

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

**IN RE:**

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

)  
)  
)  
)  
)  
)

**DOCKET NO. 22-00004**

---

**DIRECT TESTIMONY**

**OF**

**DAVID N. DITTEMORE**

---

**July 11, 2022**

1 I. Background

2 **Q1. PLEASE STATE YOUR NAME AND OCCUPATION FOR THE RECORD.**

3 **A1.** My name is David N. Dittmore. I am a self-employed consultant working in the utility  
4 regulatory sector.

5 **Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND**  
6 **PROFESSIONAL EXPERIENCE.**

7 **A2.** I received a Bachelor of Science Degree in Business Administration from the University  
8 of Central Missouri in 1982. I am a Certified Public Accountant licensed in Oklahoma  
9 (#7562). I was previously employed by the Kansas Corporation Commission ("KCC") in  
10 various capacities, including Managing Auditor, Chief Auditor, and Director of the  
11 Utilities Division. I was self-employed as a Utility Regulatory Consultant for  
12 approximately four years, representing primarily the KCC Staff in regulatory issues. I also  
13 participated in proceedings in Georgia and Vermont, evaluating issues involving electricity  
14 and telecommunications regulatory matters.

15 Additionally, during this time frame, I performed a consulting engagement for Kansas Gas  
16 Service ("KGS"), my subsequent employer. For eleven years, I served as Manager and  
17 subsequently Director of Regulatory Affairs for KGS, the largest natural gas utility in  
18 Kansas, serving approximately 625,000 customers. KGS is a division of ONE Gas, a  
19 natural gas utility serving about two million customers in Kansas, Oklahoma, and Texas.  
20 I joined the Tennessee Attorney General's Office in September 2017 as a Financial Analyst.  
21 In July 2021, I began my consulting practice.

1 I have been a Board Member of the Financial Research Institute (“University of Missouri”).

2 I have also been a member of the National Association of Regulatory Utility  
3 Commissioners (“NARUC”) Subcommittee on Accounting, the Vice-Chair of the  
4 Accounting Committee of the National Association of State of Utility Consumer Advocates  
5 (“NASUCA”), and an active participant in NASUCAs' Natural Gas and Water  
6 Committees.

7 Overall, I have thirty years of experience in public utility regulation. I have presented  
8 testimony as an expert witness on many occasions. Attached as Exhibit DND-1 is a detailed  
9 overview of my background.

10 **Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE**  
11 **TENNESSEE PUBLIC UTILITY COMMISSION (“TPUC” OR THE**  
12 **“COMMISSION”)?**

13 **A3.** Yes. I have submitted testimony in many TPUC dockets.

14 **Q4. ON WHOSE BEHALF ARE YOU APPEARING?**

15 **A4.** I am appearing on behalf of the Consumer Advocate Division in the Office of the  
16 Tennessee Attorney General (“Consumer Advocate”).

17 **II. Purpose of Testimony**

18 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 **A5.** The purpose of my testimony is to support the Consumer Advocates’ position regarding  
20 Chattanooga Gas Company’s (“CGC” or the “Company”) request to modify its tariff.

### III. Overview of CGC's Proposal

#### **Q6. PROVIDE AN OVERVIEW OF THE CGC PROPOSAL.**

**A6.** The Company proposes to modify its T-1, T-2, and T-3 tariffs to implement additional charges on those days in which customers do not comply with daily balancing orders or curtailment orders of the Company. The additional charges vary by customer class but are designed to disincentivize customers from: (a) taking excess gas during times a balancing order is in effect; (b) failing to comply with curtailment orders; and (c) failing to comply with daily balancing orders by having gas delivered in excess of its daily consumption.<sup>1</sup>

#### **Q7. WHAT IS AN OPERATIONAL FLOW ORDER?**

**A7.** An Operational Flow Order ("OFO") 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.

#### **Q8. IS CGC RESPONSIBLE FOR COMPLIANCE WITH OPERATIONAL FLOW ORDERS ISSUED BY UPSTREAM PIPELINES?**

**A8.** Yes. Failure of CGC to adhere to OFO could result in penalties assessed to CGC.<sup>2</sup>

#### **Q9. ARE THERE OTHER POTENTIAL IMPLICATIONS TO FIRM SALES CUSTOMERS FROM THE ACTIONS OF TRANSPORT CUSTOMERS DURING PERIODS OF OFOS?**

**A9.** Yes. The relative nominations and deliveries into the Company's system during OFO periods are potentially impactful to the cost of gas, costs borne by the Company's firm

---

<sup>1</sup> Direct Testimony of Archie R. Hickerson at 12:3 – 13:8, TPUC Docket No. 22-0004 (January 14, 2022).  
<sup>2</sup> CGC Response to Consumer Advocate Division DR No. 1-1, TPUC Docket No. 22-0004 (May 2, 2022).

1 sales customers. As stated by Mr. Archie Hickerson, “an OFO is often accompanied by a  
2 daily increase in the price of gas.”<sup>3</sup> The current tariff permits transportation customers to  
3 take more gas off the system than it nominates during periods in which an OFO is in effect,  
4 while replacing the shortage later in the month after prices have subsided. In his testimony,  
5 Mr. Hickerson describes the action of transport customers during the periods of February  
6 1<sup>st</sup> through 7<sup>th</sup> and 13<sup>th</sup> through 23<sup>rd</sup>.<sup>4</sup> These transport customers’ actions effectively shifted  
7 costs from transport customers to sales customers. Essentially, the transport customers  
8 borrowed gas from the Company (or firm customers) during a period of peak pricing and  
9 replaced the gas when prices subsided. The Company had to locate gas taken by the  
10 transport customers and incur significant costs in doing so in order to maintain system  
11 integrity and fulfill the supply required by firm sales customers.

12 **Q10. YOU’VE DESCRIBED CHALLENGES IF A TRANSPORT CUSTOMER UNDER-**  
13 **NOMINATES DURING A PERIOD OF SPIKE IN THE COST OF GAS. WHAT**  
14 **CHALLENGES DOES THE COMPANY FACE DURING PERIODS IN WHICH**  
15 **CUSTOMERS DELIVER MORE GAS TO THE COMPANY’S SYSTEM THAN**  
16 **THE CUSTOMER CONSUMES?**

17 **A10.** The Company explained that when customers over-deliver, the Company must make  
18 changes to its daily supply plan and requires it to use its storage assets in a manner in which  
19 it did not plan.<sup>5</sup> Further, the Company states that if such a situation occurs during a period  
20 of an OFO, it may require the sale of gas at a loss to the detriment of its firm sales

---

<sup>3</sup> Direct Testimony of Archie R. Hickerson at 7:1-2.

<sup>4</sup> *Id.* at 7:13 – 8:11.

<sup>5</sup> CGC Response to Consumer Advocate Division DR No. 1-10.

1 customers. The current tariff provisions for “cash out”<sup>6</sup> may result in payment for over-  
2 deliveries to CGC that is less than CGC’s cost to acquire that same gas. The Company’s  
3 firm sales customers then incur the incremental costs when either of these actions occurs.

4 **Q11. DO THE CURRENT TARIFF PROVISIONS PROVIDE THE COMPANY THE**  
5 **LATITUDE TO REQUIRE DAILY BALANCING DURING PERIODS OF**  
6 **SIGNIFICANT GAS VOLATILITY?**

7 **A11.** The Company stated that absent an “operational reason,” price volatility, in and of itself,  
8 does not permit the Company to require daily balancing<sup>7</sup>. Thus, transport customers may  
9 in effect “borrow” gas from the Company’s firm sales customers during periods of high  
10 price and replace the gas shortage during periods of low price within incurring any  
11 incremental costs under the Company’s existing tariff language.

12 **IV. Recommendation Summary**

13 **Q12. DO YOU SUPPORT THE COMPANY’S REQUESTED TARIFF CHANGES?**

14 **A12.** Yes. I support the Company’s proposal to modify its tariff as explained in the direct  
15 testimony of Mr. Archie Hickerson, with one clarification. The daily balancing  
16 requirement proposed by the Company would apply when a balancing order is in effect, or  
17 when the Company determines that there is an “operational reason” for doing so. A daily  
18 balancing order may be issued when an interstate pipeline company issues an OFO. I

---

<sup>6</sup> CGC Gas Tariff, Rate Schedule T-1: Interruptible Transportation Service, “Cash Out Monthly Imbalances,” Fourth Revised Sheet No. 30C (September 1, 2021); Rate Schedule T-2: Transportation Service with Firm Gas Supply Backup, “Cash Out Monthly Imbalances,” Seventh Revised Sheet No. 31B (September 1, 2021); Rate Schedule T-3: Low Volume Transport, “Cash Out Monthly Imbalances,” Third Revised Sheet No. 33C (Effective September 1, 2018); and Rate Schedule TPS, “Daily and Monthly Contract Balancing b) Monthly Imbalance Trading, Second Revised Sheet No. 38B (Effective November 1, 2018).

<sup>7</sup> CGC Response to Consumer Advocate Division DR No. 2-3, TPUC Docket No. 22-00004 (June 12, 2022).

1 recommend the Company clarify its tariff such that it may also issue a balancing order  
2 during times of price spikes, regardless of whether an OFO order has been issued. In other  
3 words, in the unlikely event that a price spike is occurring in the natural gas markets, but  
4 an OFO has not been issued, the Company could initiate a balancing order to ensure that  
5 transport customers are not borrowing gas during the period of extreme prices. I  
6 recommend that language be inserted into the tariff indicating that a balancing order may  
7 be issued for operational reasons or during periods of price volatility as determined by the  
8 Company. Under the current tariff, it appears that price volatility does not fall under the  
9 definition of an “operational reason.”<sup>8</sup>

10 Price volatility is somewhat subjective; however, I recommend volatility be defined as a  
11 daily price which exceeds the first of the months published price at the Henry Hub by more  
12 than 20%. The Henry Hub is a well-established market for natural gas with daily prices  
13 monitored and reported in industry publications as well on the internet site of NYMEX.

14 **Q13. ARE YOU SPONSORING AN EXHIBIT SETTING OUT YOUR PROPOSED**  
15 **TARIFF LANGUAGE?**

16 **A13.** Yes. Exhibit DND-2 sets out the Company’s proposed tariff, as reflected in Exhibit ARH-  
17 1, with my recommended language insertion noted with underline edits.

18 **Q14. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 **A14.** Yes.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE:

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

DOCKET NO. 22-00004

---

AFFIDAVIT

---

I, David Dittamore, on behalf of the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

David N. Dittamore  
DAVID N. DITTEMORE

Sworn to and subscribed before me  
this 11<sup>th</sup> day of July 2022.

Terra Allen  
NOTARY PUBLIC



My commission expires: September 28, 2022.



**David Dittmore**

**Experience**

**Areas of Specialization**

Approximately thirty-years experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Self-Employed; **Consultant July 1 - Current**; Responsible for providing evaluation of utility ratemaking issues on behalf of clients. Prepare analysis and expert witness testimony.

Tennessee Attorney General's Office; **Financial Analyst September, 2017 – June 2021**; Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; **Director Regulatory Affairs 2014 - 2017; Manager Regulatory Affairs, 2007 - 2014**

Responsible for directing the regulatory activity of Kansas Gas Service (KOS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KOS, formulated strategic legislative options for KOS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing. I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis, I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007

**Principal**; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors

Williams Energy Marketing and Trading; 2000-2003

**Manager Regulatory Affairs**; Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 - 2000

**Manager, Wholesale Billing Resolution;** Manage a group of professionals responsible for resolving Wholesale Billing Disputes greater than \$50K. During my tenure, completed disputes increased by over 100%, rising to \$150M per year.

Kansas Corporation Commission; 1984- 1999

**Utilities Division Director** - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

**Asst. Division Director** - 1996 - 1997; Perform duties as assigned by Division Director.

**Chief of Accounting** 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals;

**Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor** 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors on-site during regulatory reviews.

Amoco Production Company 1982 - 1984

**Accountant** Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants.

#### **Education**

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) - Not a license to practice

CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TPUC NO. 1

THIRD REVISED SHEET NO. 30D

**RATE SCHEDULE T-1**  
**Interruptible Transportation Service**  
**(Continued)**

**LIMITING AND CURTAILING GAS SERVICE**

Transportation Service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Public Utility Commission.

**SPECIAL TERMS AND CONDITIONS**

This schedule is subject to interruption on one-half-hour's notice given by the Company by telephone or otherwise. The Company will curtail transportation gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules.

Customer shall immediately discontinue the use of transported gas service, to the extent of curtailment ordered, when and as directed by the Company; and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises. Upon determination by the Company that the necessity for curtailment has ceased the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified.

The Company may issue a daily balancing order when an OFO order has been issued, when in the judgement 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%.

In the event Customer

- a) does not comply with a daily balancing order as directed by the Company and takes gas in excess of the Customer's gas nomination for the balancing day, the daily volumes taken in excess of the Customer's nomination shall be paid for by the Customer at the average daily index on the daily balancing days plus \$5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges that are the result of the Customer's failure to comply with a daily balancing order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule; Imbalances for days that a balancing order is in effect may not be offset by over-deliveries on days that a balancing order is not in effect and are not subject to end of month imbalance trading;
- b) does not comply with a curtailment order issued by the Company as provided in the "Schedule for Limiting and Curtailing Gas Service," such daily volumes taken in excess of the allowed curtailment volumes shall be paid for by the Customer at the greater of the rate of (1.) \$15.00 per Dth or (2.) the average daily index on curtailment days plus \$5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule. Imbalances for days that a curtailment order is in effect may not be offset by over-deliveries on days that a curtailment or balancing order is not in effect and are not subject to end of month imbalance trading;

ISSUED

ISSUED BY: TIFFANY CALLAWAY-FERRELL, VP  
11141855-1

EFFECTIVE

CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TPUC NO.

ORIGINAL SHEET NO. 30E

**RATE SCHEDULE T-1**  
**Interruptible Transportation Service**  
**(Continued)**

- c) does not comply with a daily balancing order as directed by the Company and has gas delivered in excess of its actual daily consumption, a penalty of \$15 for each Dth of excess gas delivered that exceeds 5% of the daily consumption will be billed to the Customer in addition to all applicable pipeline and/or gas supplier penalties and/or charges that result from the Customer's failure to comply with the daily balancing order as directed by the Company. If the Customer's gas delivered does not exceed the Customer's actual daily consumption by more than 5% and such excess gas does not result in pipeline and/or gas supplier penalties and/or charges that result from the Customer's failure to comply with the daily balancing order as directed by the Company, the \$15.00 charge will be waived. Imbalances for days that a balancing order is in effect shall not be offset by under-deliveries on days a balancing order is not in effect and are not subject to end of month imbalance trading.

The payment of a charge for unauthorized over-run shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

The curtailment of interruptible transportation service deliveries in whole or in part under this schedule shall not be the basis for claims against the Company for any damages sustained by the Customers. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with TPUC Administrative Rule 1220-4-7.

**GENERAL TERMS AND CONDITIONS**

Transportation Service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Public Utility Commission.

ISSUED

ISSUED BY: TIFFANY CALLAWAY-FERRELL, VP, VP

EFFECTIVE

CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TPUC NO. 1

THIRD REVISED SHEET NO.31C

RATE SCHEDULE T-2Interruptible Transportation Service With Firm Gas Supply Backup  
(Continued)

## SPECIAL TERMS AND CONDITIONS

This schedule is subject to interruption on one-half-hours' notice given by the Company by telephone or otherwise. The Company will curtail transportation gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules.

Customer shall immediately discontinue the use of transportation gas service, to the extent of curtailment ordered, when and as directed by the Company; and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises. Upon determination by the Company that the necessity for curtailment has ceased the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified.

The Company may issue a daily balancing order when an OFO order has been issued, when in the judgement 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%.

In the event Customer:

- a) takes gas in excess of the Customer's gas volumes nominated on a day that a balancing order is in effect, the gas in excess of Customer's gas nomination for the day shall be paid for by the Customer at the Rate Schedule F-1 rate. If a Customer has the billing demand volume established in the gas sale agreement, as provided in Rate Schedule F-1, gas taken in excess of the Customer's gas volume nominated plus the Customer's billing demand volume on a day a balancing order is in effect shall be paid for by the customer at the average daily index on a daily balancing days plus \$5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges that are the result of the Customer's failure to comply with a daily balancing order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule. Imbalances for days that a balancing order is in effect shall not be offset by over-deliveries on days a balancing order is not in effect and are not subject to end of month imbalance trading;
- b) does not comply with a curtailment order issued by the Company as provided in the "Schedule for Limiting and Curtailing Gas Service," gas volumes taken in excess of the allowed curtailment volumes shall be paid for by the Customer at the greater of the rate of (1.) \$15.00 per Dth or (2.) the average daily index on the curtailment days plus \$5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule. Imbalances for days that a curtailment order is in effect shall not be offset by over-deliveries on days that a curtailment or balancing order is not in effect and are not subject to end of month imbalance trading; or

ISSUED

ISSUED BY: TIFFANY CALLAWAY-FERRELL, VP, VP

EFFECTIVE

CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TPUC NO. 1

ORIGINAL SHEET NO.31D

RATE SCHEDULE T-2Interruptible Transportation Service With Firm Gas Supply Backup  
(Continued)

c) does not comply with a daily balancing order as directed by the Company and has gas delivered in excess of its actual daily consumption, a penalty of \$15 for each Dth of excess gas delivered that exceeds 5% of the daily consumption will be billed to the Customer in addition to all applicable pipeline and/or gas supplier penalties and/or charges that result from the Customer's failure to comply with the daily balancing order as directed by the Company. If the Customer's gas delivered does not exceed the Customer's actual daily consumption by more than 5% and such excess gas does not result in pipeline and/or gas supplier penalties and/or charges that result from the Customer's failure to comply with the daily balancing order as directed by the Company, the \$15.00 charge will be waived. Imbalances for days that a balancing order is in effect shall not be offset by under-deliveries on days a balancing order is not in effect and are not subject to end of month imbalance trading.

The payment of a charge for unauthorized over-run shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

The curtailment of interruptible gas deliveries in whole or in part under this schedule shall not be the basis for claims against the Company for any damages sustained by the Customers. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with TPUC Administrative Rule 1220-4-7.

GENERAL TERMS AND CONDITIONS

Transportation service hereunder shall be subject to the company's rules and regulations as filed with the Tennessee Public Utility Commission. The effectiveness of this tariff sheet will terminate should it be determined by the Tennessee Public Utility Commission that the limiting provisions contained in paragraph 2 of the availability section of this rate schedule are required to be implemented.

ISSUED

ISSUED BY: TIFFANY CALLAWAY-FERRELL, VP, VP

EFFECTIVE



CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TPUC NO. 1

FIFTH REVISED SHEET 33 B

**RATE SCHEDULE T-3**  
Low Volume Transport  
(Continued)

- v) The summer daily baseload is multiplied by the days in the winter period to produce a winter baseload.
- vi) The winter baseload is subtracted from the total load in the winter period to isolate the heat sensitive load.
- vii) The heat sensitive load is divided by the heating degree days in the winter period to produce a heat sensitive factor.
- viii) The heat sensitive factor is multiplied by the peak day heating degree days to produce the peak heat sensitive load.
- ix) The peak heat sensitive load is added to the winter baseload to produce the initial billing demand
- x) The initial billing demand is verified and estimation techniques are employed as necessary where actual data produces unacceptable results.

**New Premises:**

For new Premises, the billing demand is estimated based upon the construction matrix prepared by the Company. The BTU rating of the gas fired equipment and the expected hours of operation on the peak day are used to calculate the Demand Unit. After each new Premises has been receiving service for one year, the Premises is no longer considered a new Premises and the billing demand will be recalculated based upon actual consumption using the billing demand calculation method for existing Premises.

**SPECIAL TERMS & CONDITIONS**

The Company may issue a daily balancing order when an OFO order has been issued, when in the judgement 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%.

**In the event the Customer:**

- a) takes gas in excess of the Customer's gas volumes nominated on a day that a balancing order is in effect, the gas in excess of Customer's gas nomination for the day shall be paid for by the Customer at the Rate Schedule C-2 rate. Imbalances for days that a balancing order is in effect shall not be offset by over-deliveries on days that a balancing order is not in effect and are not subject to end of month imbalance trading;
- b) does not comply with a curtailment order issued by the Company as provided in the "Schedule for Limiting and Curtailing Gas Service," such daily volumes taken in excess of the allowed curtailment volumes shall be paid for by the Customer at the greater of (1.) the rate of \$15.00 per Dth or (2.) the average daily index on curtailment days plus \$5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule. Imbalances for days that a curtailment order is in effect shall not be offset by over-deliveries on days that a curtailment or balancing order is not in effect and are not subject to end of month imbalance trading; or

ISSUED

ISSUED BY: TIFFANY CALLAWAY-FERRELL, VP

EFFECTIVE

CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TPUC NO. 1

FOURTH REVISED SHEET 33C

**RATE SCHEDULE T-3**  
**Low Volume Transport**  
**(Continued)**

- d) does not comply with a daily balancing order as directed by the Company and has gas delivered in excess of its actual daily consumption, a penalty of \$15 for each Dth of excess gas delivered that exceeds the daily consumption will be billed to the Customer in addition to all applicable pipeline and/or gas supplier penalties and/or charges that result from the Customer's failure to comply with the daily balancing order as directed by the Company. If the Customer's gas delivered does not exceed the Customer's actual daily consumption by more than 5% and such excess gas does not result in pipeline and/or gas supplier penalties and/or charges that result from the Customer's failure to comply with the daily balancing order as directed by the Company, the \$15.00 charge will be waived. Imbalances for days that a balancing order is in effect shall not be offset by under-deliveries on days a balancing order is not in effect and are not subject to end of month imbalance trading.

These additional charges shall be in addition to all other charges payable under this Rate Schedule.

The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with Tennessee Public Utility Commission Administrative Rule 1220-4-7.

**CASH OUT OF MONTHLY IMBALANCES**

Any difference between the quantities delivered to the Company's city gate facilities for the account of the Customer for the month, and the quantities consumed by the Customer as metered for the month, shall be the monthly imbalance. This imbalance shall be resolved monthly by "cashing out" the imbalance as it is known at that time. If the Customer consumes more gas than the Customer has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency and will buy an amount of gas equal to the deficiency from the Company in under Rate Schedule C-2. If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus by paying the Customer a price equal to the lowest Daily Index Cost of Gas, as determined from S&P Global Platts *Gas Daily* in the table titled "Final Daily Price Survey-Platts Locations" denoted in the column labeled "Midpoint", in the first issue of such publication following the date of the transaction, applicable surcharges and fuel on the relevant pipeline times the discount percentage corresponding to the percentage of the deficiency listed in the table below plus the 100% load factor FT transportation rate:

Percentage of the Imbalance	Long Discount
Equal to or less than 10%	100%
Over 10% & equal to or less than 15%	80%
Over 15% & equal to or less than 20%	60%
Over 20 %	50%

ISSUED

ISSUED BY: TIFFANY CALLAWAY-FERRELL, VP

EFFECTIVE



CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TPUC NO. 1

REVISED SHEET 33D

**RATE SCHEDULE T-3**  
**Low Volume Transport**  
**(Continued)**

The Weighted Index Price" shall be derived from the prices published in *Gas Daily* from the Daily Price Survey.

Southern Natural, La	X	43%
	+	
Tennessee, zone 0	X	17%
	+	
Tennessee, La, 500 Leg	X	20%
	+	
Tennessee, La, 800 Leg	X	20%

The Company will collect gross receipt tax on the incremental gross gas related charges.

Any difference between the actual cost of gas incurred by the Company and the Index prices defined above will be accounted for in the Actual Cost Adjustment in a manner consistent with TPUC Administrative Rule 1220-4-7. Increments or decrements which may result for the PGA will not apply to the cash-out mechanism.

**LIMITING AND CURTAILING GAS SERVICE**

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Public Utility Commission.

**GENERAL TERMS AND CONDITIONS**

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Public Utility Commission

ISSUED

ISSUED BY: TIFFANY CALLAWAY-FERRELL, VP

EFFECTIVE