

Before the  
Tennessee Public Utilities Commission

Docket No. 21-00094

Rebuttal Testimony of  
**Ben Gibson**

On Behalf of  
**Kordsa, Inc.**

December 3, 2021

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### Rebuttal Testimony of Ben Gibson

1. **Q: Please state your name and the purpose of your testimony.**

A: I am Ben Gibson, North American Supply Chain Manager for Kordsa Inc. I have previously filed testimony in this docket and more recently, an affidavit in support of Kordsa's Motion for Interim Approval of the Special Contract between Kordsa and the Chattanooga Gas Company ("CGC"). I am testifying for Kordsa because I am more familiar with this project than anyone else at the company. The purpose of my testimony is to respond to the testimony of Mr. Hal Novak filed on behalf of the Consumer Advocate Unit of the Financial Division of the Office of the Tennessee Attorney General ("the Consumer Advocate").

2. **Q: Would you please summarize Mr. Novak's testimony?**

A: Mr. Novak states that, despite my prior testimony and my affidavit stating that Kordsa will build a natural gas pipeline bypassing the facilities of CGC if the Special Contract is not approved, he does not believe that the bypass project is "imminent." He states that he does not believe that the appropriate authorities at Kordsa have approved the project or that Kordsa has obtained the necessary easements to build the line. Finally, despite being provided information from Kordsa's consultant estimating the cost of the project, he states that there is "no supporting evidence" to support Kordsa's statement that it will cost approximately \$1.5 million to build the bypass line.

3. **Q: Please respond to each of Mr. Novak's points.**

A: As I have previously stated in an affidavit (incorporated herein), I report directly to Mr. Kadir Toplu, the COO for Kordsa's operations in North and South America. Mr.



Toplu has approved the bypass project. No prior approval from Kordsa's board is required. I have also attached to my testimony an affidavit from Ms. Amy Mohn, Finance Manager and Treasurer at Kordsa, confirming this information. As a corporate officer, Ms. Mohn is among those authorized to sign the contracts for the bypass project.

In regards to obtaining the necessary easements to build the project, our consultant, Rod Walker & Associates, has designed the line so that Kordsa needs only an easement from the City of Chattanooga in order to build the entire line. I have attached an affidavit from Rod Walker & Associates confirming this information. Kordsa has obtained that easement from the City.

4. **Q: What about Mr. Novak's statement that Kordsa does not have sufficient evidence to support its estimate of the cost of the line?**

A: I disagree, Kordsa has sufficient information to determine the cost of building the bypass line and to conclude that the cost of building and operating the line will substantially reduce Kordsa's gas costs. Rod Walker & Associates has provided Kordsa with an analysis of the project estimating that it will cost approximately \$1.6 million to build the line. That figure includes a 20% contingency allowance. The attached affidavit from Rod Walker & Associates confirms this information which has also been shared with the Consumer Advocate.

5. **Q: What about CGC's estimates that it will cost ~~8.5~~ million to build the line?**

A: CGC has not told us how they arrived at their estimate but the important point is that CGC also concluded that Kordsa will save money by building the line. That, after all, is the point of the cost estimates, whether done by Kordsa or CGC. Mr. Novak apparently



raised no questions about the adequacy of the evidence supporting CGC's estimate and nowhere in his testimony does he dispute the conclusion reached by both Kordsa and CGC that building the bypass line will be more economical for Kordsa than paying CGC's tariffed rates.

6. Q: If the Commission approves the Special Contract, Mr. Novak suggests that (1) the term of the contract be shortened from ~~XXXX~~ years to five, (2) that Kordsa agree to pay whatever additional charges that are imposed by the Commission over and above the rates set forth in the Special Contract, (3) that the Commission strike the provision making the new rates retroactive to the date that this petition was filed and (4) that any assignment of this contract by Kordsa to another party must be approved by the Commission. What is Kordsa's response to those proposed amendments?

A: Kordsa has no objection to including in the contract a provision that any assignment of the contract by Kordsa to another CGC customer must be approved by the Commission. The other proposed changes, however, are not acceptable.

First, the term of the proposed contract is ~~XXXX~~ years. It is the same term as the Special Contract between CGC and DuPont, the customer that occupied the site where Kordsa is now located. The DuPont contract was approved by the Commission in Docket 99-00908. Kordsa asks for the same consideration and for approval of the term that the parties agreed to.

Second, asking Kordsa to agree that any time CGC raises its rates, the Commission may allocate all or any part of that increase to Kordsa is unacceptable. Such a provision would render the Special Contract meaningless and defeat the purpose of having one. Kordsa has agreed to share a portion of increases imposed on other CGC



customers, which is a highly unusual concession for a customer to make in this situation, but Kordsa cannot agree to accept increases without any limit.

Third, Kordsa should not be penalized because nearly four months (so far) have passed since the filing of this petition. Therefore, the contract provides that the new rates will become effective as of the date this petition was filed, August 24, 2021. CGC agreed to that provision as part of the negotiating process. Every month that passes in which Kordsa is required to pay the tariffed rate instead of the contract rate costs Kordsa approximately \$13,000 to \$15,000. The Commission should approve the contract and not penalize Kordsa because it has taken this long to bring this matter to hearing and issue a decision.

**7. Q: Would making the Special Contract effective as of August 24, 2021 violate the legal prohibition against “retroactive ratemaking”?**

A: No, it would not. I am not a lawyer, but it is my understanding from our attorney that “retroactive ratemaking” means adjusting rates for a prior period and re-calculating a customer’s bill for that period. If, however, a utility adjusts a customer’s rates prospectively, the courts have held that such adjustments do not constitute “retroactive ratemaking” even when the prospective adjustments are designed to offset a utility’s excessive earnings (or insufficient earnings) during a prior period. In other words, CGC could reduce Kordsa’s rates on a prospective basis to offset the difference between what Kordsa has paid CGC since August 24, 2021 and the amount that Kordsa would have paid under the Special Contract. That is not considered “retroactive ratemaking” by the courts because the rate adjustments are made on a going-forward basis.



8. Q: Do you have any concluding remarks?

A: Our bypass project is “imminent” or that term has no meaning. Kordsa was prepared to build this line in June, 2021 when CGC asked us to accept a Special Contract that would substantially reduce Kordsa’s gas costs. Kordsa is prepared to go forward with the project if the Special Contract is not approved. It is also important to point out that building this line will not only reduce Kordsa’s gas costs but will increase the value of this site should Kordsa sell the site to another large customer that uses gas. Such a sale would allow Kordsa to recoup in part the cost of building the line, and it would also mean that CGC may never be able to sell gas to a customer at this site. In sum, I ask that the Commission approve the Special Contract because it is in both the short-term and long-term interests of Kordsa, CGC and Chattanooga ratepayers.

9. Q: Does that complete your testimony?

A: Yes.



Further, Affiant Sayeth Not.

Benjamin Mark Gibson

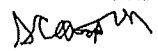
Ben Gibson

State of Tennessee

County of Davidson

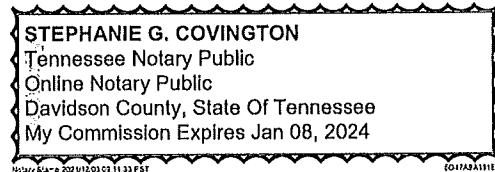
Personally appeared before me, Ben Gibson, the within named Affiant, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand, at office, this 3<sup>rd</sup> day of December, 2021.

  
Notary Seal: 2021/12/03 12:11:31 PST

Notary's Signature

My commission expires: 1/8/24  
(SEAL)



Notarial act performed by audio-visual communication



Before the  
Tennessee Public Utilities Commission  
Docket No. 21-00094

Affidavit of  
**Amy Mohn**

On Behalf of  
**Kordsa, Inc.**

December 3, 2021

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**Affidavit of Amy Mohn**

My name is Amy Mohn. I am the Finance Manager and Treasurer of Kordsa, Inc. The purpose of this affidavit is to confirm the information provided by Mr. Ben Gibson, Kordsa's North American Supply Chain Manager, to the Tennessee Public Utility Commission in Docket No. 21-00094.

As Mr. Gibson has stated, Kordsa has decided to build a pipeline bypassing the facilities of the Chattanooga Gas Company ("CGC") if the Commission does not approve the Special Contract between CGC and Kordsa. I am one of the corporate officers authorized to sign contracts to proceed with the project. As Mr. Gibson also said, we do not need the prior approval of Kordsa's corporate board, headquartered in Turkey, in order to build the line because the cost of the project is less than \$5 million.

Further, Affiant Sayeth Not.

Amy Dawn Mohn

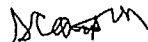
Amy Mohn

State of Tennessee

County of Davidson

Personally appeared before me, Amy Mohn, the within named Affiant, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand, at office, this 3<sup>rd</sup> day of December, 2021.

  
Stephanie G. Covington

Notary's Signature  
My commission expires: 1/8/2024  
(SEAL)

STEPHANIE G. COVINGTON  
Tennessee Notary Public  
Online Notary Public  
Davidson County, State Of Tennessee  
My Commission Expires Jan 08, 2024

Before the  
Tennessee Public Utilities Commission

Docket No. 21-00094

Affidavit of  
**Jeremy Walker**

On Behalf of  
**Rod Walker & Associates**

December 3, 2021

### Affidavit of Jeremy Walker

My name is Jeremy Walker. I am the Director of Operations and Project Delivery for Rod Walker & Associates Consultancy. We specialize in providing management consulting and technical advisory services to clients in the energy industry -- most typically the natural gas industry. We were hired to advise Kordsa regarding the feasibility of building a natural gas pipeline connecting Kordsa to a nearby line of the East Tennessee Natural Gas company.

Although our feasibility study indicated that building the bypass line would require obtaining easements from both the City of Chattanooga and a private landowner, we later changed the route slightly so that the project required only the city easement. The route as shown in the final bid package passes only through City of Chattanooga and Kordsa property.

To estimate the cost of the project, we solicited and reviewed bids from three contractors. As shown on the attached "Updated Cost Estimate," we advised Kordsa that the total cost of building the line, including the payment of a tap fee to East Tennessee, the building of a tap station at the point of interconnection with East Tennessee and a customer meter station at the end of the bypass, would be \$1,682,127. This includes a 20% contingency fee of \$127,355.

Further, Affiant Sayeth Not.

  
\_\_\_\_\_  
Jeremy Walker


State of Tennessee

County of Hamilton

Personally appeared before me, Jeremy Walker, the within named Affiant, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand, at office, this 1<sup>st</sup> day of December, 2021.



  
\_\_\_\_\_  
Notary's Signature  
My commission expires: 7-7-2024  
(SEAL)

# UPDATED COST ESTIMATE SUMMARY

4 Pipeline - Original Estimate		
1	Materials	
2	Labor	\$ 86,674
3	Total Construction	\$ 186,000
4	General Services	\$ 273,274
5	Tap Station /Customer M/R Set	\$ 155,068
6	20% Contingency	\$ 918,000
TOTAL COST		\$ 1,432,010

4 Pipeline - Updated Estimate - Hillwasee Construction		
1	Materials	
2	Labor	\$ 102,425
3	Total Construction	\$ 379,775
4	General Services	\$ 482,200
5	Tap Station /Customer M/R Set	\$ 154,573
6	20% Contingency	\$ 918,000
TOTAL COST		\$ 1,27,355
DIFFERENCE FROM ORIGINAL ESTIMATE		\$ 1,682,127
		\$ 250,117

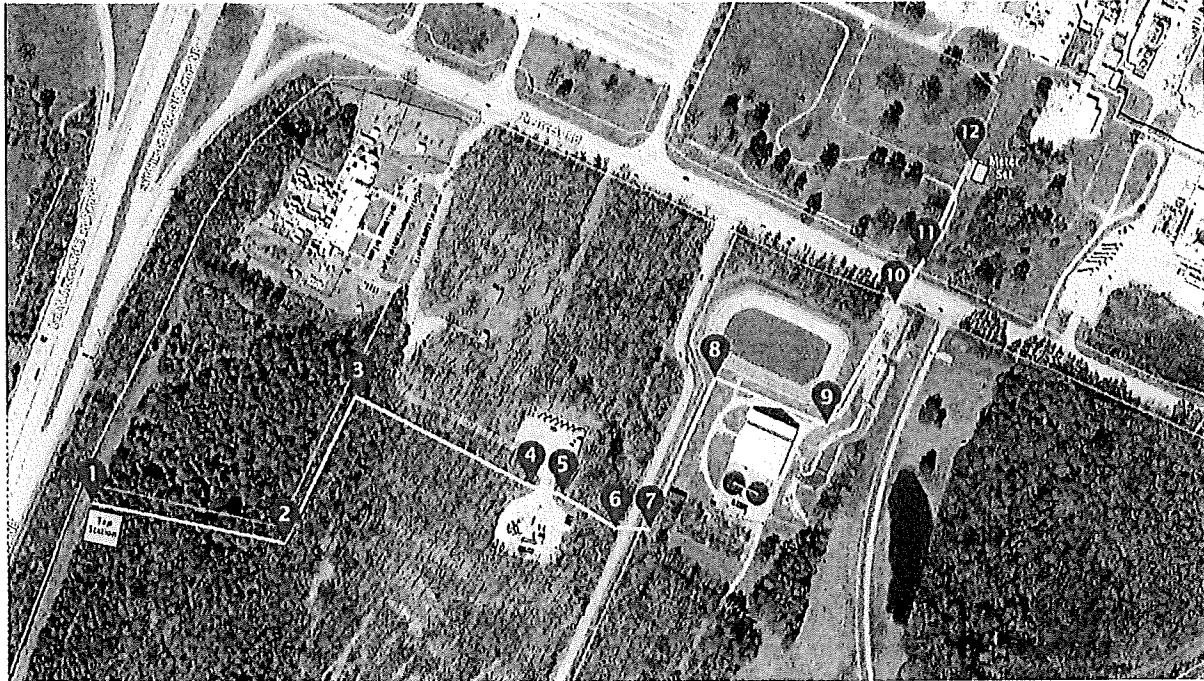
4 Pipeline - Updated Estimate - Martin Contracting		
1	Materials	
2	Labor	\$ 123,339
3	Total Construction	\$ 286,428
3	General Services	\$ 450,000
4	Tap Station /Customer M/R Set	\$ 154,573
5	20% Contingency	\$ 918,000
TOTAL COST		\$ 112,868
DIFFERENCE FROM ORIGINAL ESTIMATE		\$ 1,635,441
		\$ 203,430

\*all values rounded to the nearest whole dollar



## IV. Route Maps

Map(s) provided herein are for illustrative and planning purposes and not issued for construction. Bidder retains sole responsibility for verifying exact location and placement of pipe, boring entry and exit points, location of other utilities, and any other existing routing elements.



#	Description	Feet to next point
1	Start of Pipeline	562 ft
2	Left turn heading North	455 ft
3	Right turn heading East	549 ft
4	Start of bore across road	70 ft
5	End of bore across road	194 ft
6	Start of bore across road	65 ft
7	End of bore across road, left turn North	430 ft
8	Right turn East	380 ft
9	Left turn North	385 ft
10	Start of bore across road	115 ft
11	End of bore across road	295 ft
12	End of pipeline	0 ft