

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

October 28, 2022

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

**ORDER APPROVING CHATTANOOGA GAS COMPANY’S REVISED 2021 ANNUAL
RATE REVIEW FILING PURSUANT TO TENN. CODE ANN. § 65-5-103(d)(6)**

This matter came before Vice Chairman David F. Jones, Commissioner Robin L. Morrison, Commissioner Clay R. Good, Commissioner Kenneth C. Hill, and Commissioner John Hie of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on August 8, 2022, to hear and consider the *Petition for Approval of Its 2021 Annual Rate Review Filing* (“*Petition*”) of Chattanooga Gas Company (“CGC” or the “Company”). In summary, the *Petition*, as revised on July 14, 2022, and certain other agreements reached by the parties in this docket, were approved.

BACKGROUND

In Docket No. 19-00047, the Commission approved a settlement agreement between CGC, the Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General (“Consumer Advocate”), the Chattanooga Regional Manufacturers Association

(“CRMA”), and members of the Commission Staff acting as a Party.¹ The agreed upon resolution to Docket No. 19-00047, approved by the Commission, established an annual rate review mechanism (“ARRM”) for CGC, as authorized by Tenn. Code Ann. § 65-5-103(d)(6). The ARRM allows for annual rate reviews by the Commission rather than a general rate case. The first annual ARRM effective date was September 1, 2020, however, on April 8, 2020, CGC filed a request to establish a docket for the modified ARRM filing and to delay its first annual filing until May 20, 2020, due to the state of emergency declared by Governor Bill Lee for the COVID-19 pandemic.²

In Docket No. 20-00049, the Commission accepted the joint agreement between CGC and the Consumer Advocate, concurring with the modified timeline for CGC rebuttal testimony and exhibits and the testimony of the Consumer Advocate. The Commission further acknowledged that the parties reserved their rights to take and advocate positions in CGC’s 2021 ARM filing regarding: COVID-19 impacts on revenues and expenses; CGC’s Allowance for Funds Used During Construction (“AFUDC”); CGC’s Capital Works in Progress (“CWIP”); and inclusion of CGC’s legal expenses.³

On April 20, 2021, in Docket No. 21-00048, CGC filed the *Chattanooga Gas Company Petition for Approval of Its 2020 Annual Rate Review Filing*. In its filing, CGC indicated that the Company calculated a total revenue deficiency of \$11.8 million for the Historic Base Period of 2020 while adhering to the approved methodologies from Docket No. 19-00047.⁴ Based on the sheer size of the needed revenues, the Company voluntarily proposed to limit the total rate increase

¹ *In re: Petition of Chattanooga Gas Company to Opt into an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, Docket No. 19-00047, *Order Approving Settlement Agreement* (October 7, 2019) (“*Order Establishing ARRM*”).

² *See In re: Chattanooga Gas Company Petition for Approval of its 2019 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, Docket No. 20-00049, *Order Approving 2019 ARM Filing*, p. 2 (October 27, 2020).

³ *Id.* at 5-6.

⁴ *In re: Chattanooga Gas Company Petition For Approval Of Its 2020 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, Docket No. 21-00048, *Order Approving Settlement Agreement on Chattanooga Gas Company’s 2020 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, p. 2 (November 1, 2021).

in any of the next four years to a maximum amount of \$6.8 million.⁵ Ultimately, a settlement was approved authorizing CGC's 2020 ARRM with the following provisions: (1) a \$6.8 million voluntary annual rate cap; (2) the inclusion of any unrecovered revenue above the voluntary rate cap in ARRM Schedule 29; (3) the use of a 1.4% depreciation rate for Steel Transmission Mains; (4) the restriction of applying interest only on customer deposits held more than six months; (5) the applicability of the prime lending rate to customer deposits; (6) clarification changes made to the T-3 Rate Schedule for Low Volume Transport customers; and (7) the exclusion of Special Contract customers from the rate increase. The Commission approved a total rate adjustment of \$11,545,439 with CGC recovering \$6.8 million (rate cap) and \$4,745,439 carried forward to the 2022 CGC ARRM Docket.⁶

PETITION

On April 20, 2022, CGC filed its *Petition for Approval of Its 2021 Annual Rate Review Filing* ("Petition"), in which the Company asserted that for calendar year 2021, it had calculated a total revenue deficiency of \$8,021,257 according to the Commission-approved methodologies.⁷ Again, the Company proposed to limit the total rate increase to \$6.8 million with the remainder being carried forward to next year's ARRM filing. The *Petition* asserted that the majority of costs occurred through capital investments and other factors such as increases in operation and maintenance expenses, regulatory lag, and the carryover from last year's ARRM docket that was in excess of the \$6.8 million rate cap.⁸ The Company included a rate design to recover the \$6.8 million on an equal percentage basis from all rate classes, except for Special Contracts.

⁵ *Id.* at 3.

⁶ *Id.* at 14-15.

⁷ *Petition*, pp. 4-5 (April 20, 2022).

⁸ *Id.* at 5.

In support of the *Petition*, Mr. Paul Leath submitted Pre-Filed Direct Testimony and provided an overview of the Company's filing, as well as information on the economic growth in Hamilton and Bradley counties, and the Company's operational activities. The Company proposed to cap its requested rate increase to \$6.8 million and Mr. Leath testified that the ARRM rate adjustment is based on the 2021 Historic Base Period.⁹ According to Mr. Leath, CGC is continuing to realize extraordinary growth in its service area; the Company has seen the annual number of new residential and commercial customers more than double over the last ten years. As a result, the Company is continually making enhancements to strengthen the safety and reliability of the pipeline infrastructure.

Additionally, the Company has secured a long-term contract for 50,000 dekatherms a day of transportation capacity on the interstate pipeline and, while half of this pipeline replaces lost capacity, the other half is available for growth. Mr. Leath asserted that the pipeline contract will be optimized by the Company's asset manager, and any gain from the transactions utilizing this capacity will be shared on a 50%-50% basis by the asset manager and CGC's customers through the Purchased Gas Adjustment ("PGA").¹⁰

Mr. Leath asserted the Company spent \$30.9 million on capital projects in 2021 and the Company is continuing to address existing pressure and capacity issues while providing for future growth.¹¹ Mr. Leath described five ongoing pressure projects in Hamilton County that will be completed in 2022. Further, according to Mr. Leath, completion of the Red Bank HP Expansion will allow the Company to push gas from its Liquefied Natural Gas ("LNG") plant further into its

⁹ Paul Leath, Pre-Filed Direct Testimony, pp. 5-7 (April 20, 2022).

¹⁰ *Id.* at 7-8.

¹¹ *Id.* at 8.

system freeing up its East Tennessee gas supply to be used at its other tap stations on colder days of the year.¹²

According to Mr. Leath, the remainder of the West Chattanooga HP Expansion project to Signal Mountain has been put on hold due to the acquisition of additional pipeline capacity from East Tennessee. Other planned projects are taking place in Bradley County to address existing pressure issues and provide for future growth.¹³ Mr. Leath attested that no costs associated with the Pipeline Replace Program (“PRP”) approved by the Commission in Docket No. 20-00131 are included for recovery in this filing.¹⁴ Mr. Leath testified that this filing includes \$33,774 of COVID-19 costs, which consist of personal protective equipment (“PPE”), telework reimbursements, and legal support services. A normalization adjustment was removed from the rate reset proposal.¹⁵

Ms. Tiffani Weems filed Pre-Filed Testimony in support of the *Petition*, presenting calculations to support the 2021 Historic Year total rate adjustment of \$8,021,257 in comparison to the \$9.7 million revenue deficiency projected in last year’s ARRM filing. Exhibit TW-1 provided the calculation for the 2021 calendar year annual reconciliation balance and rate reset.¹⁶ Ms. Weems asserted that the Company’s current authorized rate of return is 7.12%, as approved by the Commission in the Company’s last rate case. She attested that the *Petition* and filing comply with the methodologies established in that case and the filing requirements approved in the 2020 and 2021 ARRM Commission Orders.¹⁷

¹² *Id.* at 8-9.

¹³ *Id.* at 9.

¹⁴ *Id.* at 10.

¹⁵ *Id.* at 11.

¹⁶ Tiffani Weems, Pre-Filed Direct Testimony, pp. 2-3 (April 20, 2022).

¹⁷ *Id.* at 10.

Ms. Weems provided workpapers demonstrating the Company's actual rate of return for the Historic Base Period was 4.28%. After applying carrying costs, normalization adjustments, and the 2020 deficiency carryover, the total deficiency is \$8,021,257, before the application of the cap. Ms. Weems testified the deficiency is inclusive of all ratemaking adjustments approved in the Company's last rate case and notes that the filing reflects adjustments approved in the 2020 and 2021 ARRM Orders, including amortization of deferred LNG maintenance, amortization of allocated pension contributions, and exclusion of depreciation expenses associated with inactive service lines. She further explained that the filing excludes a legal contingency (injuries and damages) from the calculation of the Company's ARRM deficiency balance, excludes an outside service marketing accrual, includes direct and allocated Voluntary Employees' Beneficiary Association ("VEBA") reimbursements, which offset Other Post-Employment Benefits ("OPEB") payments, and removes certain other legal charges in accordance with the 2021 ARRM Order.¹⁸

Ms. Weems outlined changes from the previous ARRM filing, including a ratemaking adjustment (direct and allocated short-term incentive compensation), which increased the expense exclusion from 50% to 67% in order to reflect a change to the 2021 at-risk incentive compensation plan. Additionally, because of the change in Company policy whereby interest on customer deposits is now credited annually on December 31, there is a lower associated accrual balance.¹⁹ Ms. Weems provided seven schedules outlining the normalization adjustments in the 2021 rate reset. Material one-time adjustments related to LNG maintenance, bridges and above ground maintenance, COVID-19 related costs, employee relocation, and other non-recurring miscellaneous expenses were highlighted by Ms. Weems.²⁰

¹⁸ *Id.* at 12-13.

¹⁹ *Id.* at 13-14.

²⁰ *Id.* at 16.

The Pre-Filed Testimony of Mr. Archie R. Hickerson supports the Company's proposed rate adjustments projected to generate \$6.8 million additional revenues. Mr. Hickerson asserted that the proposed rate increase is allocated to each rate class on an equal percentage basis, with a 5% increase proposed for Kordsa, Inc. ("Kordsa").²¹ Mr. Hickerson provided a schedule comparing the proposed rates to current rates on Exhibit ARH-1.²² Mr. Hickerson asserted that the Company's proposed rate design will increase average annual base rates for customers by 14.7%.²³

Mr. Hickerson provides tariffs and schedules summarizing the allocation of the \$6.8 million to the rate schedules and Schedule 17 demonstrates the Proof of Revenues from the proposed rate increases. The Company is not proposing to change any miscellaneous service charges with this filing.²⁴ Mr. Hickerson testified that the Company proposed some housekeeping changes to its tariff and asserts these changes clarify the conditions where the Company may perform work on customers' premises.²⁵

During the discovery process with the Consumer Advocate and CRMA, the Company revised the revenue deficiency from \$8,021,257 to \$7,911,764.²⁶

POSITION OF THE CONSUMER ADVOCATE

Mr. William H. Novak testified on behalf of the Consumer Advocate that the Company's revised revenue deficiency of \$7,911,764 is calculated in accordance with the terms of its approved

²¹ A 5% annual rate cap was included in the special contract negotiated between Kordsa and CGC. In approving the special contract, however, the Commission ruled that the rate cap language must be removed from the contract. See, TPUC Docket No. 21-00094, *Order Approving Special Contract, As Modified* (May 13, 2022).

²² Archie R. Hickerson, Pre-Filed Direct Testimony, pp. 8-9 (April 20, 2022).

²³ *Id.* at 5.

²⁴ *Id.* at 6.

²⁵ *Id.* at 7.

²⁶ Tiffani Weems, Pre-Filed Supplemental Testimony, p. 2 (July 14, 2022); *Transcript of Hearing*, p. 44 (August 8, 2022).

ARRM in Commission Docket No. 19-00047 and reflects the books of the Company.²⁷ Mr. Novak, however, disagreed with the Company's rate design proposal to recover \$6.8 million by limiting the increase to special contract customers, while generating the balance proportionately from all other customers. Mr. Novak asserted the Company has not provided any justification for treating special contract customers differently than other customers with respect to the allocation of the proposed rate increase. Mr. Novak recommended the \$6.8 revenue deficiency be recovered evenly – across-the-board – from all customer classes including both of CGC's special contract customers.²⁸ Mr. Novak agreed with the Company's proposal to change all billing items (customer charges, usage charges, billing demand charges and capacity charges) to recover the revenue deficiency.²⁹

Mr. Alex Bradley also filed Direct Testimony on behalf of the Consumer Advocate that focused on the economic aspects of the typical Chattanooga customer based upon national data. Based on his analysis of Company data and a forecast of customer bills, Mr. Bradley concluded that customers would face significant increases in gas costs and recommended that the Commission direct the Company to provide a bill insert and media release featuring the estimated increase in an average residential bill for December 2022 through February 2023, along with a comparison to the previous year.³⁰

POSITION OF THE CHATTANOOGA REGIONAL MANUFACTURERS ASSOCIATION

On behalf of the CRMA, Mr. James L. Crist, P.E., asserted that rates should be based upon a Class Cost-of-Service Study ("CCOSS"), whereby costs are recovered from the cost-causers and that failure to adhere to this principle results in misallocation of cost and cross-class

²⁷ William H. Novak, Pre-Filed Direct Testimony, pp. 5-7 (June 17, 2022).

²⁸ *Id.* at 8-9.

²⁹ *Id.* at 10.

³⁰ Alex Bradley, Pre-Filed Direct Testimony, pp. 7-8 (June 17, 2022).

subsidization.³¹ According to Mr. Crist, the rate of return by class proposed by the Company results in a return of negative -0.59% for Residential class, 47.66% for Multi-family, 5.32% for Small Commercial, 25.45% for Medium Commercial and Industrial, and 36.35% for the Industrial class, which indicates the existence of a cross-subsidy. Further, Mr. Crist asserted that the Company's proposed rate design will perpetuate the unfair allocation that exists.³² In order to eliminate and correct the improper cross-subsidization allocation, Mr. Crist recommended the Company revamp its cost allocations so that each class rate of return is equal to the Company's rate of return.³³

Next, Mr. Crist addressed the Company's LNG facility and what he claimed were discriminatory operational practices of the Company regarding the use of this facility. Mr. Crist asserted the Company will almost never have need to use LNG to meet peak day demands while all customer classes, including firm and interruptible customers, have borne the capital and operating costs of the LNG operation. As such, Mr. Crist argued that the stored LNG should be available to customers upon request so as to avoid paying exceptionally high amounts for gas during cold periods. Based upon historical information, Mr. Crist claimed the Company is abusing its possession of the LNG asset, that this practice must be changed, and the Company should be ordered to make incremental gas available. With respect to the Triennial Review process, which CGC is subject to, Mr. Crist recommended that if the findings of the 2023 Triennial Review uncover data demonstrating there is not sufficient capacity to meet the Company's needs, then the practice of making incremental gas available should be examined.³⁴

³¹ James L. Crist, P.E., Pre-Filed Direct Testimony, pp. 3-4 (June 17, 2022).

³² *Id.* at 5-6.

³³ *Id.* at 7.

³⁴ *Id.* at 8-13.

CRMA also provided the Pre-Filed Direct Testimony of Mr. Chance Donahue who is responsible for managing the day-to-day operations of Kordsa, a chemical manufacturing plant served by CGC. Mr. Donohue testified that the restrictions and practices imposed by CGC (i.e., with respect to a failure to offer incremental gas) has cost his company as much as \$25,000-\$30,000 per day.³⁵ Mr. Donahue contended that the manufacturers of Chattanooga helped pay for the plant and the cost of the asset is allocated to all rate classes. Further, in the current and recent ARRM filings, Mr. Donahue asserted that CGC has spent millions on LNG improvements and evenly allocated the costs among all rate classes.³⁶ Mr. Donahue questioned how CGC allocates across-the-board rate increases to all customer classes, but denies T-1 interruptible transportation customers access to the LNG gas supply. For these reasons, Mr. Donahue recommended that the Commission perform an extensive review of CGC's incremental gas practices to ensure the interests of all ratepayers are protected.³⁷

STATUS REPORT RESOLVING ISSUES AND SUPPLEMENTAL TESTIMONY

On July 14, 2022, the Parties filed a *Joint Status Report and Identification of Remaining Disputed Issues* (“*Status Report*”) outlining issues that had been resolved and those that remained for resolution. In tandem with the filing of the *Status Report*, Ms. Tiffani Weems filed Supplemental Testimony that outlined the revised recovery amount of \$7,911,764, as concurred by the Parties.³⁸ In addition, the *Status Report* indicated that the Parties agreed to the five improved customer notifications outlined by Mr. Paul Leath in his Rebuttal Testimony.³⁹

³⁵ Chance Donahue, Pre-Filed Direct Testimony, pp. 3-4 (June 17, 2022).

³⁶ *Id.* at 4.

³⁷ *Id.* at 5.

³⁸ *Status Report*, pp. 4-5 (July 14, 2022).

³⁹ *Id.* at 6.

The parties, however, were unable to reach an agreement on rate design and requested that the Commission consider and decide this issue as is set forth in the 2019 ARRM Order. The *Status Report* included a request that each Party be allowed to provide a five (5) minute summary of their respective arguments in support of their position on this issue during the final hearing.⁴⁰ The Parties were also unable to reach agreement regarding the inclusion of available gas via LNG as relevant to the ARRM proceeding. Should the Commission order the issue be decided in this docket, the Company agreed to file additional testimony responding to the statements of the intervenors on this issue and to request a full hearing on the matter before the Commission.⁴¹

REBUTTAL TESTIMONY

Also on July 14, 2022, the Company submitted the Pre-Filed Rebuttal Testimony of Mr. Archie R. Hickerson defending the Company's proposed rate design. The Company opposed the Consumer Advocate's position that rates for special contracts be increased at the same percentage as other customers. Mr. Hickerson asserted that during negotiations with Kordsa for a special contract, CGC agreed to limit annual rate increases to no more than 5%, and this cap was reflected in the contract that it filed for approval by the Commission. While the Commission had the language referencing this limitation removed from the contract, it did not relieve the parties of commitments made to each other during good faith negotiations. Further, Mr. Hickerson asserted that removal of this language does not prohibit the Company from recommending a lesser rate increase for Kordsa.⁴² Mr. Hickerson asserted that the Volkswagen ("VW") special contract is based upon incentives offered by state and local governmental officials to have VW locate a manufacturing facility in Tennessee.⁴³ Mr. Hickerson maintained that relinquishing the promises

⁴⁰ *Id.* at 8.

⁴¹ *Id.* at 9-10.

⁴² Archie R. Hickerson, Pre-Filed Rebuttal Testimony, pp. 2-3 (July 14, 2022).

⁴³ *Id.* at 3-4.

made when the incentive package was presented to VW would not reflect favorably on the Company, the State, or the local authorities who negotiated with VW.⁴⁴

According to Mr. Hickerson, a Class Cost-of-Service Study is a tool designed to assist in setting rates, but it is not the only variable that should be considered. There are several factors to be considered when setting rates, such as the impact to customers, value of service, economic development, rate shock, pipeline bypass threat, alternative fuel competition, energy conservation, and environmental policies.⁴⁵

Mr. Hickerson opposed the CRMA's demand for a rate design in which each class would have the same rate of return.⁴⁶ While Mr. Crist emphasized a disparity in rates of return between the classes of customers and industrial customers, Mr. Hickerson provided an example where one could show a disparity in the base rate per therm across the different customer categories. A table provided by Mr. Hickerson outlined the average base charge per therm where the proposed rates result in residential customers paying \$0.63 per therm versus the large industrial customers paying \$0.12 per therm.⁴⁷ Mr. Hickerson concluded that under ratemaking principles, rate design must be in the public interest.

Mr. Hickerson asserted that the request of Mr. Crist to make LNG available to interruptible customers amounts to providing a backup supply to customers that have specifically elected to manage their own gas supply. The Company already offers the option to purchase backup supply service through the Company's rate schedule T-2.⁴⁸ With respect to the assertion by Mr. Crist that

⁴⁴ *Id.* at 4-5.

⁴⁵ *Id.* at 5.

⁴⁶ *Id.* at 7.

⁴⁷ *Id.* at 5-6.

⁴⁸ *Id.* at 9-10.

CGC diverted capacity to an affiliate in January 2022, Mr. Hickerson responded that the referenced affiliate, Sequent, is no longer an affiliate and was not an affiliate of CGC in January 2022.⁴⁹

Mr. Hickerson disputed Mr. Donahue's calculation that Kordsa could have saved \$350,000 if CGC had offered LNG during January. Additionally, Mr. Hickerson again pointed out that Kordsa has the option to purchase additional firm supply backup in accordance with rate schedule T-2 and could have saved \$250,000 during that month.⁵⁰ In closing, Mr. Hickerson asserted that the LNG gas issue raised by the CRMA does not impact base rates set in this proceeding, and therefore, this issue should not be considered in this docket.⁵¹

The Company also submitted Pre-Filed Rebuttal Testimony of two witnesses, jointly, Mr. Greg Becker and Mr. Chris Bellinger, in response to the incremental gas issues raised by CRMA. Mr. Becker asserted the LNG facility is critical for system operations, and a request to make the LNG facility available to interruptible customers is contrary to the supply obligation these interruptible customers choose when they elect not to be firm customers.⁵² Mr. Becker emphasized that CGC constructs and maintains its system to meet the projected needs of its firm customers and stated that interruptible customers are provided a level of service in so far as it does not impede the Company's ability to serve its firm customers.⁵³

Mr. Bellinger asserted that if CGC were ordered to make LNG assets available to interruptible customers, they would effectively receive firm service for free. Additionally, Mr. Bellinger warned of the risks of operational harm to the system and that the economic harm to firm customers outweigh any benefit that may be realized by interruptible customers having LNG

⁴⁹ *Id.* at 11.

⁵⁰ *Id.* at 13-14.

⁵¹ *Id.* at 14.

⁵² Greg Becker and Chris Bellinger, Pre-Filed Rebuttal Testimony, pp. 2-3 (July 14, 2022).

⁵³ *Id.* at 3-4.

available to them. According to Mr. Bellinger, the LNG is a reserve facility and the last option for a continuous supply of natural gas service to firm customers. Such gas is used when the system does not operate as intended; for example, in the event of an interruption to the interstate pipeline. Mr. Bellinger described a defined maintenance period during which the plant is shut down and unavailable for system supply support. The LNG facility is maintained primarily for available use during late December through February.⁵⁴ A considerable amount of time has passed since the LNG facility was constructed and the cost of the plant today consists of ongoing maintenance and operational costs, occasional needed improvements, and employees to operate the facility. Mr. Bellinger surmised that this makes the LNG facility a very favorable economic asset to maintain and have ready when needed.⁵⁵

Mr. Bellinger asserted that the CRMA's contention that CGC holds gas in excess of what the Company requires is incorrect. According to Mr. Bellinger, the LNG inventory covers approximately thirteen days of overall availability and, once that is used, the Company is limited on replacing that gas. Mr. Bellinger opined that it is not appropriate to allow an asset manager to utilize the LNG facility to make off-system sales to create margin while putting the system's firm customers at risk.⁵⁶ As CGC does not allow the asset manager to sell LNG from its peak shaving facility, it should not allow interruptible transportation customers to purchase this gas.⁵⁷

MOTION TO STRIKE AND TRANSFER OF GAS SUPPLY ISSUES TO DOCKET NO. 22-00004

On July 14, 2022, the Company also filed a *Motion to Strike, or in the Alternative to Transfer, Certain of the Testimony of Chattanooga Regional Manufacturers Association* ("Motion to Strike"). Within the *Motion to Strike*, the Company argued that the present docket was not an

⁵⁴ *Id.* at 8-9.

⁵⁵ *Id.* at 9-11.

⁵⁶ *Id.* at 15-16.

⁵⁷ *Id.* at 17.

appropriate proceeding to consider CRMA's issues with respect to the LNG facility and gas supply as the proposed ARRM filing only considers the Company's base rates.⁵⁸ On July 21, 2022, CRMA responded that its claim for relief was within the issues and relevant subject matter of the docket because rate base includes investments in maintaining gas storage facilities and the LNG facility.⁵⁹

In a pre-hearing conference call held on July 27, 2022, the parties communicated to the Hearing Officer that they had agreed to remove the LNG issue from this proceeding and place it in Docket No. 22-00004, *Chattanooga Gas Company Petition for Approval of Tariff Amendments to Its T-1, T-2 and T-3 Tariffs*, for resolution.⁶⁰ As part of the agreement, the Parties agreed to refile their respective pre-filed testimony in this docket to eliminate references to the issue.⁶¹ As such, the only remaining disputed issue before the hearing panel was rate design.

HEARING

The Hearing on the *Petition*, as revised, was held before the voting panel assigned to this docket on August 8, 2022, as noticed by the Commission on July 29, 2022. Participating in the Hearing were:

Chattanooga Gas Company – Floyd R. Self, Esq., Berger Singerman, LLP, 313 North Monroe Street, Suite 301, Tallahassee, Florida, 32301; J.W. Luna, Esq., Butler Snow LLP, 150 3rd Ave. South, Suite 1600, Nashville, Tennessee 37201

Consumer Advocate Unit, Financial Division, Office of the Tennessee Attorney General – Karen H. Stachowski Esq., Post Office Box 20207, Nashville, Tennessee 37202-4015

Chattanooga Regional Manufacturers Association – Henry M. Walker, Esq., Bradley law firm, 1600 Division Street, Suite 700, Nashville, Tennessee 37203-2754

⁵⁸ *Motion to Strike*, pp. 3-4 (July 14, 2022).

⁵⁹ *Response to Motion of Chattanooga Gas Company to Strike or Transfer Certain Testimony*, pp. 3-4 (July 21, 2022).

⁶⁰ *Pre-Hearing Order*, pp. 1-2 (August 3, 2022).

⁶¹ *Id.*

According to the agreements of the Parties in the *Status Report* and memorialized in the *Pre-Hearing Order*, the Parties presented their respective positions on rate design in opening statements, generally forgoing the presentation of witnesses. Ms. Tiffani Weems, however, testified in support of the *Petition*, as revised. The parties waived cross-examination. Members of the public were given an opportunity during the hearing to offer comments, but no one sought recognition to do so.

FINDINGS AND CONCLUSIONS

The *Petition* in this docket is the second ARRM filed by CGC and represents a significant rate increase over and above the rate increases the Company has been granted in rate cases in the past. Given the size of the increase here, it is appropriate for the Company to have proposed a cap that would spread the burden of recovery over a period of years. Moreover, a cap may provide an additional incentive to control costs. Nevertheless, utilities should be cognizant of the impact of such increases on Tennessee households and businesses and the public interest requirements built into the Tennessee legislature's alternative rate regulation provisions.

Upon consideration of the administrative record and after hearing the matter on the merits, the panel voted unanimously to approve Chattanooga Gas Company's 2021 Annual Rate Review filing, including the agreed-upon provisions set forth in the joint *Status Report* filed on July 14, 2022. Specifically, the panel approved \$7,911,764 for the revenue deficiency and rate reset set forth in the joint agreement with the application of the \$6.8 million rate cap, as agreed by the Parties.

Consistent with the Parties' agreement in their joint *Status Report*, the hearing panel found the Company's stated improvements in customer notification were reasonable. These improvements include communicating the estimated average residential bill for December 2022

through February 2023 with comparison to the same period last year through a new website, messages on customer bills, a press release, two newspaper advertisements, and messaging in the Company's customer newsletter.

In addition, the panel found that issues relating to LNG availability to interruptible customers should be moved to Docket No. 22-00004 for resolution, as agreed by the Parties. With respect to the remaining contested issue on rate design, the panel voted unanimously to approve CGC's proposed rate design as set forth in Mr. Archie Hickerson's direct testimony submitted on April 20, 2022 and outlined specifically in CGC Hickerson Exhibit ARH-4.

Finally, the panel concluded, at this time, that the Annual Rate Review Mechanism continues to be in the public interest and allows Chattanooga Gas Company to timely recover its investment and operating expenses, while continuing to provide safe and reliable service to its customers.

IT IS THEREFORE ORDERED THAT:

1. The *Petition for Approval of Its 2021 Annual Rate Review Filing* filed on April 20, 2022, and revised on July 14, 2022, by Chattanooga Gas Company is approved.
2. The revenue deficiency of \$7,911,764, subject to an annual rate cap of \$6.8 million, shall be recovered in the rate design reflected in Hickerson Exhibit ARH-4. Chattanooga Gas Company shall file tariffs consistent with this decision.
3. The customer notification improvements agreed upon in the *Joint Status Report and Identification of Remaining Disputed Issues* filed by Chattanooga Gas Company, the Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General, and the Chattanooga Regional Manufacturers Association on July 14, 2022, are approved.

4. The issues raised by the Chattanooga Regional Manufacturers Association related to Chattanooga Gas Company's Liquefied Natural Gas availability to interruptible customers may be considered in Commission Docket No. 22-00004, *In Re: Chattanooga Gas Company Petition For Approval Of Tariff Amendments To Its T-1, T-2 And T-3 Tariffs*.

5. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days from the date of this Order.

6. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Vice Chairman David F. Jones,
Commissioner Robin L. Morrison,
Commissioner Clay R. Good,
Commissioner Kenneth C. Hill, and
Commissioner John Hie, concurring.**

None dissenting.

ATTEST:



Earl R. Taylor, Executive Director