



April 20, 2022

Chairman Kenneth C. Hill
ATTN: Ectory Lawless, Docket Clerk
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

22-00032

Re: Chattanooga Gas Company's Petition for Approval of Its 2021 Annual Rate Review Filing Pursuant to T.C.A. § 65-5-103(d)(6)

Dear Chairman Hill:

Enclosed is CGC's Petition for Approval of its 2021 Annual Rate Review filing pursuant to T.C.A. § 65-5-103(d)(6).

Attached please find the following documents for filing:

1. Petition (with Verification of Paul Leath as Exhibit A)
2. Proposed Procedural Schedule (Exhibit B to the Petition) and agreed upon by the Consumer Advocate
3. Direct Testimony and exhibits of 3 witnesses:
 - a. Paul Leath (No Exhibits)
 - b. Tiffani Weems (2 Exhibits)
 - c. Archie Hickerson (4 Exhibits – including redline and clean versions of Revised Tariff Sheets)
4. Prescribed ARM Schedules, 93 separately numbered, presented electronically on two flash drives, one containing the confidential documents and the other containing the non-confidential public documents (note, some of the Schedules are also part of the ARM Model that is separately filed as Weems Exhibit TW-1)

Numerous supporting documents and work papers are included in their Exhibits and other supporting documents and workpapers are supported by the witnesses and are provided for filing. All documents and workpapers required by the Settlement Agreement Orders in Docket No. 19-00047, 20-00049, and 21-00048 are provided in this filing.

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Please note that there are a few documents which contain confidential information provided in accordance with TPUC practice and subject to a pending Protective Order to be issued by the Hearing Officer. CGC requests that the Hearing officer enter the Protective Order issued in last year's Docket No. 21-00048. The confidential documents are clearly marked and found at Schedules 27, 32, 34, 34.1, 35.1, 35.14 and 35.15.

In addition to this electronic filing, and pursuant to conversations with Ms. Lawless we will deliver to her hard copies of the petition, testimonies and a check for the filing fee in this matter along with two flash drives containing the electronic documents in PDF and/or Excel format, one flash drive with public documents and one with confidential documents.

A courtesy copy of this filing is being provided to the Consumer Advocate.

Yours truly,

Butler Snow LLP



J.W. Luna

JWL/cb
Enclosures

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

April 20, 2022

IN RE:)	
CHATTANOOGA GAS COMPANY)	Docket No.
PETITION FOR APPROVAL OF ITS)	
2021 ANNUAL RATE REVIEW)	22- <u>00032</u>
FILING PURSUANT TO)	
TENN. CODE ANN. § 65-5-103(d)(6))	

**CHATTANOOGA GAS COMPANY
PETITION FOR
APPROVAL OF ITS 2021 ANNUAL RATE REVIEW FILING**

Chattanooga Gas Company (“CGC” or “Company”), pursuant to Tennessee Code Annotated Section 65-5-103(d)(6) and the Rules and Orders of the Tennessee Public Utility Commission (“TPUC” or “Commission”), hereby files its Petition for Approval of its 2021 Annual Rate Review Filing (“Petition”) pursuant to its Annual Review Mechanism (“ARM”) approved in Docket No. 19-00047, and a total rate adjustment of \$8,021,257. In support of this Petition, CGC states as follows:

I. INTRODUCTION

1. CGC is incorporated under the laws of the State of Tennessee and is engaged in the business of transporting, distributing, and selling natural gas in the greater Chattanooga and Cleveland, Tennessee areas within Hamilton and Bradley Counties. CGC is a public utility

pursuant to the laws of the State of Tennessee, and its public utility operations, including its rates, terms, and conditions of service, are subject to the jurisdiction of this Commission.

2. CGC is a wholly owned subsidiary of Southern Company Gas, a natural gas holding company that is the parent company operating regulated natural gas utilities in Georgia, Illinois, and Virginia in addition to CGC in Tennessee. Southern Company Gas, formerly known as AGL Resources, was acquired by the Southern Company in 2016.

3. CGC's principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

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

J. W. Luna, Esq.
Butler Snow LLP
150 3rd Avenue South, Suite 1600
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Telephone: (615) 651-6749
Email: JW.Luna@butlersnow.com

Floyd R. Self, Esq.
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Elizabeth Wade, Esq.
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5. In Docket No. 19-00047, the Company requested approval to opt into an alternative regulatory method as authorized by Tennessee Code Annotated Section 65-5-103(d)(1)(a). Specifically, CGC sought an annual review of rates process as authorized by Tennessee Code Annotated Section 65-5-103(d)(6), with CGC's specific annual rate review mechanism referred to therein as the CGC "Annual Review Mechanism" or "ARM." The parties to the docket – the Consumer Advocate, the Chattanooga Regional Manufacturers' Association ("CRMA"), Party Staff, and CGC – ultimately negotiated a Settlement Agreement that modified CGC's ARM. After conducting an evidentiary proceeding, the Commission approved the Stipulation and Settlement Agreement by its Order Approving Settlement Agreement dated October 7, 2019 ("2019 ARM Order"). Among other things, the approved CGC ARM contemplates a multiyear process with annual compliance filings on or before April 20 of each year reflecting the Company's prior calendar year or Historic Base Period.

6. CGC's 2019 ARM recovery was processed in Docket 20-00049. Through its *Order Approving 2019 ARM Filing* dated October 27, 2020 ("2020 ARM Order"), the Commission approved CGC's 2019 recovery as modified by certain pleadings in that docket. In approving the modified recovery, the Commission allowed for the accelerated recovery of certain tax credits and benefits, approved CGC's rate design, approved a new Schedule 39 for Outside Legal Services, and acknowledged that the Company and Consumer Advocate reserved their rights to take, and advocate, positions regarding: COVID-19 impacts, CGC's Allowance for Funds Used During Construction ("AFUDC")/Capital Works in Progress ("CWIP"), and the treatment of CGC's legal expenses.

7. CGC's 2020 ARM recovery was processed in Docket No. 21-00048. Through its *Order Approving Settlement Agreement on Chattanooga Gas Company's 2020 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, dated November 1, 2021 ("2021 ARM Order"), the Commission approved CGC's 2020 recovery, including agreed-upon provisions set forth in a Settlement Agreement with the Consumer Advocate. These provisions included, *inter alia*, a \$6.8 million voluntary annual rate cap; the inclusion of any unrecovered revenue above the voluntary rate cap in ARM Schedule 29; the use of a 1.4% depreciation rate for Steel Transmission Mains; the restriction of paying interest only on customer deposits held more than six months; the applicability of the prime lending rate to customer deposits; clarification changes made to the T-3 Rate Schedule for Low Volume Transport customers; a rate design that applied the rate increase on an equal percentage basis to all rate classes; and exclusion of Special Contract customers from the rate increase. The Commission approved a total rate adjustment of \$11,545,439, with CGC recovering only \$6.8 million due to the voluntary rate cap, with the balance of revenues authorized carried forward to the 2022 CGC ARM Docket.

8. Pursuant to the 2019, 2020, and 2021 ARM Orders, CGC is requesting that the Commission conduct this annual rate review of CGC's 2021 Historic Base Period revenues and expenses. Pursuant to such review, CGC is requesting that this Commission approve the Company's revenue deficiency and rate rebalancing, approve the proposed normalization for the recovery of the deficiency and rebalancing, and approve new rates and the corresponding tariff sheets effective September 1, 2022 based upon a \$6.8 million voluntary rate cap with any unrecovered revenues above the voluntary rate cap to be carried forward, all as set forth in further detail herein.

II. CGC'S HISTORIC BASE PERIOD REQUEST

9. CGC is experiencing unprecedented growth. Looking back ten years, the Company has more than doubled its added annual residential and commercial customers. This growth is expected to continue for the foreseeable future. During the continued economic uncertainty induced by the COVID-19 pandemic, demand for service from Chattanooga Gas increased in 2021, with more than 1,100 new residential and commercial customers connecting to the system. In order to continue to safely and reliably meet the region's growing needs and its nearly 70,000 total customers, Chattanooga Gas made enhancements to its infrastructure that strengthened the safety and reliability of the region's pipeline infrastructure; supported increasing supply and demand growth from residential customers, especially on the coldest days of the year; and secured a once-in-a-generation long-term contract for 50,000 dekatherms a day of transportation capacity on the interstate pipeline, all of which helps support the growth and economic prosperity of the area.

10. As will be presented more fully in its case in chief, the total ARM deficiency with adjustments for the 2021 Historic Base Period is \$8,152,142, which when combined with the rate reset and normalizations, results in a total rate adjustment of \$8,021,257, which is the amount CGC is seeking approval of in this case. See Schedule 1 for the detailed analysis.

11. Capital investments remain the largest single component of this increase, with other significant factors impacting this filing including increases in operations and maintenance expenses, regulatory lag, and the carryover from last year's ARM Docket that was in excess of our \$6.8 million voluntary rate cap.

12. In 2021, CGC spent \$33,774 on the costs associated with the pandemic, including personal protective equipment (PPE), telework reimbursements, and legal support services. Our

employees returning to the workplace, and those continuing to work onsite, were issued PPE such as masks, hand sanitizer, disinfectant wipes/sprays, disposable gloves, boot coverings, and protective goggles. Employees that are working remotely from home receive a quarterly payment to partially offset internet and home office expense. Legal support services were provided to ensure compliance with all orders, directives, mandates, and protocols. The Historic Base Period reflects these costs, but through a normalization adjustment, these costs have been removed from the rate reset.

13. Pursuant to the 2021 ARM order, CGC is proposing a rate increase of \$6.8 million, with any unrecovered revenue above \$6.8 million to be carried forward for inclusion in next year's ARM Docket filing. CGC's recommended rate design proposes that the rate increase generally be applied on an equal percentage basis to all rate classes as detailed and supported by the testimony and exhibits provided herein.

14. In support of this Petition and the approval of CGC's ARM filing, CGC has attached the following direct testimony and accompanying exhibits, which are incorporated herein by reference:

- a. **Direct Testimony and Exhibits Witness Archie Hickerson, Director of Rates and Tariff Administration, Southern Company Gas.** Mr. Hickerson's testimony and exhibits support the revenue schedules and normalization adjustments required under the 2019, 2020, and 2021 ARM Orders. He is also the rate design witness. His exhibits include the proposed tariffs for the ARM recovery of \$6.8 million under the previously approved voluntary annual rate cap;
- b. **Direct Testimony Witness Paul Leath, Regional Director of Operations, Chattanooga Gas and Northeast Georgia.** Mr. Leath's testimony provides an

overview of the case, important information regarding the economic growth of the service area in Hamilton and Bradley counties and how CGC is meeting those communities' needs, and a review of the operational activities that underlie the financial data provided by the Company's other witnesses, especially capital expenditures. Mr. Leath will also testify regarding the operational activities which support the budgeted and projected future expenditures;

- c. **Direct Testimony and Exhibits of Witness Tiffani Weems, Manager of Regulatory Reporting, Southern Company Gas.** Ms. Weems will provide the necessary testimony and exhibits regarding the calculation of the Historic Base Period annual reconciliation balance deficiency and rate reset, resulting in a total rate adjustment of \$8,021,257 that is necessary for the Company to earn its rate of return under the prescribed ARM recovery mechanism. Ms. Weems' testimony supports all the schedules except for those sponsored by Mr. Hickerson or Mr. Leath;
- d. **Petition Verification of Paul Leath, Regional Director of Operations, Chattanooga Gas and Northeast Georgia.** Mr. Leath provides in Exhibit A to the Petition a verification of the petition and its supporting testimony, exhibits, and schedules being filed in support of this case;
- e. A request for issuance of a standard protective order such as the one issued in CGC's 2021 ARM Docket to govern the production of confidential information to the Commission and Commission Staff, the Consumer Advocate, and any other party who may be granted intervention; and

- f. A request for the issuance of a scheduling order. CGC and the Consumer Advocate have agreed to a proposed procedural schedule attached hereto as Exhibit B that is premised upon the same approximate due dates used in CGC's 2021 ARM Docket.

III. CONCLUSION

WHEREFORE, CGC respectfully prays that based upon the pleadings and documents submitted by CGC:

1. Notice be issued and a contested case be set regarding this Petition.
2. The Commission issue its standard protective order as requested herein.
3. The Commission issue a scheduling order based upon the agreed to proposed case hearing schedule attached hereto or as the Hearing Officer otherwise find necessary and appropriate for this proceeding consistent with the statutory deadlines that govern this process.
4. The Commission find that the Company has provided the necessary schedules and other documentation thus complying with the minimum filing requirements and other terms and obligations of the 2019, 2020 and 2021 ARM Orders that govern this proceeding.
5. The Commission approve CGC's prescribed total ARM recovery of \$8,021,257 as more particularly detailed in the Schedules and testimony being filed.
6. The Commission authorize CGC to increase rates by a total of \$6.8 million under the annual voluntary rate cap mechanism, with any unrecovered amounts carried over to next year's ARM Docket filing, utilizing a rate design that generally applies the rate increase on an equal percentage basis to all rate classes as detailed and supported by the testimony and exhibits

provided herein, unless the Commission authorizes a different rate design it considers more appropriate in the public interest.

7. The Commission approve the rate design and tariff pages for CGC's ARM filing as more particularly set forth herein.

8. CGC be granted such other and/or further relief as may be warranted.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'J.W. Luna', is positioned above a horizontal line.

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Attorneys for Chattanooga Gas Company

VERIFICATION

STATE OF TENNESSEE

COUNTY OF HAMILTON

I, Paul Leath, being duly sworn, state that I am the Regional Director of Operations, Chattanooga Gas Company, the Petitioner, in the subject proceeding; that I am authorized to make this verification on behalf of Chattanooga Gas Company; that I have read the foregoing Petition and exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information, and belief.

Sworn and subscribed before me this 19th day of April, 2022.



Paul C. Leath

Notary Public: Meghan Breeze Miller (signature)

Meghan Breeze Miller (typed or printed name)

State of Tennessee, at Large

My Commission Expires: July 7, 2024

SEAL:



Exhibit B, CGC 2021 ARM Docket
CGC Proposed Procedural Schedule

<u>Activity</u>	<u>Proposed 2022</u>
CGC ARM Petition, Testimony, and Exhibits filed at TPUC and served on Consumer Advocate (electronic and paper per order).	Wednesday, April 20, 2022
Informal Discovery Meeting, All Parties and Staff invited (attendance optional)	April 27-29, 2022*
Consumer Advocate & other intervenors serve first discovery on CGC	Friday, May 6, 2022
CGC responds to Consumer Advocate/Intervenors first discovery.	Friday, May 20, 2022
Informal Discovery Meeting with all intervenors and staff (attendance optional)	Wednesday, May 25, 2022*
Consumer Advocate/Intervenors serve second discovery on CGC.	Friday, May 27, 2022
CGC responds to Consumer Advocate second discovery.	Tuesday, June 7, 2022
Informal Discovery Meeting (attendance optional)	Friday, June 10, 2022*
Consumer Advocate & Intervenors Testimony	Friday, June 24, 2022
Potential Settlement Meeting (not on official schedule; objective is to try and settle prior to CGC filing testimony, so any CGC testimony would be in support of the settlement)	June 27 or as applicable*
CGC discovery to Consumer Advocate & Intervenors on their testimony.	Friday, July 1, 2022
Consumer Advocate/Intervenors respond to CGC discovery	Wednesday, July 13, 2022
CGC Rebuttal to Consumer Advocate and Intervenors (or testimony in support of the settlement if one is reached)	Wednesday, July 20, 2022
Prehearing Motions	Wednesday, July 27, 2022*
Prehearing Conference	Tuesday, August 2, 2022*
Hearing, with closing statements, no briefs (21 days after CGC Rebuttal)	Monday, August 8, 2022

*** Dates with a * can move by agreement of the parties or Hearing Officer can set differently in the case of the two August dates**