

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

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

CONSUMER ADVOCATE’S POST-HEARING BRIEF

The Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”) respectfully submits this Post-Hearing Brief in Tennessee Public Utility Commission (“TPUC” or “Commission”) Docket No. 22-00004 following the September 12, 2022, hearing in the matter.

INTRODUCTION

Chattanooga Gas Company (“CGC” or “Company”) engages in the transportation, distribution, and sale of natural gas in Hamilton County and Bradley County, Tennessee.¹ CGC provides “firm”—or uninterruptible—service particularly to residential customers, while commercial customers, such as members of the Chattanooga Regional Manufacturers Association (“CRMA”), may elect to be served on an interruptible basis. Such commercial customers are also “transportation customers,” meaning that they “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.”² A transportation customer will typically contract with a third-party marketer to nominate the amount of gas to be delivered to CGC’s city gate each day on behalf of the customer.

¹ *Chattanooga Gas Company Petition for Approval of Tariff Amendments to Its T-1, T-2, and T-3 Tariffs*, p. 1, TPUC Docket No. 22-00004 (Jan. 14, 2022) (hereinafter “*Petition*”).

² *Id.* at 3.

CGC provides service to interruptible transportation customers under three tariffs: (1) Rate Schedule T-1 Interruptible Transportation Service (“T-1”); (2) Rate Schedule T-2 Interruptible Transportation Service With Firm Gas Supply Backup (“T-2”); and (3) Rate Schedule T-3 Low Volume Transport (“T-3”).³ Under the existing tariff language, sophisticated marketers and transportation customers may under-deliver (or not deliver any gas at all) on days when the cost of natural gas spikes, and over-deliver cheaper gas at the end of the month in order to make up for the imbalance caused by their consumption of more gas than they had delivered.⁴ “Gaming the system” in this manner results in cost-shifting from the transportation customers to the Company’s firm sales customers, as the Company is left to purchase additional gas for firm sales customers at peak prices when a transportation customer opts to consume more than they deliver for the day. This is unfair to non-transportation customers.

In this Docket, CGC seeks “[a]pproval 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.”⁵ The Consumer Advocate supports CGC’s proposed tariff amendments with the inclusion of the additional language recommended by Consumer Advocate witness, David Dittmore, which specifically addresses the need for daily balancing during periods of price volatility.⁶

³ The current tariffs are available at the following link: <https://www.chattanoogagas.com/content/dam/southern-co-gas/chattanooga-gas/rates/rates-and-tariffs/2022-rates-and-tariffs/september-2022/Revised%20Tariff%209-1-22.pdf> (last visited Sept. 21, 2022). *See also Testimony of Archie R. Hickerson (With Exhibits) on Behalf of Chattanooga Gas Company*, TPUC Docket No. 22-00004 (Jan. 14, 2022) (hereinafter “*Hickerson Direct*”).

⁴ Balancing of a transportation customer’s natural gas consumption with its delivery can occur on a monthly basis (“monthly balancing”) or daily basis (“daily balancing”).

⁵ *Petition*, at 1.

⁶ *See Direct Testimony of David N. Dittmore*, Exhibit DND-2, TPUC Docket No. 22-00004 (July 11, 2022) (hereinafter “*Dittmore Direct*”).

I. THE COMMISSION SHOULD APPROVE CGC'S PROPOSED TARIFF AMENDMENTS WITH THE ADDITIONAL LANGUAGE PROPOSED BY THE CONSUMER ADVOCATE.

The Consumer Advocate's priority in this matter is to ensure that the Company's firm sales customers do not unfairly incur higher costs due to the actions of interruptible transportation customers during periods of price volatility. The additional tariff amendment language proposed by the Consumer Advocate is necessary to achieve this end.

A. The tariffs should be amended to specifically allow balancing orders related to price volatility.

Archie Hickerson explains the intent of the Company's proposed amendments in his pre-filed testimony:

The proposed tariff change provides the transportation customers an incentive to comply with balancing orders by clarifying that on days that the Company has issued a daily balancing order, the daily balancing provisions apply, and transportation customers are not allowed to offset under- or over-deliveries on days that a balancing order is in effect by over- or under-deliveries on days that a balancing order is not in effect.⁷

The Company's proposal would require daily balancing by transportation customers when CGC issues a balancing order, such as when an upstream pipeline has issued an operational flow order ("OFO").⁸ However, the proposal does not contemplate cost-shifting behavior by transportation customers during periods of price volatility where an OFO has *not* been issued or there is otherwise not a balancing order in effect from CGC.⁹ In response to the Consumer Advocate's Discovery Request ("DR") No. 2-3, the Company noted that while the current tariff language allows the

⁷ *Hickerson Direct*, at 9:3–8.

⁸ "An Operational Flow Order [. . .] is a mechanism used by pipeline suppliers to limit flows on and to protect the integrity and ongoing operational capability of their system during periods of high demand." *Dittemore Direct*, p. 3:10–12. As Mr. Hickerson noted in his cross-examination by Ms. Stachowski, an OFO is issued by an interstate pipeline. CGC must comply with a pipeline OFO. A balancing order can be issued by CGC, and its customers must comply with such balancing order. *Hearing Transcript*, at 139:4-14.

⁹ An OFO always results in a balancing order from CGC, but may also be issued in the absence of an OFO so long as there is an "operational reason" for the balancing order. *Hearing Transcript*, at 140:9–21.

Company to issue a daily balancing order when it “determines that such balancing is necessary for operational reasons,” “*price volatility would not be considered an operational reason.*”¹⁰ Thus, as Mr. Dittmore testified, it would be possible for transportation customers or marketers to avoid daily balancing during periods of price volatility.¹¹

To address this concern, the Consumer Advocate recommends the following language be included in the “Special Terms & Conditions” section of the tariffs:

The Company may issue a daily balancing order when an OFO order has been issued, when in the judgment of the Company it is required to maintain the operational integrity of the distribution system, or during periods of significant price volatility. Significant price volatility is defined as daily pricing that exceeds the most recent first of the month pricing as identified by Gas Daily at the Henry Hub by a minimum of 20%.¹²

The above proposed provision allows CGC to issue a daily balancing order due to specified price volatility even if CGC is not itself subject to an OFO from a pipeline or CGC has not determined that a balancing is needed to address operational needs. The Consumer Advocate’s proposed provision would support the integrity of CGC’s distribution system (maintenance of which is vital for all customers), and it prevents one customer class from unreasonably burdening others by unfair cost-shifting during periods of significant price volatility, as measured by a widely accepted industry reference point. The Consumer Advocate would also note that at the hearing in this matter, Mr. Hickerson expressed his agreement with the recommendations of the Consumer Advocate as presented by Mr. Dittmore.¹³

¹⁰ Chattanooga Gas Company’s Response and Objections to the Consumer Advocate’s Second Set of Discovery Requests, pp. 4–5, TPUC Docket No. 22-00004 (June 13, 2022) (emphasis added).

¹¹ *Hearing Transcript*, at 153:1-14.

¹² *Dittmore Direct*, Exhibit DND-2, p. 5.

¹³ *Dittmore Direct*, at 5:18–6:2; 6:5–13 (emphasis added). Mr. Hickerson, witness for the Company, expressed his agreement with Mr. Dittmore’s recommendation while testifying at the hearing. *Hearing Transcript*, at 141:7–11.

B. The amendments are necessary in light of prior instances of cost-shifting.

The issues raised by both CGC and the Consumer Advocate necessitating the tariff amendments are not hypothetical. Mr. Hickerson provides the following recent example of interruptible transportation customers abusing the delivery and balancing rules:

[O]n 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.¹⁴

T-1 and T-2 customers behaved similarly during the February 2021 price spike.¹⁵ As a result, the additional costs of procuring gas were “shifted to sales customers who pay the PGA rate for their gas.”¹⁶

The daily balancing provisions proposed by the Company and the Consumer Advocate are not primarily punitive but are designed, as noted above, as fair and reasonable measures to incentivize transportation customers to manage their supply appropriately. Daily balancing would be required only under certain circumstances as necessary. Moreover, the penalties would “not be imposed if the volume of gas delivered is within 5% of the customer’s consumption.”¹⁷

No persuasive proof was presented as to why daily balancing orders should not issue during periods of price volatility. Mr. Crist testified on behalf of CRMA that a lack of available capacity might be a reason that an interruptible customer fails to bring in gas on an extremely cold day.¹⁸

¹⁴ *Hickerson Direct*, at 7:22–233; 8:1–8.

¹⁵ *Id.* at 8:10–11.

¹⁶ *Hearing Transcript*, at 124:4–5.

¹⁷ *Id.* at 126:1–2.

¹⁸ *Id.* at 177:9–12.

However, the cost of supply, not the availability of capacity, is the real issue. Transportation customers who fail to deliver on days when gas is most expensive are understandably trying to save money, but this should not occur at the expense of other customers.

II. THE LNG FACILITY IS NOT INTENDED FOR OR CAPABLE OF CRMA'S PROPOSED USE

The Consumer Advocate agrees with the Company's position regarding the use of the liquefied natural gas ("LNG") facility.

A. Interruptible transportation customers are not entitled to supply from the LNG facility.

The Company has discretion under the tariff to provide incremental gas to transportation customers "at its option."¹⁹ It is not mandated by the tariff. As Greg Becker and Chris Bellinger stated in their rebuttal testimony, the transportation customers ultimately want a service "for which they are unwilling to pay."²⁰ The transportation customers served under the less-expensive T-1 tariff want access to on-demand supply from the LNG facility to achieve the effect of interruptible service with firm back up—a service which is readily available under the T-2 tariff.

CRMA has raised the argument, as reiterated by Chris Donahue at the hearing, that the transportation customers are entitled to supply from the LNG facility because fees paid by the transportation customers contributed in some way to its development. Specifically, Mr. Donahue stated, "we feel that we should get some benefit from the fees we pay, not zero."²¹ However, these customers are receiving the benefit of the service they have elected under the applicable tariff. No justification was provided as to why a certain use of fees by the Company necessarily entitles the

¹⁹ See Rate Schedule T-1, Tenth Revised Sheet No. 30B, pdf. p. 24 of 87 (available at <https://www.chattanoogagas.com/content/dam/southern-co-gas/chattanooga-gas/rates/rates-and-tariffs/2022-rates-and-tariffs/september-2022/Revised%20Tariff%209-1-22.pdf>) (last visited Sept. 26, 2022). See also *Rebuttal Testimony of Archie R. Hickerson*, pp. 2–3, TPUC Docket No. 22-00004 (Aug. 19, 2022).

²⁰ *Rebuttal Testimony of Greg Becker and Chris Bellinger on Behalf of Chattanooga Gas Company*, p. 7:6–7, TPUC Docket No. 22-00004 (Aug. 19, 2022) (hereinafter "*Becker and Bellinger Rebuttal*").

²¹ *Hearing Transcript*, at 214:17–18.

transportation customers to incremental gas from the LNG facility.

B. Operational limitations prevent LNG facility use for incremental gas to transportation customers.

Not only are the transportation customers receiving the service for which they pay, but the purpose of the LNG facility is not to provide incremental gas to transportation customers. Mr. Becker testified that LNG facility is primarily a peak shaving facility for the benefit of firm sales customers, and this is “even more imperative given the Company’s robust and continued customer growth.”²² Operational limitations also prevent the LNG facility from being used as proposed by CRMA. As a peak-shaving resource, the LNG facility “can only provide deliverability for a few days due to storage limitations.”²³ Additionally, Mr. Becker and Mr. Bellinger testified,

The facility must go offline each year for extended periods of time to perform routine maintenance, replacement or repair of essential equipment, and for us to perform periodic needed capital investments. These offline periods of time can last 4 months or more every year. There are other factors, such as unplanned maintenance and repairs at the plant that also impact availability. Then there are overall improvements within CGC’s distribution system that cause constraints which prevent CGC from vaporizing LNG and delivering the gas into the system year-round. Given the operational issues, we focus on ensuring that this essential component of the operational readiness of the CGC system is available when we need it most, during the winter peak demand season.²⁴

CRMA argues that the Company “should have gone to their LNG facility and obtained the gas at a much lower price”²⁵ when the transportation customers failed to deliver gas, but as demonstrated above, this argument misunderstands the purpose of the LNG facility and simply tries to evade the responsibility of transportation customers to deliver their gas.

²² *Hearing Transcript*, at 35:5–7, 36:8–10. See also *Rebuttal Testimony of Tiffany Callaway Ferrell*, p. 3:19–22, TPUC Docket No. 22-00004 (Aug. 19, 2022) (hereinafter “*Ferrell Rebuttal*”).

²³ *Ferrell Rebuttal*, at 4:22–23.

²⁴ *Becker and Bellinger Rebuttal*, at 19:1–10.

²⁵ *Hearing Transcript*, at 186:1–3.

III. THE COMMISSION SHOULD REJECT CRMA'S POOLING PROPOSAL.

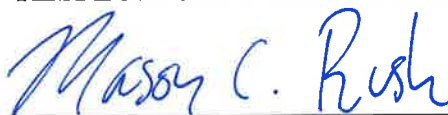
CRMA proposes that customers be allowed to form "pools," allowing marketers to manage supply for a group of customers, enabling customers to trade imbalances with each other. The Consumer Advocate is not opposed to pooling in principle. However, the Consumer Advocate would ask the Commission to deny this proposal by CRMA at this time with the option to resubmit the proposal at a later date. A more comprehensive analysis of the implications of transportation customer pooling agreements is necessary, particularly with regard to the potential effect on the Company's ability to reliably serve its firm sales customers.

CONCLUSION

The Consumer Advocate asks the Commission to approve CGC's proposed tariff amendments and include our provision allowing daily balancing orders to be issued during periods of price volatility regardless of whether a pipeline OFO is in effect. This is necessary in light of recent behavior by transportation customers resulting in the unfair shifting of costs to other customer classes. CRMA's arguments concerning the LNG facility rest on a misunderstanding of its purpose and of the Company's obligations. Therefore, the Commission should reject CRMA's pooling proposal at this time.

Signature on following page

RESPECTFULLY SUBMITTED,



MASON C. RUSH (BPR No. 039471)

Assistant Attorney General

KAREN H. STACHOWSKI (BPR No. 019607)

Senior Assistant Attorney General

Office of the Tennessee Attorney General

Consumer Advocate Division

P.O. Box 20207

Nashville, Tennessee 37202-0207

Phone: (615) 741-2370

Fax: (615) 741-8151

Email: Karen.Stachowski@ag.tn.gov

Email: mason.rush@ag.tn.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail,
with a courtesy copy by electronic mail, upon:

J.W. Luna, Esq.
Butler Snow LLP
The Pinnacle at Symphony Place
150 3rd Ave S, Ste. 1600
Nashville, TN 37201
Email: jw.luna@butlersnow.com

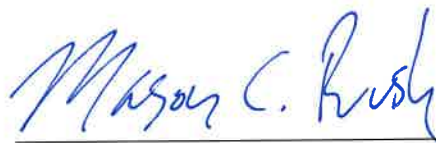
Floyd R. Self, Esq.
Berger Singerman, LLP
313 North Monroe Street, Suite 301
Tallahassee, FL 32301
Phone: (850) 521-6727
Email: fself@bergersingerman.com

Henry Walker, Esq.
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203
Telephone: (615) 252-2363
Email: hwalker@babbc.com

Elizabeth Wade, Esq.
Chief Regulatory Counsel
South Company Gas
Ten Peachtree Place, NW
Atlanta, GA 30309
Phone: (404) 584-3160
Email: ewade@southernco.com

Paul Teague
Director, External Affairs
Chattanooga Gas Company
2207 Olan Mills Drive
Chattanooga, TN 37421
Phone: (404) 693-5986
Email: pteague@southernco.com

This the 3rd day of October 2022.



MASON C. RUSH
Assistant Attorney General