behalf Of
Chattanooga Gas Company

1 **I. WITNESS IDENTIFICATION**

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

3 A. Ashley K. Vette, Ten Peachtree Place, Atlanta, Georgia 30309.

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

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

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

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

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

16 A. I am testifying on behalf of Chattanooga Gas Company (“Company” or “CGC”).
17

18 **II. BACKGROUND AND EXPERIENCE**

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

20 A. I received a Bachelor of Science in Business Administration with a focus in
21 Accountancy as well as a Master of Accountancy from Auburn University in
22 Auburn, Alabama. I am a Certified Public Accountant in the state of Georgia. I
23 have nine years of experience with Southern Company Gas, and eleven years of

1 experience in the utilities industry. My tenure at Southern Company Gas includes
2 two years as a Senior Rate Analyst and seven years as a Senior Internal Auditor.
3 Prior to joining AGL Resources in 2012, I worked as a public accountant auditing
4 financial statements for small to mid-sized utility companies in the Southeast.

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

8 A. No. I have not testified before any state regulatory commissions.
9

10 **III. PURPOSE OF TESTIMONY**

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

12 A. The purpose of my testimony is to present information to the Commission relating
13 to a negotiated special contract for natural gas services with Kordsa Inc. (“Kordsa”
14 or “Customer”).

15 **Q. Could you please explain the circumstances that caused a need for a special**
16 **contract between CGC and Kordsa?**

17 A. Yes. Kordsa is a large natural gas customer of CGC. CGC and Kordsa had a
18 previous special contract that expired on October 31, 2019, which provided the
19 Customer with negotiated, below tariff rates for sales and transportation services as
20 well as firm backup supply. Currently, Kordsa plans to bypass CGC’s facilities and
21 obtain natural gas service directly from the East Tennessee Natural Gas Company
22 (“ETNG”), whose pipeline is located proximate to the Customer’s property, unless

1 Kordsa can obtain gas service from CGC at prices that are more favorable to the
2 Customer.

3 **Q. When did discussions for a new special contract begin between Kordsa and**
4 **CGC?**

5 A. Prior to the expiration of the previous special contract, Kordsa expressed interest in
6 extending the contract. However, in CGC's last rate case, the Commission's
7 January 15, 2019 Order in Docket 18-00017 provides "the panel voted unanimously
8 to direct the Company, if the special contract is to be renewed or extended, to file
9 for approval of this contract no less than 90 days prior to its current expiration, and
10 to provide documentation that such contract is consistent with Commission Rules
11 and remains in the public interest." Based upon CGC's understanding of the
12 applicable Commission rules and what was known about Kordsa's situation, CGC
13 was unable to justify continuing the prior contract or negotiating a new special
14 contract. Effective November 1, 2019, CGC began charging Kordsa the applicable
15 tariff rates.

16 **Q. What criteria governs whether a utility should negotiate for a special contract?**

17 A. I am aware of Commission Rule 1220-04-01.07, which authorizes special contracts,
18 and which requires that any such contracts be filed, reviewed, and approved by the
19 Commission. Additionally, in prior orders, the Commission has identified four
20 criteria that should be considered to determine whether a special contract is
21 warranted when there is a threat of bypass. The criteria are whether the customer
22 by-pass is imminent, such by-pass would be uneconomic, the contract rates and
23 terms are just and reasonable and are not unjustly preferential or unduly

1 discriminatory, and the contract rates are the highest that could be negotiated. At
2 the time of discussions in 2019, CGC was unable to justify that these criteria could
3 be met, and Kordsa was moved to tariffed rates as of November 1, 2019 upon
4 expiration of the contract.

5 **Q. Has Kordsa provided CGC with sufficient information as to demonstrate a**
6 **basis for negotiating a special contract?**

7 A. Yes. Kordsa has informed the Company of its intent to bypass and provided
8 additional information regarding its efforts to construct and operate its own natural
9 gas facilities. Kordsa informed CGC that it has secured an easement that will allow
10 it to install pipeline facilities to transport gas from ETNG to its factory and that
11 ETNG has agreed that it can install a tap station. Kordsa has also published an
12 invitation for bids for construction of the bypass facilities. While some of Kordsa's
13 cost information is confidential, and not provided to CGC, based upon all of the
14 information provided, the Company believed that Kordsa was in a position to
15 bypass CGC. Given this information, CGC and Kordsa negotiated terms for a new
16 special contract with rates that are greater than the incremental cost to serve Kordsa
17 and that are reasonable based on the bypass information provided by Kordsa. The
18 new special contract also contemplates CGC providing additional services to
19 Kordsa, which provides additional value to both parties.

20 **Q. What are the specific terms of the special contract?**

21 Because this was a comprehensive negotiation involving below tariff rates, many
22 of the terms are interdependent and therefore confidential. Exhibit 2 to the Petition
23 filed in this docket is the full version of the contract with the confidential

1 information not redacted. Without disclosing in my testimony any of the
2 confidential information, I can state that the parties have agreed to a long-term
3 contract, and that the term of the contract was negotiated based upon the specific
4 rates, rate changes, and volumes that will be applicable over time. As a general
5 matter, the rates include a monthly customer base use charge plus a volumetric
6 charge. Aside from the negotiated rates, the terms and conditions of tariff Rate
7 Schedule T-1 will apply. Kordsa also has the option to purchase interruptible
8 transportation service with firm gas supply backup from the Company upon
9 execution of an Election of Service Agreement. Additionally, there is a specific
10 provision that addresses the applicability of the Annual Review Mechanism or a
11 general rate case filing to ensure Kordsa's rates do not become unjustly preferential
12 as opposed to other CGC customers. Sections 1, 2, 3, 4, 12, 13, 14, and 33 of the
13 unredacted special contract (Petition confidential Exhibit 2) contains those detailed
14 contract terms that are considered confidential.

15 **Q. Is CGC satisfied with the terms of the special contract?**

16 A. Yes. With the proposed rates, anticipated revenue will be greater than CGC's
17 incremental cost to serve Kordsa, and thus the revenue earned from the special
18 contract will benefit CGC's other customers through the recovery of Kordsa's direct
19 costs plus some contribution to common costs, as opposed to CGC losing Kordsa
20 as a customer altogether by bypassing the Company's facilities.

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

1 A. Based on the facts discussed above, we are asking the Commission to approve the
2 special contract between CGC and Kordsa to be effective immediately upon
3 approval of the Commission.

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

5 A. Yes.