

Before the  
Tennessee Public Utility Commission

Docket No. 21-00094

December 3, 2021

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

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

1     **Q.     Please state your name, position, and business address.**

2     A.     Ashley Vette, Manager of Rates and Tariff Administration at Southern Company  
3           Gas, 10 Peachtree Place NE, Atlanta, Georgia 30309.

4     **Q.     Have you previously testified in this proceeding?**

5     A.     Yes, my direct testimony was submitted September 3, 2021.

6     **Q.     What is the purpose of your rebuttal testimony?**

7     A.     The purpose of my testimony is to present information for Chattanooga Gas  
8           (“CGC” or “Company”) in response to the direct testimony of the Consumer  
9           Advocate witness Mr. William H. Novak addressing the proposed special contract  
10          between CGC and Kordsa Inc. “Kordsa.”

11    **Q.     Have you read Mr. Novak’s testimony that was filed on November 22, 2021?**

12    A.     Yes.

13    **Q.     Does the Company agree with the recommendation provided by Mr. Novak to**  
14          **disapprove the proposed special Contract between CGC and Kordsa?**

15    A.     No.

16    **Q.     Please explain.**

17    A.     CGC believes the proposed special contract with Kordsa is a reasonable  
18          compromise with Kordsa that benefits all customers, and thus is in the public  
19          interest. As documented in my direct testimony submitted September 3, 2021,  
20          Kordsa has informed CGC of its intent to bypass and provided the Company  
21          additional information regarding its efforts to construct and operate its own natural  
22          gas facilities. Based on information provided by Kordsa, CGC and Kordsa

1 negotiated terms for a new special contract that are materially greater than CGC's  
2 incremental cost to serve Kordsa, even over the twenty-year term of the contract.

3 In Kordsa's testimony in this docket, and through the informal meeting  
4 Kordsa and CGC have had with the Consumer Advocate, Mr. Gibson has been very  
5 clear that Kordsa will begin construction of its bypass absent Commission approval  
6 of this special contract. Once Kordsa has bypassed CGC, that customer will be lost  
7 forever, and CGC's other ratepayers will not have the benefit of the contribution to  
8 common overhead that this special contract provides. The contract rate itself is  
9 sufficient to support approval of the contract for 20 years, and the rate adjustment  
10 provisions of the special contract only further enhance the benefits of this special  
11 contract for our customers.

12 **Q. On Pages 18 and 19 of his pre-filed testimony, Mr. Novak recommends several**  
13 **adjustments to the proposed special contract between CGC and Kordsa.**  
14 **Please summarize these recommended adjustments.**

15 Mr. Novak recommends four adjustments to the proposed special contract: a) the  
16 term of the special contract be restricted to five years instead of twenty years; b)  
17 the potential rate increase limit currently proposed be removed from the special  
18 contract; c) the language allowing the special contract to be assigned to unaffiliated  
19 entities be modified to require prior approval from the Commission; and d) removal  
20 of language allowing the special contract rates to be applied retroactively to August  
21 24, 2021.

22 **Q. Does the Company agree with Mr. Novak's recommendation to restrict the**  
23 **term of the contract to five years as opposed to twenty years?**

1 No. The Company originally was not interested in a twenty-year contract for  
2 Kordsa. But as CGC better understood the financial contribution the Kordsa  
3 contract can make to the general body of ratepayers, especially once Kordsa agreed  
4 to the annual rate increase language, a longer-term contract became a great way of  
5 keeping this particular customer locked in and on the system at rates that will  
6 remain above cost. I also note that a twenty-year contract is reasonable based upon  
7 the terms approved by the Commission for the prior special contract with Kordsa.  
8 Additionally, as stated by Mr. Novak on Page 9, Line 8 of his direct testimony,  
9 special contracts are unique to the entity under consideration based upon the  
10 specific terms and conditions applicable to that customer. Therefore, specific terms  
11 of other special contracts are irrelevant and not controlling for whether the term for  
12 this contract is appropriate.

13 **Q. Does the Company agree with Mr. Novak's recommendation to remove the**  
14 **current proposed rate increase limit?**

15 No. CGC believes the current rate increase limit is reasonable and appropriate.  
16 When considering the ARM Docket, the overall rate increases anticipated in the  
17 next 3 years are atypical and largely the result of extraordinary capital  
18 investments that do not undermine the value of this special contract. Even when  
19 considering the 2022-2024 ARM Docket increases, application of the current  
20 increase limit will still result in revenues that materially exceed the incremental  
21 cost to serve Kordsa. Additionally, total revenue estimated by CGC, as provided  
22 in response to Staff's 1st set of data requests, are based on annual revenue with no  
23 rate increase over the term of the contract, which provides a conservative estimate

1 of how much revenue will materially exceed CGC's cost to serve Kordsa. Please  
2 see my attached CONFIDENTIAL Exhibit AKV-1 for a summary of the  
3 confidential cost and revenue information that supports the conclusion that even  
4 with general rate increases that exceed the adjustment cap, this special contract  
5 will continue to generate revenue in excess of the incremental cost to serve.

6 **Q. Does the Company agree with Mr. Novak's recommendation to modify the**  
7 **language allowing the proposed special contract to be assigned to an**  
8 **unaffiliated entity to require prior Commission approval?**

9 Yes. The Company agrees that special contracts are unique to the entity that the  
10 contract pertains to and is willing to seek Commission approval prior to assigning  
11 the contract to an unaffiliated entity.

12 **Q. Does the Company agree with Mr. Novak's recommendation to remove**  
13 **language allowing the special contract rates to be applied retroactively to**  
14 **August 24, 2021?**

15 We agreed to this provision in the contract at the request of Kordsa and believe it  
16 to be appropriate given all of the facts and circumstances.

17 **Q. Does the Company believe this special contract is to the benefit of other CGC**  
18 **customers?**

19 Yes. As stated in response to Question 3 of the Consumer Advocate's 1<sup>st</sup> set of  
20 Data Requests, if the special contract is not approved and Kordsa bypasses CGC,  
21 revenue from Kordsa will be zero. Approval of the special contract would generate  
22 revenue, and margin, greater than zero that would not otherwise be received if

1 Kordsa is no longer a customer because they have bypassed our natural gas  
2 facilities. Margin greater than zero will benefit other CGC customers by allowing  
3 for a lower rate than if Kordsa is no longer a customer of CGC. Since it is CGC's  
4 understanding that Kordsa will bypass our facilities without approval of this special  
5 contract, approval of this contract will benefit all customers, making it in the public  
6 interest.

7 **Q. Does this complete your rebuttal testimony?**

8 A. Yes.