BEFORE THE

TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

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

DIRECT TESTIMONY OF JAMES L. CRIST, P.E.

ON BEHALF OF

THE CHATTANOOGA REGIONAL MANUFACTURERS ASSOCIATION

PUBLIC VERSION

Dated: July 11, 2022

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS, AND ON WHOSE BEHALF YOU ARE TESTIFYING.

A. I am James L. Crist, President of Lumen Group, Inc., a consulting firm focused on regulatory and market issues. My business address is 4226 Yarmouth Drive, Suite 101, Allison Park, Pennsylvania 15101. I am presenting testimony on behalf of Chattanooga Regional Manufacturers Association's ("CRMA").

Q. DO YOU HAVE ANY QUALIFICATIONS OR OTHER SPECIALIZED KNOWLEDGE THAT WOULD ASSIST THE TENNESSEE PUBLIC UTILITY COMMISSION ("COMMISSION") IN ITS DELIBERATIONS IN THIS CASE?

A. Yes. I have a B.S. in Chemical Engineering from Carnegie Mellon University and an M.B.A. from the University of Pittsburgh. Additionally, I am a Registered Professional Engineer in the Commonwealth of Pennsylvania. I have attached a copy of my CV and Regulatory Experience as Exhibits JC1 and JC2 respectively.

Q. BRIEFLY DESCRIBE YOUR RELEVANT BUSINESS QUALIFICATIONS.

A. I have run a consulting practice for the past 26 years focused on regulated and deregulated energy company strategy, market strategy, and regulatory issues. During 2004 and 2005, I undertook a consulting assignment as the Vice President of Consumer Markets for ACN Energy. ACN is a gas and electric marketer that is active in eight states. Prior to my consulting practice, I worked at three major energy companies for a total of 19 years. Most recently I was Vice President of Marketing for Equitable Resources. In that function I was responsible for the development of the company's deregulated business strategy.

Prior to that I was Vice President of Marketing for Citizens Utilities, responsible for gas, electric, water and wastewater marketing activities in several service territories within the United States. The gas and electric utility operations were in Vermont, Louisiana, Arizona, Colorado, and Hawaii. Under my direction, Citizens initiated commercial and industrial transportation and supply services at its gas operation in Arizona. I also directed significant gas supply contracting activities with large industrial and commercial customers in Citizens' gas operation in Louisiana.

Before that, during 1988 through 1994, I was the Marketing Director at the Peoples Natural Gas Company where I was actively involved in many gas transportation programs as the company relaxed transportation requirements so that customers would have supply choices.

In summary, I have considerable experience in several states involving residential, commercial, and industrial customer energy procurement, regulatory issues and industry restructuring programs.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION?

A. Yes, I filed direct testimony in the ongoing Chattanooga Gas Company ("CGC" or "Company") Annual Rate Review ("ARM") proceeding at Docket 22-00032. Additionally, I have provided testimony on a variety of issues relating to energy procurement, industry restructuring, demand response and customer choice before regulatory Commissions in Arizona, Illinois, Kentucky, Maryland, New Mexico, Ohio, Pennsylvania, Wyoming and the U.S. Virgin Islands.

I. <u>ISSUES</u>

Q. WHAT ARE THE ISSUES YOU WILL DISCUSS IN THIS TESTIMONY?

A. In the ARM proceeding I addressed the Company's base rate requests and its Cost of Service Study ("COSS") and revenue allocation recommendations which resulted in unjust and unfair revenue allocations. I also addressed issues involving gas delivery service and the provision of incremental gas and the Company's management of its capacity and LNG facilities. Although those are appropriate issues for the ARM docket because they rely on the Company's rate-based assets, I have been notified that the Company intends to file a motion to strike portions of my testimony or, in the alternative, to move the incremental gas and capacity management issues from the ARM docket to this docket. Since these issues impact both dockets and we do not know at this time how the Commission will rule on CGC's motion, I will be addressing here not only the Company's proposed changes in the transportation tariff but also the Company's discriminatory policies on pipeline capacity allocation and the issues of incremental gas and management of that capacity and LNG facilities. As discussed below, all of these issues are interrelated.

II. <u>BALANCING RULE CHANGES</u>

Q. WHAT IS "BALANCING" AND WHY IS IT IMPORTANT?

A. Balancing is the process of reconciling an amount of natural gas delivered to a local distribution utility's system with the amount of gas consumed by the customers of the distribution utility. Balancing is driven by rules of interstate pipelines that usually have requirements for monthly balancing and for daily balancing, and by the ability of the local distribution utility to manage differences in deliveries and consumption. A difference in the amount of gas delivered and the amount of gas consumed is called an "imbalance" and customers can be "long", meaning they have had more gas delivered than they used, or "short" meaning they used more gas than was delivered. The utility establishes tolerances, which should be based on pipeline rules, and system storage assets, to manage imbalances. Historically, customers were required to balance on a monthly basis, but in more recent years utilities are requiring their customers to balance on a daily basis. This is what CGC is attempting to do in its tariff filing.

Q. WHAT IS THE COMPANY'S T-1 TRANSPORTATION TARIFF?

A. Tariff T-1 is transportation service to interruptible customers. By electing this tariff such customers understand and have agreed that service to them may be interrupted. The minimum annual volume requirement is 36,500 Dth and there is a 12-month service agreement that can renew annually. Because of the interruptible nature of service this tariff states that the customer must comply with the Company's direction to curtail consumption:

> Customer agrees to install and maintain standby fuel burning facilities to enable Customer, in the event of curtailment of service, to continue operations on standby fuel, or to give satisfactory evidence of the ability and willingness to have the service hereunder interrupted or curtailed by the Company in accordance with the terms and conditions set forth herein.

The Company may require T-1 customers to balance daily only if such balancing is necessary for operational reasons to CGC.

Q. WHAT IS THE COMPANY'S T-2 TRANSPORTATION TARIFF?

A. Tariff T-2 is interruptible transport service with firm gas supply backup. If customers on this tariff have their pipeline deliveries interrupted then Chattanooga Gas Company will supply the contracted quantity of gas under rate schedule F-1, which is firm sales service to larger customers. Similar to tariff T-1, the minimum annual volume requirement is 36,500 Dth and there is a 12-month service agreement that can renew annually.

Q. IS IT LIKELY THAT A SIGNIFICANT NUMBER OF T-2 CUSTOMERS COULD ELECT SERVICE UNDER TARIFF T-1?

A. No. The critical requirement of the Company that T-1 customers have standby fuel capacity would exclude most T-2 customers from qualifying for service under the T-1 tariff. Large customers, with annual consumption greater than 36,500 Dth that possess alternative fuel capacity most likely are already receiving service under that T-1 tariff.

Q. WHAT IS THE COMPANY'S T-3 TRANSPORTATION TARIFF?

A. Tariff T-3 is low volume transport service with firm gas supply backup. If customers on this tariff have their pipeline deliveries interrupted then Chattanooga Gas Company will supply the contracted quantity of gas under rate schedule C-2, which is firm sales service. Designed for smaller customers than tariffs T-1 or T-2, the minimum annual volume requirement is 400 Dth and there is a 12-month service agreement that can renew annually.

Q. WHAT ARE CGC's CURRENT BALANCING RULES?

A. For T-1customers the rules are as follows:

a. Customers are assessed a penalty amount of the higher of $15.00/Dth or the average daily index plus $5.00/Dth for each dekatherm taken in excess of their delivery when CGC has a balancing order in effect or for non-compliance with a curtailment order.

b. On days that the Company has a balancing order when a long OFO is in effect, the Company may pass through any penalties to Customers that overdeliver to the system and causes the Company to incur a penalty.

B. For T-2 and T-3 customers, the rules are the following;

a. T-2 and T-3 customers that have a monthly imbalance will buy the deficient amount of gas under the applicable F-1 or C-2 rate anytime, and can use this Company supply when the Company has a daily balancing order in effect.

b. can be assessed a penalty amount of the higher of $15.00/Dth or average daily index plus $5.00/Dth for non-compliance with a curtailment order.

c. On days that the Company has a balancing order when a long OFO is in effect, the Company may pass through penalties to Customers that over-deliver to the system and caused the Company to incur a penalty.

In all cases if a customer's imbalance causes the Company to receive a penalty charge from a pipeline, that charge will be passed through to the customer. This is fair treatment and aligns with cost causation principles.

Q. WERE THERE OCCASIONS WHERE THE COMPANY WAS ASSESSED PENALTIES?

A. Yes. In the Company's response to data request Set I-6 it identified the penalties during the period April 1, 2019 through March 31, 2022, that were assessed and billed to the interruptible T-1 and T-2 customers. There were not an excessive number of occurrences that led to the Company being assessed penalties from the pipeline for being out of balance. An important reason for this is that the Company subscribes to Firm Transportation No Notice ("FTNN") service through Sonat that automatically injects over deliveries into the Contract Storage Service ("CSS"). Customers are already paying for this service through the reservation charge, and it mitigates penalties on the pipeline. The Company did not state that those customers were deficient in payment of the penalty amounts. It appears to me that the current tariff requirement of passing penalties incurred to the customers that caused the penalties is appropriate and works well.

Q. WHAT CONCERN DID THE COMPANY EXPRESS THAT IS THE REASON FOR IT WISHING TO CHANGE THE CURRENT TRANSPORATION TARIFFS?

A. In his direct testimony Company witness Mr. Hickerson stated that during certain days when gas prices may be relatively high, transportation customers will under nominate gas and rely on the Company to supply gas, and because the customers balance monthly, they will make up the gas during the month when gas prices are lower. Mr. Hickerson provided an example that occurred during February 2021, of such behavior and said the Company purchased gas at prices of $15.60/Dth on February 18, 2021, to $16.66/Dth on February 17, 2021. He acknowledged that the transportation customers did comply with the Company's monthly balancing requirement by delivering gas later that month when gas prices were lower.

Q. WAS PURCHASING EXPENSIVE GAS ON THOSE DAYS THE ONLY OPTION THE COMPANY HAD?

A. No. The volumes during the two days Mr. Hickerson cited in his testimony were 2,960 Dth and 2,811 Dth, totaling 5,771 Dth. Data request Set I- 08 asked, "For April 1, 2019 through March 31, 2022 provide a monthly inventory of CGC's LNG gas storage injections and withdrawals and Weighted Average Cost of Gas of the inventory." The Company's Confidential response stated that its LNG inventory at the beginning of February, 2021 was BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL and at the end of the month was BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL indicating that the Company used BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL on-system and no off-system sales of LNG were made. The Company had extremely excessive inventory of LNG and could have easily supplied the necessary 5,771 Dth using LNG at its WACOG price of BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL instead of purchasing the expensive gas at $15.60/Dth to $16.66/Dth as Mr. Hickerson described. While this example is appropriately a topic for the annual gas procurement prudency review, I provide it here as convincing evidence that the Company's existing tariff balancing requirements are not responsible for the expensive gas purchases that Mr. Hickerson complained about, but instead it was the Company's decision to purchase extremely expensive gas instead of using the inexpensive gas it its LNG storage. Additionally, this evidence serves to support the recommendation that I will present that the Company should make such LNG available to on-system customers as incremental gas.

Q. WHAT DID MR. HICKERSON PROPOSE TO ADDRESS IMBALANCES?

A. For T-1 customers he proposes to

a. Assess a penalty amount of $5.00/Dth plus Company's Gas Daily Costs for taking gas in excess of deliveries on a day where an Operational Flow Order ("OFO") is in effect.

b. Assess a penalty amount of the higher of $15.00/Dth or the average daily index plus $5.00Dth for non-compliance with a curtailment order.

c. Assess a penalty amount of $15.00/Dth for imbalances outside of a 5% tolerance band on days where a long OFO is in effect.

For T-2 customers he proposes to

a. Charge under rate schedule F-1 for gas taking in excess of deliveries when an Operational Flow Order (OFO) is in effect.

b. Assess a penalty amount of the higher of $15.00/Dth or the average daily index plus $5.00Dth for non-compliance with a curtailment order.

c. Assess a penalty amount of $15.00/Dth for imbalances outside of a 5% tolerance band on days where along OFO is in effect.

For T-3 customers he proposes to

a. Charge under rate schedule C-2 for taking gas in excess of deliveries on a day where an Operational Flow Order ("OFO") is in effect.

b. Assess a penalty amount of the higher of $15.00/Dth or the average daily index plus $5.00Dth for non-compliance with a curtailment order.

c. Assess a penalty amount of $15.00/Dth for imbalances outside of a 5% tolerance band on days where no OFO is in effect.

Such penalty charges are not cost-based and violate cost causation principles and should be rejected.

Q. WHAT ARE THE OBJECTIVES IN THE DESIGN OF A FAIR AND REASONABLE TRANSPORATION TARIFF?

A. Several established principles should be considered:

1. Transportation customers or their suppliers must manage their supply.
2. Assets are assigned equitably based on the rate classes that are paying for the assets.
3. There should be no cross-class subsidization between transportation and sales customers.
4. Transportation customers should be permitted to trade imbalances on daily balancing days or monthly balancing to avoid penalties.

5. Over/under delivery tolerances are added to the pools that are consistent with tolerances of the interstate pipelines that are imposed on CGC.

6. OFO long penalties must be reasonable and do not impose stricter non cost based penalties than CGC has with the interstate pipelines.

Q. WHAT DO YOU RECOMMEND?

A. I have the following recommendations to address the Company's objectives:

1. Transportation gas supply pools will be setup up by CGC. All transportation customers must designate a transportation supplier or pool. CGC may have to setup the Cleveland area as a separate pool due to the physical connections of the interstate pipeline.

2. All cash-out and related daily balancing charges will be assessed to the pool supplier. CGC base charges will be directly billed to CGC customers.

3. CGC will assign the pro-rata share of the interstate capacity and storage assets to each supplier pool, based on the aggregate maximum daily quantity ("MDQ") of their pool. Such assignment will be done on a quarterly or semi-annual basis based on the aggregate supplier's pool MDQ. A methodology will be developed based on a customer's winter sensitivity and entitlement for LNG service because a heat sensitive customer should receive a higher entitlement to LNG relative to their interstate assets assigned.

4. All Cashout and Daily Balancing incentives will be assessed to the pool supplier. The monthly-cashout for imbalances will be consistent with the existing T-1 cashout provisions.

5. Operational Flow Orders (Winter/Short): Pool suppliers will be required to nominate gas to cover their pool requirements. Suppliers will pay daily balancing incentives consistent with the current tariff ($15 or $5 plus), for all burn volumes that

exceed the higher of 5% or 500 Dth/day, consistent with the interstate pipelines rules. A portion of the supply may include LNG which will be assessed by CGC.

6. Operations Flow Orders (Summer/Long): Pool suppliers will be required to nominate gas such that they do not over-deliver gas and cause pipeline penalties to be incurred. The current "no harm, no foul" language is sufficient for CGC to balance the system. Furthermore, since CGC uses the FTNN no notice service from Sonat to automatically balance their meter, imposing a stricter balancing tariff on downstream customers would be unfair.

If these recommendations are adopted then the tariffs will be cost-based, prevent cross-class subsidization, not cause harm to customers, and promote more efficient use of company distribution assets. To put it another way, Mr. Hickerson has indicated the purpose of these tariffs is to protect firm sales customers from having to pay higher gas costs as a result of decisions made by transportation customers. These proposed recommendations address that concern without being unfair to any customer class.

Q. WHAT TREATMENT DID MR. HICKERSON RECOMMEND FOR AMOUNTS COLLECTED AS A RESULT OF THE REVISED TARIFF PROVISIONS?

A. He wished that such amounts be credited to gas costs in the Actual Gas Cost Adjustment filing. Such actions are wholly inconsistent with ratemaking principles for it would create cross-class subsidization, and unfairly disadvantage transportation customers by providing unearned benefits to sales customers. Any amount collected from transportation customers as a result of these tariff modifications should be credited to the same class of customers (T-1, T-2, or T-3) that generated the collection amount.

III. PEAK DAY CAPACITY ASSETS

Q. WHAT PIPELINES DELIVER GAS TO THE COMPANY'S DISTRIBUTION SYSTEM?

A. CGC contracted for firm transportation and storage services from three interstate pipelines during the review period: East Tennessee Natural Gas (ETNG), Tennessee Gas Pipeline (TGP), and Southern Natural Gas Company (SONAT). Of these three interstate pipelines, CGC is interconnected to two: ETNG and SONAT.

Q. WHAT CAPACITY DOES THE COMPANY HOLD?

A. The table JC1 below illustrates capacity held prior to, and after January 31, 2022. The Company now holds 116,917 Dth/day of peak capacity. This is in excess of what the Company has experienced, and has predicted what will be experienced in the future year for its peak day needs. Pipeline capacity in excess of the amount needed for firm system deliveries should be offered to customers (presumably industrial interruptible customer) prior to offering to sell capacity off-system. Such capacity may be offered on a recallable basis, meaning that if the receiving party does not meet the operational requirements for actually using the released capacity to obtain gas and adhere to gas, the Company may recall the capacity.

TABLE JC1	Thru Jan 31, 2022		Current Capacity	
CGC Pipeline Capacity	13000	East Tenn	13000	East Tenn
Dth/day	28350	East Tenn	28350	East Tenn
	23000	OPC capacity	48000	OPC capacity
	13221	Sonat	13221	Sonat
	14346	Sonat	14346	Sonat
Total	**91,917.0**		**116,917.0**	

Q. WHAT ADDITIONAL ASSETS DOES THE COMPANY HAVE TO MEET ITS DESIGN DAY PEAK?

A. In addition to the pipeline capacity cited, the Company operates an LNG facility. The deliverability of LNG is 120,000 Dth/d. When combined with the 117,000 Dth/d identified in Table JC1, results in total capacity of 237,000 Dth/d, which is clearly in excess of the Company's design day requirement. The capital costs for construction, and the annual operating costs are recovered in the Company's delivery rates that apply to all classes, residential, commercial, and industrial, and levels of service, firm and interruptible. I will explain the discriminatory operational practices of the Company regarding the use of the LNG facility that disadvantages the commercial and industrial interruptible customers.

Q. HOW HAS THE COMPANY MANAGED ITS LNG ASSETS IN THE PAST?

A. Historically, LNG had been made available to all rate classes including T-1 through the incremental sales provision of the tariff. However, when the control of gas operations for Chattanooga Gas Company was consolidated in Atlanta it began denying customer requests for incremental gas supply and denied the benefits of this asset to T-1 customers. This issue was addressed in the 2018 base rate case, 18-00017, when the Company responded that it had ceased offering LNG gas to T-1 customers, but was allowing its affiliate Pivotal, to profit by selling LNG off system. After CRMA raised this use in rate docket 18-00017, the Company agreed it would offer incremental gas, if available, on a going forward basis. It its post hearing brief the Company stated, "GCG manages its gas supply to benefit all of its customers, but it must do so in a manner to fulfill its obligations to its firm customers" and "CGC appreciates the need of interruptible customers having access to additional gas supply during these peak days" and "CGC must be concerned with meeting the needs of all customers, with a first priority to firm customers. ***When additional gas in excess of CGC's system needs [exists], it can be made available***". (emphasis added)

CGC Post-Hearing Brief at 28

What is clear from the evidence now is that CGC has had, and on most days will continue to have, adequate gas to meet the needs of all firm customers, and have gas that "can be made available" to interruptible transportation customers.

Q. WHAT IS "INCREMENTAL GAS"?

A. Incremental gas is "gas supply that is over and above the amount needed for design day and reserve margin requirements." (Santolin Rebuttal at 4, Docket 18-00017). LNG gas is considered incremental gas.

Q. DID THE COMPANY LIVE UP TO THE PROMISE THAT THEY MADE WITH THE CRMA IN THE 2018 RATE DOCKET 18-00017, WHEN IT PROMISED TO OFFER INCREMENTAL GAS?

A. No. Despite operating the LNG plant to offer gas supplies off-system delivered through the interstate pipeline on several occasions, the Company only offered incremental gas to T-1 customers on just two days in 2019. This is contrary to the Company's promise to be more transparent regarding the availability and use of incremental gas. Per CGC's attorney:

> And then, finally, to Mr. Walker's concerns in cross-examination from some of those large customers, and I'm sure other as well, this incremental gas issue – what's available, what's not, what's really going on there. We would also like to make a proposal for a monthly reporting mechanism that would, in essence, capture the number of inquiries by day, volumes there were requested each day, and the volumes that were approved…that were for sale, and that way the staff and the

> Consumer Advocate, and the association would have means of seeing exactly what it is that the company is doing with respect to this incremental gas, making it available to the large industrial customers and other customer that are interested. So we'll detail that information in our post hearing brief, but we look forward to the opportunity going forward to work with the staff and other parties to develop and where approval by you is necessary, bring that back but, otherwise institute some of these reporting mechanisms in order to help facilitate our transparency on those issues.

Transcript of August 22, 2018, at 21-22

Q. WHAT IS THE RECENT HISORY OF PEAK DAY USAGE?

A. Prior to the February 1, 2022, acquisition of the additional Oglethorpe capacity of 25,000 Dth/day the Company had 92,000 Dth/day firm pipeline capacity, and now holds approximately 117, 000 Dth/day. During the relatively cold January 2022, CGC actually used 129,000 mcf of LNG to supplement gas it flowed on the interstate pipeline. The reason it needed to use LNG was because the asset manager, its former affiliate Sequent Energy Services[1] ("Sequent"), was diverting some of CGC's capacity for sale off-system. This created revenues for Sequent and CGC and under the sharing mechanism in effect at that time, Sequent retained 50% of those revenues.[2]

In the Company's supplemental response to data request II-25 in Docket 22-0004, it provides the actual peaks for each year from 2011 to 2021. These peak metered data include 10,000 Dth/day of interruptible load delivered by third parties. In other words, the daily peak amount of gas CGC is responsible for delivering is 10,000 Dth/d less than the numbers shown on the chart. It is clear that with the current capacity of 117,000 Dth/day

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[1] Southern Company sold Sequent Energy Management to Williams in July, 2021.

[2] Two years following the recommendation by Exeter, the sharing mechanism was changed to a 75/25 split of revenues with the Company retaining 25% of the gross profit margin. See tariff at docket 20-00139

the Company will almost never have need to use LNG to meet peak day demands, and when it does it will use a de minimis portion of the LNG supply.

	Annual Total (Dth)	Peak Day (Dth)
2011	15,201,302	111,569
2012	13,646,626	103,146
2013	16,000,945	92,985
2014	16,153,670	134,821
2015	14,542,754	126,499
2016	14,503,249	115,823
2017	13,494,686	108,038
2018	15,464,175	129,424
2019	14,911,931	108,713
2020	14,556,350	110,983
2021	15,161,639	118,020

Q. WHAT CUSTOMER GROUPS ARE ALLOCATED COSTS OF THE PEAK DELIVERY ASSETS?

A. The capital cost and operating costs of the LNG facility were and continue to be borne by all customer classes, and both firm and interruptible customers. This means that all customers have an equal right to benefit from the LNG facility. Since I have established that the Company does not require the LNG facility to satisfy its peak demand requirements, then the LNG facility including the LNG stored in the facility should be available to customers upon request. Unfortunately, the Company has not provided such access to LNG to customers, and this behavior of the Company has resulted in customers paying exceptionally high amounts for gas during cold periods when flow orders are issued. Such behavior by the Company must be ordered to end.

Q. WHAT CUSTOMER EXAMPLE ARE YOUR FAMILIAR WITH?

A. I reviewed the direct testimony of Chance Donahue of KordSA filed in the ARM proceeding and am familiar with the actual event in January 2022, when the Company issued flow orders on 25 of 31 days. KordSA requested incremental gas, yet the Company offered no incremental gas on any of the days requested. The Company's behavior cost the customer $350,000 during January alone. The Company has not limited the unavailability of LNG solely to January 2022. In fact, it has not provided access to LNG since January 2019, and then only offered LNG on two days out of 31. It is clear than the Company is abusing its possession of the LNG asset. This must be changed. I have included request of KordSA for incremental gas which was denied by the Company as Exhibit JC3.

Q. WHAT DID THE EXETER REPORT RECOMMEND REGARDING THE PEAK DAY ASSETS?

A. The Exeter report mapped out the logic trail that explains how the Company's affiliate profits by not allowing customers to access LNG. It explained several items:

- Sequent, an affiliate asset manager has managed CGC's assets for 20 years. Requests for proposals from asset managers favor selection of Sequent. Exeter findings include that there has been a historical bias in awarding the AMA to the affiliate because Sequent had experience and more data to make manage these assets over a non-affiliate. Exeter recommended changes to address this bias.
- Revenues from off system sales of LNG and capacity release are shared with Sequent retaining 50% of the profits and the Chattanooga Gas Company receiving 50%. CGC's share is applied to it system gas costs.
- Pivotal, another affiliate, sells off system LNG to parties and shares 50% with ratepayers and Company.
- Exeter evaluated CGC purchases from Sequent for all gas commodities on various pipelines and found CGS's purchases prudent.
- The 50% refund going back to Firm Transportation customers is credited back to the PGA demand component which benefits firm transportation customers by reducing the reservation charge.

- Company's incentive to earn a 50% share of off system sales would be a negative incentive for them to assign assets.
- Company has excessive assets to handle peak day.
- Exeter wants them to consider selling more displacement out of the LNG, I agree with this only after the needs of system customers are satisfied, for reasons I will explain.

Q. WHY SHOULD THE COMPANY NOT SELL INCREASED VOLUMES OF LNG OFF SYSTEM THROUGH DISPLACMENT?

A. Such activity should only be undertaken after the needs of its own customers, both firm and interruptible, are met. This means offering LNG for sale to its interruptible customer without refusal except during periods of a system emergency. Seldom, are operational flow orders system emergencies.

Q. WHEN SHOULD THE COMPANY MAKE INCREMENTAL GAS AVAILABLE TO CUSTOMERS?

A. With the new 25,000 Dth/day capacity recently acquired, Chattanooga Gas Company will not need LNG to meet its peak delivery requirements over the future rate year. Based on the metered volumes from January 2022, which was a relatively cold winter month, it would have never used the LNG as a source of system supply. A clear reason the Company was using LNG in January 2022, was because it was not sourcing its full FT entitlement on Sonat because it was permitting its asset manager to move this capacity to another market for profit. At the same time, the Company denied incremental gas to KordSA and perhaps other T-1 customers claiming that the LNG was a critical supply reserve. This claim was disingenuous because the reserve capacity of LNG never dropped to critical limits.

Because the Company has significant excess firm pipeline capacity to manage its winter delivery requirements, even on peak days, the Company should make LNG available to customers that request such incremental gas. In fact, the only time the Company should deny a customer request for incremental gas is if it cannot meet its delivery requirement with the existing pipeline capacity. I am including recommended tariff language for provision of incremental gas as Exhibit JC4.

Q. WHEN IS THE COMPANY SUBJECT TO AN AUDIT?

A. Every three years the Company is subject to an audit, known as the triennial review. In the Order issued on October 27, 2020 (Docket No. 07-00224) the Commission ordered, "A triennial review of the gas procurement activities of Chattanooga Gas Company shall commence in the Fall of 2022, and a final report shall be issued by July 1, 2023." (Order at 9). The scope of the audit includes capacity management and storage as topics to be investigated, therefore, an audit of the incremental gas issue by Exeter is well within the scope of the upcoming audit. My recommendation that the Company make incremental gas available is based on the Company's data filed in both dockets 22-0004 and 22-00032 and data request responses which prove that there is more than sufficient capacity available to meet the Company's peak needs and therefore should be offered upon request immediately and ongoing. If the findings of the 2023 Triennial Review uncover data that demonstrates otherwise then the practice of making incremental gas available will need to be examined.

Q. WHAT ISSUES DID THE MOST RECENT TRIENNIAL REVIEW REVEAL?

A. In the June 2020 report prepared by Exeter Associates there were several issues that support my recommendations regarding the Company's use of capacity assets. Section 4.2 stated:

> "CGC plans to fill its LNG facility to fill its LNG facility to 100% of capacity to serve its firm customers during peak demand periods and as a backup supply source

> to utilize in the event of curtailed supply, pipeline capacity disruptions or force majeure events that prevent the delivery of gas supplies to CGC's system. Off-system LNG sales are subordinate to serving CGC's on-system customers and are available only at CGC's sole discretion."

This confirms that on system sales must take precedence over off system sales. I have explained that the Company is not doing this but instead has favored its affiliate in conducting off-system sales of LNG.

The load duration curves presented in Section 5.3 "reveal that even under severe weather condition, as noted by the capacity resources identified above severe weather load, CGC maintains capacity resources significantly in excess of its requirements at most other times." I note that the Exeter review was before CGC acquired an additional 25,000 Dth/day of capacity previously held by Oglethorpe, so clearly now CGC is holding excess capacity.

Q. WHAT IS THE SUMMARY OF YOUR TESTIMONY?

A. The Company's desire to impose non-cost-based penalties on transportation customers must be rejected. Instead, I have made several recommendations for tariff improvements that will benefit both transportation and sales customers of the Company.

The Company has demonstrated repeatedly that it has used its assets to enrich its affiliates to the detriment of the on-system customers, especially the transportation customers. Evidence proved the Company allowed capacity to be marketed off system by its former affiliate Sequent, and allowed LNG to be sold off system by its affiliate Pivotal, while not allowing on-system customers access to incremental gas. Effective immediately the LNG gas should be offered on a non-discriminatory basis to any customer that requests such supply. Excess pipeline delivery capacity should be offered to requesting customers via a capacity release mechanism that allows for recall in the event a customer is not using the released capacity. Because the Company has only paid lip service and provided empty assurances, its lack of compliance with the spirit of the agreements must be remedied by issuance of clear and firm tariff directives.

Q: DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

<u>Exhibit JC1</u>

James L. Crist Resume

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DEMONSTRATED AREAS OF EXPERTISE

- **GENERAL MANAGEMENT** — Proven executive-level management expertise with excellent capabilities in developing, implementing, and supervising corporate-wide policies and procedures in areas including sales, marketing, customer service, public relations, rates, regulatory affairs, and administration. Possess a unique combination of abilities to set goals, develop winning business strategies, organize structures and work methods, and train the right people for the right positions to make it all work. Skilled in strategic short and long-term planning and budgeting with effective abilities in reducing the "fat" and increasing organizational efficiency. A creative, decisive leader who can successfully meet challenges and overcome obstacles to achieve profit objectives.

- **REGULATORY STRATEGY** — A thorough strategist with an extensive background in utility business unit operation (electric, natural gas, water/wastewater) the full range of rate and regulatory functions, from tariff development and special contract negotiation. Proven personal testifying skills with an outstanding record of developing and presenting successful written and oral testimony, along with settlement negotiations.

- **PERSONNEL MANAGEMENT** — Effective interpersonal communications skills support outstanding capabilities in recruiting, training, motivating, and directing staff at all levels. Proven ability to build productive, highly motivated teams of sales/marketing, operations, technical, and customer service personnel who contribute to top organizational performance.

- **PERSONAL ATTRIBUTES** — A determined, hardworking, challenge-driven executive with the skills and experience to bring excellence to any business organization. A high-energy mover and shaper ... experienced in successful start-ups and turn-arounds. An excellent communicator - written and verbal. A frequent speaker at professional symposiums, able to interpret and communicate complex concepts for diverse audiences. An engineering/technical specialist and a management generalist. Active in civic and community affairs.

EMPLOYMENT HISTORY

LUMEN GROUP, INC., Pittsburgh, PA — 1996 - Present

President - A consulting practice specializing in strategic planning, business planning, regulatory strategy, marketing and venture development in the electric, natural gas and energy services industries. Please see Addendum for amplification of consulting assignments.

ACN ENERGY, Farmington Hills, MI — 2004-2005

Vice President, Consumer Markets

OPTIRON, Pittsburgh, PA — 2003-2004

Vice President, Marketing

E R I SERVICES, Pittsburgh, PA — 1996

Vice President, Marketing & Product Development

CITIZENS UTILITIES, Harvey, LA & Stamford, CT — 1994 - 1995

Vice President, Marketing

CONSOLIDATED NATURAL GAS, Pittsburgh, PA — 1977 - 1994

Director, Residential & Commercial Marketing (1988 - 1994)
Manager, Technical Sales/Market Development (1985 - 1988)
Market Development Specialist (1982 - 1985)
Project Engineer (1979 - 1982) ... promoted from ... **Process Engineer** (1977 - 1979)

OCCIDENTIAL CHEMICAL CORP., Niagara Falls, NY — 1975 - 1977

Research Engineer

PENNSYLVANIA STATE UNIVERSITY, State College, PA — 1988
CLEVELAND STATE UNIVERSITY, Cleveland, OH — 1984

Instructor (Evening Division) - Economics, Engineering Economics

SELECTED ACCOMPLISHMENTS

VICE PRESIDENT, CONSUMER MARKETS - ACN ENERGY

Retained for a turnaround assignment with an independent energy marketing company. Participated on the executive management team and directed a decentralized 3-person market management staff responsible for sales to 85,000 customers. Worked directly with the parent company executives and business unit management to create market-driven strategies for the corporation. Sharpened marketing and sales efforts of an energy marketing company operating in seven states and packaged company for eventual sale to Commerce Energy.

- Primary executive responsible for sales. Directed a team of market managers that was responsible for all aspects of 11 different markets (electric and natural gas) around the country. Provided direction and support to sales channel organization of commissioned representatives. Turned around five-year annual loss to significant gain in 2004. Tightened focus on market decisions.
- Directed regulatory involvement to insure compliance with market rules. Focused on maintaining positive relationships with state utility regulators to avoid penalties.
- Led weekly operations meetings during absence of COO. This involved direction of call center, provisioning, billing, credit & collection, and marketing.
- Worked in a team setting with other executives (VP Finance, VP Supply, COO) to provide consistent, professional focus to workforce experiencing changing environment.
- Directed development of annual business plan and budget with targets resulting in both goal achievements and income improvements.
- During transition period working with merger partner Commerce Energy's executive team to train and advise incoming executives.
- Directed customer service improvements in the customer acquisition process which resulting in replacing outdated paper/fax process with phone order process.
- Organized and directed trade show presence at national sales convention for alliance sales channel to create awareness of new product and market focus.

VICE PRESIDENT, MARKETING - OPTIRON

Retained as part of executive team in venture capital startup company developing new CIS/CRM software for the energy industry. Worked closely with CEO, COO, and Director of Sales to determine business strategy and develop marketing strategy to create market awareness and brand attributes in medium and small energy companies.

- Added in-house marketing communications function and personnel and revamped all marketing materials.
- Added new website functionality and content.
- Implemented first print advertising campaign in industry publications.
- Using industry contacts, positioned Option as expert presenter at several conferences and trade shows.
- Developed business plan to identify sales prospects and created competitive database of CIS/CRM vendors.
- Participated in development of exit strategy plan resulting in the successful sale to large software company.

VICE PRESIDENT, MARKETING & PRODUCT DEVELOPMENT - ERI Services

Assumed responsibility for creating a new corporate marketing vision and strategy to facilitate entry into new deregulated energy markets nationally.

- Recruited and selected an exceptional management team and integrated marketing and sales activities into one functional operating unit.
- Established the product innovation process to identify and create new and profitable market-driven service offerings.
- Directed strategic branding to launch the new corporate identity; managed a $2 million national advertising campaign; and developed over $1 million of new sales/marketing collateral materials.
- Instituted financial controls that reduced costs 60% in the Iowa market rollout while maintaining 80% market share and high customer satisfaction.

VICE PRESIDENT, MARKETING - Citizens Utilities

Directed a decentralized 20-person sales staff and a five person marketing staff. Worked directly with the Board of Directors, Corporate President, and Sector Vice President to create market-driven sales strategies for the corporation. Revamped and redirected sales efforts of a five-state energy utility with 440,000 customers.

- Increased industrial sales revenues by reorganizing unregulated gas marketing effort.
- Revamped merchandising utilizing inbound telemarketing in Louisiana Gas.
- Revised training programs for entire sales force, identifying and correcting missing technical and equipment training, adding a greater competency in the commercial and industrial sectors.
- Developed first business plan in sales and marketing organization with monthly budget monitoring and

targets resulting in both goal achievements and cost improvements.

- Launched an aggressive direct marketing program that increased sales 500% over previous year.
- Increased share of gas transportation business in Arizona by 15% in first year of operation through marketing efforts.
- Created a telephone long distance business in Louisiana that captured a 20% share (2nd to AT & T).

DIRECTOR, RESIDENTIAL & COMMERCIAL MARKETING - Consolidated Natural Gas

Managed a marketing staff of 12 and a "dotted-line" 24-person field sales force. Directed marketing and sales efforts in consumer, business, and manufacturing markets with $154 million revenue.

- Added $6 million in revenue by developing new products in gas transportation, supply, and agency.
- Directed sales activities in residential, commercial, institutional and governmental accounts for both product sales and technology sales.
- Produced $600,000 annual revenue and doubled competitive project wins by revamping market approaches to residential and commercial new construction.
- Secured 50% increase in customer decisions over 5 gas companies and 4 electric companies.
- Experienced in PUC and Legislature lobbying. Increased revenues $2.3 million through regulatory strategy/testifying and received major competitive program approval.

MANAGER, TECHNICAL SALES / MARKET DEVELOPMENT - Consolidated Natural Gas

Directed new market development and competitive market support.

- Focused on commercial and industrial accounts and increased the depth of relationship beyond the typical utility provider of service to a rich full service information provider and business partner.
- Captured $150,000 in new business annually by competitive pricing analysis, sales tool development, and market approach.
- Developed total advertising and promotional plan launching new market programs.
- Compiled extensive technical database and developed economic model for project analysis, eliminating a $100,000 operating budget expense.
- Led statewide coalition with customers and government agencies for fair treatment of new technology.

EDUCATION - PROFESSIONAL

UNIVERSITY OF PITTSBURGH, Pittsburgh, PA 1982

M.B.A. Degree

CARNEGIE - MELLON UNIVERSITY, Pittsburgh, PA 1975

B.S. Degree in Chemical Engineering

Registered Professional Engineer AGA Hall of Fame, 4/1991

JAMES L. CRIST

Lumen Group, Inc.
Suite 101, 4226 Yarmouth Drive ● Allison Park, PA 15101
Phone: 412.487.9708 ●Cell: 412.613.8886 ●E-mail: JLCrist@AOL.com

AMPLIFICATION OF LUMEN GROUP CONSULTING ASSIGNMENTS

A consulting practice specializing in strategic planning, business planning, marketing and venture development in the telecommunications, energy, and services industries.

REGULATORY

Represented the National Energy Marketers Association and their members in Equitable-Dominion Peoples merger case. Developed strategy, presented written and oral testimony and negotiated on behalf of clients. Worked with other interveners and FTC on anti-competitive issues.

UTILITY RATE NEGOTIATION

Represented large client group seeking to obtain rate reduction from electric utility. Prepared strategy, wrote testimony, and exceeded expectations by achieving a 40% reduction in charges, producing a $2 million annual reduction.

STRATEGIC PLANNING FOR ON-SITE POWER GENERATION

Participated in proposal development for a 27-MW power plant on Kauai. Handled critical customer needs assessment in rapid turnaround fashion to meet proposal deadline. Maintained relationships with clients, vendors and proposal partners. Our proposal was selected as the preferred bidder out of five strong competitors.

NEW BUSINESS START-UP / TARIFF NEGOTIATIONS

Participated in the development of a new gas distribution utility in New York. Handled tariff development, pricing structure, transportation contracting, and operations, maintenance, and emergency manual preparation.

SALES STRATEGY/BUSINESS DEVELOPMENT

Developed sales strategy to focus on profitable accounts and markets. Developed sales training and account management plans and provided consulting to energy marketing organizations to improve overall sales.

BUSINESS STRATEGY/BUSINESS DEVELOPMENT

Developed business strategy to verticalize eCommerce/Customer Relationship Management product for the energy/utility industry. Produced sales training for global applications, product promotion presentations, developed alliance relationships with system integrators and software partners, developed business. Client is market leader in North America.

JOINT VENTURE/PRODUCT DEVELOPMENT

Assembled joint ventures resulting in sales to offer new hedge-based weather risk management retail product. Identified venture partners, and developed business arrangements and closed million-dollar deals

ENERGY PROCUREMENT

Served as energy expert on project team that obtained long-term natural gas supply for major government facilities. Prepared project specifications, negotiated with suppliers, prepared RFP, negotiated major reduction in delivery charges. This project resulted in annual cost reduction of $2.5 million.

NEW BUSINESS DEVELOPMENT - TELECOMMUNICATIONS

Analyzed use of electric utility assets for possible telecommunications business venture. Wrote the business plan that identifies regulatory and non-regulatory issues, marketing plans, financial analysis, and organizational requirements. Launched the new non-regulated business unit in 1996.

JOINT VENTURE DEVELOPMENT - TELECOMMUNICATIONS

Conducted analysis of potential joint venture partners for new unregulated telecommunications venture, bypassing the Bell operating company. Held screening discussions with potential partners and selected lead candidate for venture. Developed working agreement with partners along with business case to launch venture.

JOINT VENTURE DEVELOPMENT - TELECOMMUNICATIONS & ENERGY

Developed strategic plan for joint venture involving gas, electric, and telecommunications partners. Screened potential business partners and held discussions with lead candidates. Assembled justification for top management approval.

PRODUCT DEVELOPMENT - UNREGULATED ENERGY SERVICES

Developed energy products for start-up subsidiary of major energy utility. Identified potential products and selected most likely candidates for further development. Developed market plans and sales plans for products.

MARKET PLAN - DIRECT MARKETING

Developed the market plan for large, global direct marketing agency to enter the energy industry. Identified strategies, strengths, weaknesses, and target prospects. Initiated sales effort and developed new business.

CORPORATE IMAGE DEVELOPMENT

Developed complete business unit identity for a new operations and services company. Produced capabilities brochure for use with prospects.

MARKET RESEARCH

Conducted market research to identify new customer/new business opportunities for major energy utility. Comprehensive project with two additional similar projects were completed. Entailed determination of goals, development of research methodology, script preparation, vendor selection, data analysis, and development of action plan.

MARKET DEVELOPMENT

Organized intervener group in Illinois consisting of retail marketers and intervened in three rate proceedings (Nicor Gas base case, WPS-Peoples merger case, Peoples Gas base case) and secured significant improvements in rules and procedures enabling marketers to increase their business and profitability. Developed strategy and presented written and oral testimony.

Exhibit JC2

James L. Crist Regulatory Experience

PARTIAL LIST OF REGULATORY EXPERIENCE OF JAMES L. CRIST

1. Columbia of PA General Base Rate Increase, Docket R-2020-3018835, Representing the Pennsylvania State University
2. Dominion Energy Ohio Motion, Case No. 18-1419-GA-EXM, Representing Retail Energy Supply Association
3. Aqua America/Peoples Natural Gas Merger, Docket R-2018-3006061, Representing Natural Gas Supplier Parties and Retail Energy Supply Association
4. Peoples Natural Gas General Base Rate Increase, Docket R-2018-3006818, Representing Peoples Industrial Intervenors
5. Duquesne Light Company General Base Rate Increase, Docket R-2018-3000124, Representing the Duquesne Industrial Intervenors
6. Columbia of PA General Base Rate Increase, Docket R-2018-2647577, Representing the Pennsylvania State University
7. West Penn Power Company, Default Service Program, Docket R-2017-2637866, Representing the Pennsylvania State University
8. Vectren Energy Delivery Ohio, Alternative Rate Plan, Case No. 18-0049-GA-ALT, Representing Retail Energy Supply Association
9. Columbia of PA Gas Cost Increase, Docket R-2017-2591326, Representing the Pennsylvania State University
10. West Penn Power Company, General Base Rate Increase, Docket R-2016-2537359, Representing the Pennsylvania State University
11. Columbia of PA General Base Rate Increase, Docket R-2016-2529660, Representing the Pennsylvania State University
12. UGI Utilities General Base Rate Increase, Docket R-2015-2518438, Representing Dominion Retail, Inc., Shipley, Choice, LLC, Interstate Gas Supply, Inc., Amerigreen Energy, and Rhoads Energy
13. Columbia of PA General Base Rate Increase, Docket R-2015-2468056, Representing the Pennsylvania State University
14. West Penn Power Company, General Base Rate Increase, Docket R-2014-2428742, Representing the Pennsylvania State University
15. Herman Oil & Gas Company, General Base Rate Increase, R-2014-2414379, Representing Herman Oil & Gas Company
16. Columbia of PA General Base Rate Increase, Docket R-2014-2406274, Representing the Pennsylvania State University
17. Ameren Gas- General Base Rate Increase, Docket No. 13-0192, Representing Dominion Retail and Interstate Gas Supply of Illinois
18. Columbia of PA General Base Rate Increase, Docket R-2012-2321748, Representing the Pennsylvania State University, Dominion Retail, Interstate Gas Supply, and Shipley Energy
19. Columbia of PA Petition for Approval of a Distribution System Improvement Charge Docket R-2012-2338282, Representing the Pennsylvania State University
20. PUC PA Generic Investigation Regarding Gas-On-Gas Competition, Docket No. P-2011-2277868, Representing the Pennsylvania State University
21. Ameren Gas- General Base Rate Increase, Docket 11-0282 (Cons.), Representing Dominion Retail and Interstate Gas Supply of Illinois
22. Water and Power Authority (USVI)- Electric Base Rate Case, Docket 575, June 2009, Representing Frenchman's Reef Marriott
23. Water and Power Authority (USVI)- Water Base Rate Case, Docket 576, June 2009, Representing Frenchman's Reef Marriott
24. Public Service of New Mexico 2010 Base Rate Case, Informal rate design workshops pursuant to the stipulation in NMPRC Case No. 08-00273-UT, Representing City of Albuquerque
25. Public Service of New Mexico, Electric base case at Case No. 08-00273-UT, Representing City of Albuquerque
26. Public Service of New Mexico 2009 Renewable Energy Procurement Plan for 2010, Case No. 09-00260-UT, Representing City of Albuquerque and Santa Fe County
27. Public Service of New Mexico, Gas sale case at Case No. 08-00078-UT, Representing City of Albuquerque
28. UGI Utilities, Central Penn Gas, Penn Natural Gas, Gas Cost Increase, Docket No. R-2011-2238953, Representing Shipley Energy, Rhodes Energy, and CenterPoint Energy
29. UGI Utilities- Gas Division, Gas Cost Increase, Docket No. R-2010-2172933, Representing Shipley Energy
30. Columbia of PA General Base Rate Increase, Docket R-2010-2215623, Representing the Pennsylvania State University, Dominion Retail, Interstate Gas Supply, and Shipley Energy
31. Columbia of PA General Base Rate Increase, Docket R-2009-2149262, Representing the Pennsylvania State University, Dominion Retail, Interstate Gas Supply, and Shipley Energy
32. Columbia of PA General Base Rate Increase, Docket R-2008-2011621, Representing Hess Energy, Dominion Retail, Interstate Gas Supply, and Shipley Energy
33. Columbia of PA Gas Cost Increase, Docket R-2008-2028039, Representing Dominion Retail, Interstate Gas Supply, and Shipley Energy

34. PPL Electric Utilities Voluntary Purchase of Accounts Receivables Program and Merchant Function Charge, Docket No. P-2009-2129502
35. Nicor Gas Company, Provision of facilities and services and the transfer of assets between Nicor Gas Company and Nicor Inc., Docket No. 09-0301, Representing Dominion Retail
36. North Shore Gas and Peoples Gas Light and Coke Company, General Base Rate Increase, Dockets 09-0166 and 09-0167, Representing Dominion Retail, Interstate Gas Supply and Nicor Advanced Energy
37. Nicor Gas Company, Base Rate Increase, Docket No. 08-0363, Representing Interstate Gas Supply and Dominion Retail
38. North Shore Gas and Peoples Gas Light and Coke Company, General Base Rate Increase, Dockets 07-0241 and 07-0242, Representing Dominion Retail, Interstate Gas Supply and U.S. Energy Savings
39. WPS Resources, Peoples Energy, Peoples Gas Light and Coke Company, North Shore Gas Company, Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a Reorganization, Docket 06-0540, Representing Dominion Retail, Interstate Gas Supply, US Energy Savings, MxEnergy, and Direct Energy Services.
40. Allegheny Energy, Approval of Retail Electric Default Service Program and Competitive Procurement Plan, Docket No. P-2008-2021608, Representing the Pennsylvania State University
41. Allegheny Energy, Generation Rate Cap, Docket No. P-2007-2001828, Representing the Pennsylvania State University
42. Equitable Gas Company, Rate Increase, Docket R-2008-2029325, Representing Independent Oil & Gas Association and Hess Corp.
43. Equitable Gas Company and Peoples Gas, Merger Case, Docket A-122250F5000, Representing National Energy Marketers, Hess Corporation, and Constellation New Energy.

<u>Exhibit JC3</u>

Incremental Gas Request

From: Chance Donahue [mailto:Chance.Donahue@kordsa.com]
Sent: Thursday, January 06, 2022 11:15 AM
To: Teague, Paul M. <pteague@southernco.com>; Leath, Paul C. <pleath@southernco.com>
Cc: Walker, Henry <HWALKER@bradley.com>; Megan King (mking@tennam.com) <mking@tennam.com>; Earl Burton <earl.burton@aeedinc.com>
Subject: Request for Incremental Gas
Importance: High

Dear Paul/Paul,

With cold temperatures tomorrow, we are expecting high natural gas prices; and Chattanooga Gas could help manufacturer's by offering up incremental gas. It was our understanding in the last rate case that Chattanooga Gas would begin offering incremental gas to Chattanooga customers. It seems very reasonable since our LDC rates are been increased to pay for LNG upgrades in recent rate adjustments and we have yet to see a return. We would appreciate you inquiring with your gas supply folks and see if incremental could be offered starting Friday.

Sincerely,

Chance Donahue
CRMA Energy Committee

Chance Donahue
Power Engineer

A: 4501 North Access Road
Chattanooga TN 37415-9990
T: 423-643-2746

www.kordsa.com
www.reinforcer.com

Exhibit JC4

Proposed Incremental Gas Tariff

RATE SCHEDULE Incremental

Incremental Backup Supply for Interruptible Sales/Transportation Customers

AVAILABILITY

This Rate Schedule is backup supply service available to those Customers served under Chattanooga Gas Company's (CGCs) Interruptible Rate Schedule, I-1, and Interruptible Transportation Rate Schedule T-1. This supply would be made available each day when CGC issues a balancing order and CGC has surplus interstate pipeline assets or Liquefied Natural Gas Supply to provide incremental supply.

AVAILABLE VOLUMES

During the Winter Months of November through March, CGC will make available incremental LNG supply or quantities that CGC can provide with its Interstate Pipeline Assets to the I-1 and T-1 Interruptible Transportation Customers. CGC may discontinue the sales of Incremental Gas during winter if the overall LNG inventory drops below 60% of maximum capacity or otherwise unable to obtain supply through interstate pipeline assets. Incremental Supply will only be offered on days where CGC has issued a balancing order requiring Customers to nominate supply and balance daily. Incremental Supply availability is subject to Chattanooga Gas Company's Tariff Schedule for Curtailing and Limiting Gas Service.

DELIVERABILITY

Once CGC has issued a Daily Balancing Order, participating Customers can submit requests for Incremental gas supply up to 10:00 EST of the effective date of the Daily Balancing Order. If the incremental supply requested by participating Customers exceeds the amount of incremental supply available, then the requested supply volumes for each customer will be prorated.

INCREMENTAL RATE

Chattanooga Gas Company will provide incremental supply from the lower cost source of either LNG or interstate pipeline supply. The Daily Incremental Rate shall be determined each day based on the following:

(a) On days that CGC provides LNG for incremental supply, the incremental

Rate shall be CGC's weighted average costs of LNG in Current Inventory.

(b) On days that CGC is providing incremental supply using their interstate pipeline assets, the incremental rate shall be CGC's weighted average daily index costs plus Interstate Pipeline IT Rate plus Shrinkage

(c) On days, where CGC uses both sources for incremental supply, then CGC's incremental rate will be the weighted costs of the rates determined in a and b above.