

Before the  
Tennessee Regulatory Authority  
Docket No. 22-00004

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**Chattanooga Gas Company**

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Direct Testimony of  
**John Edwards**

On Behalf of  
**Chattanooga Regional Manufacturers Association**

July 2022

**Direct Testimony of John Edwards**

**Q. Please state your name, business address and occupation.**

A. I am John Edwards, I am Complex Manager for Koch facilities in Chattanooga Tennessee. My business address is 1835 Kerr Street, Chattanooga, Tennessee, 37401.

**Q. What are your principal responsibilities as Director of Operations and Maintenance of Koch Foods, LLC?**

A. I am primarily responsible for all plant operations for Koch facilities in Chattanooga including production facility in Chattanooga and feed mill in Hamilton County, just outside of the Chattanooga city limits.

**Q. Please outline your educational and professional training and experience.**

A. I earned my Bachelor of Poultry Science Degree from Auburn University. I have worked in the poultry industry for 21 years with the following companies: Goldkist (Internship), Cagle's, Inc, Wayne Farms, Pilgrims and Koch Foods. I have been with my present company, Koch Foods, for 10 years and have been Complex Manager at Koch Food's Chattanooga-area facilities since 2019.

**Q. Have you previously submitted testimony for the Chattanooga Manufacturers' Association ("CRMA") to the Tennessee Public Utilities Commission?**

A. No,

**Q. What is the subject of your testimony?**

A. I will present information explaining why I am opposing Chattanooga Gas Company's filing for a revised natural gas tariff submitted to the TPUC that Chattanooga Gas Company has proposed changes in their Transportation Rate Tariffs.

**Q. Have you prepared any exhibits to accompany your testimony?**

A. No.

**Q. Does your company have a facility located in Hamilton County, Tennessee, that utilizes fuel distributed by Chattanooga Gas?**

A. Yes. Koch Foods has two facilities located in Hamilton County, Tennessee that employ over 275 people at wages significantly higher than minimum wage. The production facility in an area of downtown Chattanooga that is currently being revitalized has been in operation by Koch Foods since March, 1996, and the other Chattanooga facility has been in existence for over 50 years (as Koch or a predecessor). In addition to our direct employees, Koch's presence here contributes substantially to regional employment in businesses that supply our facility through farming, raising chickens, or processing chicken feed. In addition, Koch Foods has expanded the number of jobs in and around Hamilton County to support this facility.

**Q. Is Chattanooga the only area in which Koch Foods operates?**

A. No. My company has facilities in five states other than Tennessee. We also have several facilities located in Morristown, Tennessee, that is served by Atmos Energy Corp.

**Q. How valuable are the Tennessee operations for Koch Foods?**

A. The Tennessee operations generate about \$300 million per year in economic impact for the state economy.

**Q. Do utility services factor into your expansion plans?**

A. Definitely. The costs and reliability of natural gas, water and electricity factor into our plans to expand in Chattanooga or to move production to an area that is more favorable.

**Q. What CGC rate tariffs is Koch Foods currently served under?**

A. Our production facility on Kerr Street in downtown Chattanooga is served under CGC's T-2 Transportation Firm Rate Schedule and our Feedmill just outside Chattanooga is served under CGC's T-1 Interruptible Rate Schedule.

**Q. How do CGC's proposed tariff changes and rate increases affect your business in Chattanooga?**

A. I reviewed Mr. James Crist's testimony in the Annual Review Mechanism ("ARM") proceeding and am concerned that Chattanooga Gas Company's ARM tariff filing proposes to allocate rate increases without regard to cost of service so that we are subsidizing other customer classes. As I explained earlier, Koch is a major employer in Chattanooga and a significant contributor to the local economy. We do not need Chattanooga Gas Company to force us to subsidize other customer classes unfairly because our facility competes with other Koch nationwide and it is imperative that we remain competitive. . Furthermore, now that CGC is proposing harsher penalty language that will increase our exposure to unjust imbalance penalties that are not cost based and require more internal and external resources to

manage. It is becoming more difficult to convince others in my company that contributing capital in Chattanooga is as effective and beneficial as supporting competing facilities within Koch.

**Q. How does Chattanooga's tariff compare with Koch's Morristown Facility?**

A. We have two production facilities in Morristown, Tennessee, that is served by Atmos Energy, a regulated utility served by the same interstate pipeline, East Tennessee Natural Gas Pipeline, as Chattanooga Gas Company. In 2021, our facilities in Morristown did not receive an Operational Flow Order ("OFO") requiring daily balancing throughout the entire year. The same year, Chattanooga Gas Company issued approximately 30 days OFOs that required daily balancing and we faced penalties for under/over-delivery of gas. Now, Chattanooga Gas wants to significantly increase these OFOs requiring daily balancing and add a \$15.00/Dth penalty for gas imbalances. This is a significant financial penalty for our business that is not caused by any costs that CGC incurs.

**Q. What other concerns do you have about Chattanooga Gas Company and gas reliability?**

A. Our feedmill is served under Chattanooga Gas Company's T-1 interruptible transportation rate, and our costs of replacement gas during OFOs when CGC interrupts our gas deliveries forcing us to use expensive alternative fuel have increased significantly recently.

**Q. Did Chattanooga Gas Company offer any incremental LNG gas supply recently?**

A. No, it was our understanding in the last rate case that they would offer incremental gas to T-1 customers, but it has not been offered this past year even during the February 2021 when natural gas prices available through the pipeline were very volatile and expensive.

**Q. From your perspective, are you receiving any benefit on the capital upgrades to the LNG facility that Chattanooga Gas Company received through the last ARM.**

Q. No. In regards to the improvements made to CGC's LNG plant and infrastructure improvements, we are not seeing any lower cost incremental gas offered by CGC.

**Q. Are any of your facilities served by the CGC's firm transportation rate schedules.**

A. Yes, our production facility on Kerr Street in downtown Chattanooga is served by CGC's T-2 Transportation Rate Schedule.

**Q. Do you agree with CGC's proposed changes for this rate schedule?**

A. No. In his testimony CGC witness Mr. Hendrickson selected examples that happened in February 2021, when Gulf Coast pricing set high pricing records, and he specifically cited February 17, 2021, when the Henry Hub pricing was at its record high price of \$23.86/Dth. . I agree that the current method allowed in the transportation tariffs that allows customers to balance their supplies monthly resulted in supply costs shifts and agree that the mechanism should be changed. Mr. Hickerson's proposal however is not the best solution for it creates financial penalties that are not cost based and results in cross-class subsidization. A better

solution to remedy firm customer's imbalances that Koch Food supports is the assignment of firm capacity to the transportation customers.. It is just, fair, and equitable that customers that pay for the capacity should be able to use those capacity assets. This solution does not cause harm to any customers and benefits all customers.

**Q. Is there anything you would propose with respect to the Chattanooga Gas Company's Tariff filing?**

A. Koch Foods supports reasonable rate design by Chattanooga Gas Company that balance the interest of ratepayers and the Company. The current T-1 language allows the company to pass through penalties that are assessed by upstream pipelines to any transportation customer whose imbalance caused such penalties and is fair to CGC's customers. The TPSC should require the CGC to assign the capacity assets to the customers that pay for those assets. Koch Foods contends that this would resolve CGC's issues and be in the customer's best interest.

**Q. Does this complete your testimony in this proceeding?**

A. Yes