BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

January 14, 2022

In RE:	)	
	)	**Docket No.**
CHATTANOOGA GAS COMPANY	)	
PETITION FOR APPROVAL OF	)	**22-** **00004**
TARIFF AMENDMENTS TO ITS	)	
T-1, T-2, AND T-3 TARIFFS	)	

CHATTANOOGA GAS COMPANY
PETITION FOR APPROVAL OF TARIFF AMENDMENTS TO ITS
T-1, T-2, AND T-3 TARIFFS

Chattanooga Gas Company ("CGC" or "Company"), pursuant to Tennessee Code Annotated Sections 65-5-102 and 65-5-103, and Rules 1220.04-01-.03, 1220-04-01-.04 and 1220-04.01-.06, hereby files with the Tennessee Public Utility Commission ("Commission" or "TPUC") its Petition for Approval of a tariff amendment to the Special Terms and Conditions sections of its T-1, T-2, and T-3 tariffs to provide an incentive for transportation customers not to over-nominate or under-nominate gas on days when a balancing order is in effect. In support of this Petition, CGC states as follows:

I. INTRODUCTION

1. CGC is incorporated under the laws of the State of Tennessee and has been engaged in the business of transporting, distributing, and selling natural gas in the greater Chattanooga and Cleveland, Tennessee areas within Hamilton and Bradley Counties for over one hundred years. CGC is a public utility pursuant to the laws of the State of Tennessee, and its public utility operations, including its rates, terms, and conditions of service are subject to the jurisdiction of this Commission. CGC is a wholly owned subsidiary of Southern Company Gas, a natural gas

holding company that is the parent company of regulated natural gas utilities in Georgia, Illinois, and Virginia in addition to CGC in Tennessee. CGC's principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

2. All correspondence and communications with respect to this Petition should be sent to the following on behalf of CGC:

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3. On April 20, 2021, CGC initiated TPUC Docket No. 21-00048 with the filing of its second annual rate review of CGC's 2020 Historic Base Period revenues and expenses pursuant to CGC's Annual Review Mechanism ("ARM") first approved in Docket 19-00047. Among the

various changes proposed, CGC sought to change the Special Terms and Conditions sections of its T-1, T-2, and T-3 tariffs to provide an incentive for transportation customers not to over-nominate or under-nominate gas on days when a balancing order is in effect.

4. On May 18, 2021, recognizing that the proposed changes were controversial for transportation customers and that these proposed tariff revisions did not impact the substance of the ARM case, CGC withdrew the proposal regarding the T-1, T-2, and T-3 tariffs without prejudice. CGC stated its intent to refile the proposed changes at a later date in a new, separate docket.

5. Prior to refiling the proposed changes to the T-1, T-2, and T-3 tariffs in this separate docket, CGC met with customer representatives who are members of the Chattanooga Regional Manufacturers Association ("CRMA") to discuss and explain the basis for changing the balancing tariff. The CRMA members did not agree with the proposed tariff changes, but CGC explained that these changes are necessary as a matter of fairness and equity so that other CGC customers are not placed in the position of having to pay for the business decisions of CGC's transportation customers who do not properly manage their gas supplies.

II. T-1, T-2, and T-3 TARIFFS OVERVIEW

6. Tariffs T-1, T-2, and T-3 address the conditions and rates applicable to CGC transportation of gas on behalf of customers who have elected to purchase and manage their own gas supply. These customers are responsible for purchasing gas from a supplier and arranging for the gas to be delivered by the interstate pipeline to CGC's city gate. Tariff T-1 relates to interruptible transportation service, tariff T-2 relates to interruptible transportation with firm supply backup, and tariff T-3 relates to low volume transport service.

7. Customers under the T-1, T-2, and T-3 tariffs manage their own gas supply. As the balancing point operator, however, CGC is responsible for managing any imbalance – the difference in the gas consumed by CGC customers and the volume of gas scheduled to be delivered by the pipelines to CGC's city gate – for both CGC's sales and transportation customers.

8. The current wording of the balancing provisions of the T-1, T-2, and T-3 tariffs is unclear. More specifically, the cash out, imbalance trading, and daily balancing order provisions can result in increased costs for CGC's other customers based on the actions of CGC's transportation customers. More specifically, the T-1 and T-2 tariffs both require customers to nominate gas deliveries on a daily basis and to maintain daily and monthly balancing. Many of these customers, however, are not nominating gas deliveries on a daily basis or are materially under- or over-scheduling and not maintaining daily balancing. Similarly, customers served under the T-3 tariff appear to be systematically under- or over- scheduling their gas deliveries. Many of these customers do not schedule gas for delivery to CGC for several days and then schedule over-deliveries to off-set the previous deficiencies. The current tariff provisions that allow customers to purchase gas at unregulated rates and transport the gas to CGC for redelivery should not result in increased costs for those customers who chose to purchase gas from CGC at regulated rates. CGC believes that it is necessary and appropriate to make the proposed change to the T-1, T-2, and T-3 Special Terms and Conditions tariff language because, while the current tariffs provide an incentive for the transportation customers to not under-deliver, there is no incentive for transportation customers to not over deliver, which has been an issue.

9. The need for these tariff changes is based upon real-world experience. For example, In February 2021, 30 of the 49 T-3 customers did not schedule gas for delivery during the periods of February 1-7 and February 13-23 when the interstate pipelines had issued

operational flow orders ("OFOs") and CGC had daily balancing orders in effect. These same customers then scheduled delivery of excess gas when no balancing order was in effect. This resulted in costs being shifted to sales customers who do not transport their own gas but purchase gas from CGC. More specifically, on February 17, 2021, when the price of gas purchased by CGC at the daily rate increased to $16.66/Dth, none of the T-3 customers had gas delivered to CGC, resulting in CGC purchasing 2,960.1 Dths at a cost of $49,333. On February 18, the daily price was $15.60/Dth and 48 of the 49 T-3 customers did not schedule gas deliveries, resulting in CGC purchasing 2,811 Dths at the daily price at a cost of $43,861. The majority of these customers later, when the daily price had declined, had excess gas delivered to off-set deficiencies that occurred while the balancing orders were in effect. These transportation customers essentially consumed expensive gas and repaid CGC with much lower cost gas. While the volume was offset by the over-deliveries, the cost was not offset, but instead was shifted from the transportation customers to the sales customers. The T-1 and T-2 customers displayed similar patterns.

10. The proposed tariff change would provide the transportation customers an incentive to comply with balancing orders. The penalty for over-delivery would not be imposed if the volume of gas delivered is within 5% of the customer's consumption on a day when a balancing order is in effect and pipeline penalties are not imposed. Any amount collected because of this provision will be credited to the recovery of gas cost included in the annual Actual Cost Adjustment ("ACA") filing and not retained by CGC

III. SUPPORTING TESTIMONY AND EXHIBITS

11. In support of this Petition and approval of CGC's amended T-1, T-2, and T-3 tariffs, CGC is including as a part of its case the following direct testimony and accompanying exhibits, which are incorporated herein by reference:

Direct Testimony and Exhibits Witness Archie Hickerson, Director-Rates and Tariff Administration, Southern Company Gas. Mr. Hickerson's testimony and exhibits address the changes necessary to the T-1, T-2, and T-3 tariffs to provide an incentive for transportation customers not to over-nominate or under-nominate gas on days when a balancing order is in effect. Mr. Hickerson has two exhibits, Exhibit ARH-1, is the proposed revised tariff, and Exhibit ARH-2 is the redline of the proposed tariff showing the changes.

12. The information provided by CGC's witness through this testimony and exhibits establishes the need to modify the T-1, T-2, and T-3 tariffs as proposed.

IV. CONCLUSION

WHEREFORE, CGC respectfully prays that based upon the pleadings, testimony, exhibits, and other documentation provided in this matter that the proposed revisions to the T-1, T-2, and T-3 tariffs be approved.

Respectfully submitted:

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