IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

June 3, 2022

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

CHATTANOOGA GAS COMPANY RESPONSES AND OBJECTIONS TO CONSUMER ADVOCATE'S SECOND SET OF DISCOVERY REQUESTS

Chattanooga Gas Company ("CGC" or "Company") files these Responses and Objections to the Second Set of Discovery Requests of the Consumer Advocate Unit in the Financial Division of the Office of the Attorney General ("Consumer Advocate") filed May 27, 2022.

To assist the Hearing Officer in evaluating this matter, CGC is setting forth its objections and Responses in two parts. Part I sets forth general objections applicable to CGC's discovery Responses. Part II sets forth objections to specific discovery requests propounded by the Consumer Advocate.

I. GENERAL OBJECTIONS

CGC objects generally to any definitions or instructions to the extent that they are inconsistent with and request information that is beyond the scope of the Tennessee Rules of Civil Procedure. CGC's Responses will comply with the requirements of the Tennessee Rules of Civil Procedure.

Any requests for production of documents are interpreted to describe each item or category of items requested with reasonable particularity as required by Tenn. R. Civ. P. 34.02, and the

terms used in the requests are not interpreted "broadly." CGC will produce items and/or data in its possession, custody or control as required by Tennessee Rules of Civil Procedure.

CGC further objects to these discovery requests to the extent they seek information that is beyond the scope of legitimate discovery in this case or that is subject to any privilege, including the attorney-client privilege and/or attorney work product doctrine. However, without waiving any of these General Objections, the Company will respond to the Consumer Advocate's discovery requests by providing responsive, non-privileged information.

These General Objections are continuing and are incorporated by reference in CGC's Responses to all discovery requests to the extent applicable. The statement of the following additional objections to specific discovery requests shall not constitute a waiver of these General Objections.

Further, CGC is proceeding in the traditional course of providing information that it deems to be confidential pursuant to the terms of the TPUC's Protective Order issued on April 21, 2022, by marking the information as confidential. CGC is acting in good faith reliance on the Consumer Advocate's compliance with the Protective Order.

II. SPECIFIC RESPONSES AND OBJECTIONS

2-1. Rationale/Explanation. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx >, Tab "Schedule 25.1". Provide a narrative discussion for the Company's inclusion of accounts 670537 and 670538 in the Total Pension Expense allocated from the Service Company for 2021 since these accounts were not previously included in the ARM model.

CGC RESPONSE:

For consistent reporting across Southern Company, AGL Service Company (AGSC) aligned its accounting for non-service pension and OPEB costs. The change moves the

non-service costs from Other Income (below the line) to Operating and Maintenance Expense (above the line). In Schedules 25.1 and 25.3, the Company makes an adjustment to remove the above the line GAAP based pension and OPEB expenses from CGC's cost of service. Please note, the removal of GAAP based pension and OPEB costs is consistent with CGC's 2018 Rate Case Order (Docket No. 18-00017) both in terms of methodology and approach.

2-2. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx >, Tab "Schedule 25.2". Specifically, refer to Cell E10 which contains the $1,342,212 Net Cash Contributions allocated to CGC. The footnote to this cell states that this amount, as well as the amortization period, was approved by the Commission in TPUC Docket No. 20-00049. Provide the support for this amount and the amortization period that was approved by the Commission.

CGC RESPONSE:

In the 2019 ARM Docket (Docket No. 20-00049), the Commission approved a $1.3 million pension contribution to be amortized over 5 years (2019-2023). Southern Company Gas (GAS) made a contribution of $145 million to fully fund the GAS pension plan. Of this amount, approximately $69 million was for the AGSC pension plan and approximately $1.3 million was allocated to CGC. Because the payment was large and non-recurring, the Company requested and was approved to amortize the costs over 5 years.

Please CA DR 2-02a Attachment CONFIDENTIAL for a copy of the confidential 2019 Actuarial Report, also submitted in Schedule 34 of 2019 ARM filing, Docket 20-00049.

While the approval of the pension expense is not explicitly identified in Docket 20-00049, the revenue deficiency of $4,758,576 and supporting work paper Rebuttal Exhibit GT-4 are cited. Please see CA DR 2-02b Attachment for a copy of Rebuttal Exhibit GT-4. Support for the pension contribution to AGSC as well as CGC's portion of those costs are identified and included within the calculation of the approved revenue deficiency. Further, these costs were also included and approved in ARM Docket 21-00048.

2-3. Rationale/Explanation. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 25.3". Specifically, refer to Row 22 of this spreadsheet which contains 670539 – Other Post Ret Non-Svc (AGSC). Provide a narrative discussion for the Company's inclusion of account 670539 – Other Post Ret Non-Svc (AGSC) within

the total charges allocated from AGSC for 2021 since these accounts were not previously included in the ARM model.

CGC RESPONSE:

Please see response to CA 2-1.

2-4. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 27" and provide the following information:

a. Source & Support/Hard-coded data. Provide the source and support for the 174% factor embedded into the formulas in Row 16 for Chattanooga Gas Company;

b. Source & Support/Hard-coded data. Provide the source and support for the 174% factor embedded into the formulas in Row 45 for AGSC;

c. Source & Support/Hard-coded data. Provide the source and support for the 179% factor embedded into the formulas in Row 72 for SCS; and

d. Rationale/Explanation. Refer to Footnote F on this schedule regarding the changes in percentages from 50% to 66% for removing incentive compensation. Provide a further narrative explanation for this change along with the source and support for the 66% factor used in the calculation.

CGC RESPONSE:

a. Please refer to Schedule 27 – Incentive Compensation Plan Documents (2 of 2) for a copy of the Southern Company Performance Pay Program (PPP), including the total performance payout. The payout for Southern Company Gas, and CGC are identified on page 18 of 19 of the plan documents.

b. Please refer to Schedule 27 – Incentive Compensation Plan Documents (2 of 2) for a copy of the Southern Company Performance Pay Program (PPP), including the total performance payout. The payout for Southern Company Gas, and CGC are identified on page 18 of 19 of the plan documents.

c. Please refer to Schedule 27 – Incentive Compensation Plan Documents (2 of 2) for a copy of the Southern Company Performance Pay Program (PPP), including the total performance payout. The payout for Southern Company Services is identified on page 19 of 19 of the plan documents.

d. As explained in the direct testimony of Tiffani Weems, the direct and allocated incentive compensation adjustments have been updated to reflect changes to the 2021 at risk Incentive Compensation Plan (AIP or PPP). Beginning in 2021,

Southern Company Gas' short-term incentive compensation plan was fully harmonized with Southern Company which resulted in a change to the calculation and determination of the short-term at-risk incentive compensation. In short, for the majority of the eligible employees, the individual performance component was removed and the remaining criteria, corporate earnings per share goal, business unit financial goal and business unit operational goal, were split equally. Further details are available in the incentive plan documents that are provided in Schedule 27. To remain consistent with the Rate Case Order, the Company has removed the portion of the at risk compensation based on financial metrics. Therefore, the Company is now removing 2/3 as opposed to 1/2 of the Incentive Compensation Expense.

2-5. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 28" and provide the following information:

a. Source & Support/Hard-coded data. Provide the source and support for the Interest on Customer Deposit balance amounts segregated between under/over six months as shown on Rows 62 and 63;

b. Source & Support/Hard-coded data. Provide the source and support for the Prime Interest Rate of 3.25% as of December 31, 2021, shown on Row 70; and

c. Rationale/Explanation. Refer to Cell F30 regarding the 2021 Uncollectible Expense of $279,393. It appears that the Company has included "Account 650200 – Customer Records" within this balance. Explain the addition of this account in this Uncollectible Expense balance since it was not previously included.

CGC RESPONSE:

a. Please refer to CA DR 2-05a Attachment.

b. Please refer to CA DR 2-05b Attachment.

c. Account 650200 – Customer Records was included in error. The Company has removed account 650200 from the amount used in the uncollectible expense normalization adjustment. The impact of this removal is an increase in the rate reset of approximately five thousand, there is no impact to the historic base year revenue deficiency. This correction will be reflected in the rebuttal testimony and associated exhibits of Tiffani Weems.

2-6. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 28.1". Specifically, refer to Columns K through T of this spreadsheet that provide the individual normalization adjustments used

by the Company. Provide the source and support for each of these individual normalization adjustments that have been included here as hard-coded amounts.

CGC RESPONSE:

a. Please see CA DR 2-6a Attachment for a copy of the account details for account 620040 Outside Services-LNG Storage. The costs totaling $58K ($27K from Player and Company and $31K from Amerson Engineering and Controls) were result of unexpected LNG storage maintenance and repairs. There costs are non-recurring and therefore have been normalized in the rate rest.

b. Please refer to CA DR 2-6b Attachment for a copy of the account details for account 625400 LNG Maint Liquefaction Equip. The Company determined that the costs, totaling $664K, are non-recurring costs that we do not expect to incur in 2022, and therefore has normalized these costs in the rate reset. Of the $664K, approximately, $330K was for the removal of trees impacting the facility/service area. An additional approximately $330K was the result of a repair to a refrigerant leak and pressure probes.

c. Please see supplemental workpaper, Schedule 35.10 for support of the Costs associated with COVID-19 pandemic.

d. Please see CA DR 2-6d Attachment for a copy of the account details for accounts 645211 Maintenance of Main Paving and 645711 Maintenance of Service Paving. The costs totaling $88K related to paving, above ground, maintenance project, is nonrecurring, and has been normalized in the rate reset.

e. Please See CA DR 2-6e Attachment for a copy of the account details for account 645714 R&M Mains-Bridges & Above Ground. The costs totaling $117K are result of bridge remediation or maintenance. These are non-recurring and therefore have been normalized in the rate reset.

f. Please see CA DR 2-6f Attachment for a copy of the account details for accounts 670855 Travel Expense and 670856 Meals and Entertainment. These costs, associated with the Charleston Meter Project, are non-recurring, onetime costs, and therefore have been normalized in the rate reset. While preforming maintenance on its interstate pipeline facilities, East Tennessee Natural Gas interrupted service to the Charleston Meter. To continue to provide service to its customers normally served with gas delivered by the pipeline through the Charleston Meter, Chattanooga Gas Company (CGC) withdrew Liquid Natural Gas (LNG) from its Chattanooga LNG facility. The LNG was delivered by truck to the portable vaporizer that was temporary installed by CGC where it was vaporized and injected into the distribution system for delivery to CGC's Customers in the area.

g. Please see CA DR 2-6g Attachment for a copy of the account details for account 670570-Employee Relocation. Additionally, please see response to CA 1-27 for further detail.

h. Please see Schedule 28 for the calculation of Group Insurance - Medical and Uncollectible Expense adjustments. Please note, the medical and uncollectible normalization adjustments are based on a five-year average. The current year expenses for medical and uncollectible expenses are linked to Schedule 19 within the ARM model. Income statements for 2019, 2020 and 2021 are provided in Schedule 21, consistent with the past two ARM filings.

i. Please refer to CA DR 2-6i Attachment for a copy of the account details for account 670840 Miscellaneous Expense. $20,000 was associated with a labor/employment related legal matter. These costs were determined to be non-recurring, onetime costs, and therefore have been normalized in the rate reset.

2-7. Refer to File <Schedule 35.5 EDIT Bal Act Workpapers.xlsx>, Tab "EDIT Summary" and provide the following information:

a. Rationale/Explanation. Refer to Cell I9 showing a $0 balance for the "Federal Basis Difference EDIT". Confirm that this amount is correct and explain why the 2021 formula does not follow the 2020 formula for this same account; and

b. Rationale/Explanation. Refer to Cell I10 showing a $0 balance for the "Offset Basis Difference EDIT". Confirm that this amount is correct and explain why the 2021 formula does not follow the 2020 formula for this same account.

CGC RESPONSE:

Yes, both of the Basis Difference EDIT amounts are correct. As of September 2021, the Federal Basis Difference and Offset Basis Difference EDIT balances are $0. CGC accelerated the amortization of the basis adjustment EDITs over twelve months beginning in October 2020 through September 2021 as approved in the Company's 2020 ARM Docket (Docket No. 20-00049). The Company's tax subledger Powertax, from which report 257 is generated, is used to record protected EDIT activity. When the basis adjustment EDITs were accelerated, they were moved from protected EDITs to unprotected EDITs, and the balance and activity were recorded to the general ledger. While the movement and recognition of the balances and activity were recorded to the general ledger, the subledger was not updated for this change resulting in basis adjustment EDIT balances other than $0. As noted, the Company's general ledger correctly reflects a $0 balance for Basis Difference EDITs as of September 2021.

2-8. Refer to File <Schedule 35.7 ADIT Workpaper (2021).xlsx> and provide the following information:

a. Corrected/Updated Information. Provide a copy of this spreadsheet with all formulas intact for subtotals and totals for all spreadsheet tabs, including links between the federal and state tabs to the summary tab; and

b. Rationale/Explanation. Indicate what other Schedules in the ARM model rely on the amounts included in this Schedule.

CGC RESPONSE:

a. Please see CA DR 2-08a Attachment.

b. Schedule 35.7 ADIT Workpaper supports the Accumulated Deferred Income Tax-adjustments for Pension & OPEB on Schedule 2A1, line 82, of CGC Weems Exhibit TW-1 (ARM Model).

2-9. Confirmation/Explanation. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 17". Specifically, refer to Cells A105 to V123 which present the billing determinants, current & proposed rates, and current & proposed revenues for the F-1/T-2+T-1 Rate Schedule. Confirm that the historical billing determinants for Kordsa, Inc. have been removed from this data.

CGC RESPONSE:

Please see the attached CA DR 2-9 Attachment CONFIDENTIAL for the confidential substantive responses to this request.

2-10. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 17.1". Specifically, refer to Cell O20 which contains the Normalized Historic Period Revenue for Special Contract Customers and provide the following information:

a. Confirmation/Explanation. Confirm that this revenue amount only includes Special Contract revenue from Kordsa, Inc. See Schedule 35.14 for supporting details;

b. Confirmation/Explanation. Confirm that this amount excludes Special Contract Revenue from Volkswagen Group of America Chattanooga Operations, LLC ("Volkswagen"). See Schedule 35.14 for supporting details;

c. Rationale/Explanation. Explain why the Company has chosen to exclude the Special Contract revenues from Volkswagen on Schedule 17.1; and

d. Rationale/Explanation. Reconcile the Company's decision to exclude Special Contract revenues from Volkswagen on Schedule 17.1 with the Company's response to Consumer Advocate DR No. 1-16 which states, "The normalized special contract revenue in Cell O20 includes the revenue from the previously existing special contract and the new special contract approved in TPUC Docket No. 21-00094".

CGC RESPONSE:

a. Confirmed.

b. Confirmed.

c. Schedule 17.1 shows the revenue subject to increase. Since it is proposed that Volkswagen's rates not to be increased, the Volkswagen revenue are not included on Schedule 17.1.

d. As previously discussed with the Consumer Advocate Staff, the response to Consumer DR No. 1-16 was incorrect. The normalized special contract revenue in Cell 020 does not include revenue from the previously existing contract.

2-11. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 2A1". Specifically, refer to Row 113 which details the monthly balance of the 2020 Deficiency. Provide the source and support for the monthly amounts included here.

CGC RESPONSE:

Please refer to Docket No. 21-00048, rebuttal testimony of Gary Tucker, CGC Tucker Exhibit GT-4 (ARM Model), Schedule 29.

2-12. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 2A1". Specifically, refer to Row 29 which details the monthly balance of the "Topside/SUD – Manual Entry". Provide the source and support for the monthly amounts included here.

CGC RESPONSE:

The Topside/SUD-Manual Entries as shown on Schedule 2A1 are topside/manual CWIP accruals that were inadvertently recorded to a Non-Utility CWIP accrual account. The accruals should have posted to account 100123, which is the Utility CWIP accrual account. Account 100123 is used to accrue costs that have not been assigned to a specific project by a certain day in the monthly close cycle. Being that this was a topside entry it would have met the requirement that the costs should be recorded to 100123, and then to 100120 the following month, once a project number was assigned to it.

2-13. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 15". Specifically, refer to Row 419 which details the monthly Miscellaneous Base Revenue. Provide the source and support for the monthly amounts included here.

CGC RESPONSE:

The Miscellaneous Base Revenue on Row 419 of Schedule 15 are lump sum adjustments that either correct errors or satisfy customer complaints and are taken from the Company's accounting and billing records. For more details see the Response to CA 1-8a.

2-14. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Inputs". Specifically, refer to Row 89 regarding the Removal of Certain Legal Charges for $-3,177. Provide the source and support for this amount.

CGC RESPONSE:

In Docket 21-00048 and specifically, the response to CA 2-20, the Company determined that the legal expenses for Troutman Pepper Hamilton Sanders LLP, services identified as "renewable natural gas" would not be included for recovery. To remain consistent with the prior ARM rate proceeding, the Company has removed this portion of legal expenses identified as "renewable natural gas" for FY2021.

However, it should be noted that the Tennessee General Assembly unanimously passed, and Governor Lee signed, the "Tennessee Natural Gas Innovation Act" with the effective date being immediately upon becoming law on March 18, 2022. This Act finds that it is in the public interest for utilities to invest in multiple ways in a manner that maintains

American competitiveness and energy affordability and reliability while creating a pathway to reducing greenhouse gas emissions in the State.

The Act specifically discusses renewable natural gas, hydrogen and other innovative natural gas resources and provides for the recovery of operational expenses or capital costs, or both, associated with the investment in natural gas innovation resources.

With the passage of this Act clearly establishing the public policy for the State, CGC may seek recovery of such costs in future proceedings.

Please see CA DR 2-14a Attachment for a copy of the account details.

2-15. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 9". Specifically, refer to Cell I26 which provides the historic "Permanent Differences" of $15,076 in the Income Tax calculation. Provide the source and support for this amount.

CGC RESPONSE:

Please refer to CA DR 2-15a Attachment. The permanent differences can be found on lines 23-28.

2-16. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 9". Specifically, refer to Cell I47 which provides the historic Excess Deferred Tax Liability Amortization – Tax Cuts & Jobs Act for $-1,021,946. Provide the source and support for this amount.

CGC RESPONSE:

Deferred tax savings resulting from the Tax Cuts and Jobs Act of $1,844,710 were identified and ordered to be returned to CGC's customers over a three-year period in Tax Docket 18-00035. A copy of that order is attached as CA DR 2-16a Attachment. In ARM Docket 20-00049, the Company requested to amortize the deferred tax savings and remaining unprotected EDITs over one year. In support of this request, Exhibit GT-3 was filed which identified all of the proposed tax components that the Company was requesting to accelerate. A copy of the exhibit is included as CA DR 2-16b Attachment. The Company and the Consumer Advocate Unit reached a stipulation in Docket 20-00049 which contained and affirmed the proposed acceleration of the deferred tax savings and unprotected EDITs. The Commission approved the stipulation on September 14, 2020. The

amortization or return of the deferred tax savings aligned with the rate year October 2020 through September 2021. The table below shows the approved deferred tax savings to be returned as well as the net activity in 2021 of $1,021,946.

	Balances			Net Acivity
	Gross Liability	DTA	Net	
Sep-20	(1,844,710)	482,115	(1,362,595)	-
Oct-20	(1,690,984)	441,939	(1,249,045)	113,550
Nov-20	(1,537,258)	401,762	(1,135,496)	113,550
Dec-20	(1,383,533)	361,586	(1,021,946)	113,550
Jan-21	(1,229,807)	321,410	(908,397)	113,550
Feb-21	(1,076,081)	281,234	(794,847)	113,550
Mar-21	(922,355)	241,057	(681,298)	113,550
Apr-21	(768,629)	200,881	(567,748)	113,550
May-21	(614,903)	160,705	(454,198)	113,550
Jun-21	(461,178)	120,529	(340,649)	113,550
Jul-21	(307,452)	80,352	(227,099)	113,550
Aug-21	(153,726)	40,176	(113,550)	113,550
Sep-21	-	-	-	113,550
			2021 Activity	1,021,946

2-17. Source & Support/Hard-coded data. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 9". Specifically, refer to Cell I49 which provides the historic Acceleration of federal basis adjustment for EDIT Amortization of $530,253. Provide the source and support for this amount.

CGC RESPONSE:

In ARM Docket 20-00049, the Company requested to amortize deferred tax savings and the remaining unprotected EDITs over one year. In support of this request, Exhibit GT-3 was filed which identified all of the proposed tax components which the Company was requesting to accelerate. A copy of the exhibit is attached in the Company's response to CA 2-16. The Company and the Consumer Advocate Unit reached a stipulation in Docket 20-00049 which contained and affirmed the proposed acceleration of the deferred tax savings and unprotected EDITs. The Commission approved the stipulation on September 14, 2020. The amortization or return of the federal basis adjustment EDIT aligned with the rate year October 2020 through September 2021. The table below shows the approved federal basis adjustment EDIT to be returned as well as the net activity in 2021 of $530,253.

	Balances			Net Acivity
	Gross Liability	DTA	Net	
Sep-20	(957,157)	250,153	(707,004)	-
Oct-20	(877,394)	229,307	(648,087)	58,917
Nov-20	(797,631)	208,461	(589,170)	58,917
Dec-20	(717,868)	187,615	(530,253)	58,917
Jan-21	(638,105)	166,769	(471,336)	58,917
Feb-21	(558,342)	145,923	(412,419)	58,917
Mar-21	(478,579)	125,077	(353,502)	58,917
Apr-21	(398,816)	104,230	(294,585)	58,917
May-21	(319,052)	83,384	(235,668)	58,917
Jun-21	(239,289)	62,538	(176,751)	58,917
Jul-21	(159,526)	41,692	(117,834)	58,917
Aug-21	(79,763)	20,846	(58,917)	58,917
Sep-21	-	-	-	58,917
			2021 Activity	530,253

2-18. Rationale/Explanation. Refer to the Company's Response to Consumer Advocate DR No. 1-1. This item requested "…a copy of workpapers used to prepare the Company's ARM filing that have not been previously supplied". The Company's reply is non-responsive in that it only identifies the workpapers and schedules that have already been provided. Provide either a statement that all workpapers and schedules used by the Company to prepare the ARM filing have been supplied **or** provide a copy of all schedules and workpapers used by the Company to prepare the ARM that have not been previously supplied.

CGC RESPONSE:

All schedules and workpapers used to prepare the Company's 2021 ARM filing have been provided except for the following:

- Monthly Volume Revenue Reports - This report provides monthly customer counts and billed volumes on Schedule 16.4. This report is also provided in the monthly filings to the TPUC and Consumer Advocate. Please see CA DR 2-18a Attachment for a copy of the Monthly Volume Revenue Reports.

2-19. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 14" regarding the Company's depreciation and amortization calculations and provide the following information:

a. Source & Support/Updated Information. Refer to Cell J26 regarding the depreciation rate of 1.17% used by the Company for Account 365.20 – Rights-of-Way. Provide the source, support, and authority for the depreciation rate for this specific account. If no such authorization can be found, then provide an updated depreciation calculation;

b. Source & Support/Updated Information. Refer to Cell J28 regarding the depreciation rate of 1.17% used by the Company for Account 374.00 – Land & Land Rights. Provide the source, support, and authority for the depreciation rate for this specific account. If no such authorization can be found, then provide an updated depreciation calculation;

c. Corrected/Updated Information. Refer to Cell J32 regarding the depreciation rate of 1.951938278827010% used by the Company for Account 376.00 – Mains. The depreciation rate used by the Company extends beyond the 4-digit rate (1.95%) authorized by the Commission. Provide an updated depreciation calculation that reflects the authorized depreciation rate for this account;

d. Corrected/Updated Information. Refer to Cell J36 regarding the depreciation rate of 2.922320432380418% used by the Company for Account 380.00 – Services. The depreciation rate used by the Company extends beyond the 4-digit rate (2.92%) authorized by the Commission. Provide an updated depreciation calculation that reflects the authorized depreciation rate for this account;

e. Corrected/Updated Information. Refer to Cell J40 regarding the depreciation rate of 1.728006793946520% used by the Company for Account 383.00 – House Regulators. The depreciation rate used by the Company extends beyond the 4-digit rate (1.73%) authorized by the Commission. Provide an updated depreciation calculation that reflects the authorized depreciation rate for this account; and

f. Corrected/Updated Information. Refer to Cell J52 regarding the depreciation rate of 16.12% used by the Company for Account 392.00 – Transportation Equipment. It appears that the Company has used the depreciation rate for Account 392.10 – Autos & Light Trucks instead of the 12.22% authorized for Account 392.00. Provide an updated depreciation calculation that reflects the authorized depreciation rate for this account.

CGC RESPONSE:

a. The Company's last depreciation study was conducted for the period ending December 2016. The study was filed in the Company's 2018 Rate Case Docket 18-00017 and approved by the Commission as filed. At the time of this study, there was no balance in account 365.20 and therefore no proposed rate. Given the similarity in assets and characteristics of the of Account 365.20 – Rights-of-Way and 374.2 – Land Rights, the Company found it reasonable to apply the rate of 374.2 – Land Rights to 365.20 – Rights-of-Way.

b. The Company's last depreciation study was conducted for the period ending December 2016. The study was filed in the Company's 2018 Rate Case Docket 18-00017 and approved by the Commission as filed. At the time of this study, there was no balance in account 374.00 and therefore no proposed rate. Given the similarity in assets and characteristics of the of Account 374.00 – Land & Land Rights and 374.2 – Land Rights, the Company found it reasonable to apply the rate of 374.2 – Land Rights to 374.00 – Land & Land Rights.

c. Please see CA DR 2-19a Attachment for a copy of an updated Schedule 14 with rates rounded to two decimal places. This correction will be reflected in the rebuttal testimony and exhibits of Tiffani Weems.

d. Please see CA DR 2-19a Attachment for a copy of an updated Schedule 14 with rates rounded to two decimal places. This correction will be reflected in the rebuttal testimony and exhibits of Tiffani Weems.

e. Please see CA DR 2-19a Attachment for a copy of an updated Schedule 14 with rates rounded to two decimal places. This correction will be reflected in the rebuttal testimony and exhibits of Tiffani Weems.

f. Please see CA DR 2-19b Attachment for a copy of the Depreciation Study performed in 2018 Rate Case. Please note the 12.22% was based on the 2010 Rate Case (page 72/102). However, 16.12% was approved in the 2018 Rate Case.

2-20. Corrected/Updated Information. Refer to the Company's response to Consumer Advocate DR No. 1-7 regarding billing determinants (bills, volumes by billing step, capacity, and demand). The Company's response refers to the Attachment included with Consumer Advocate DR No. 1-8. However, this attachment does not appear to include volumes by billing step. Provide the billing volumes by billing step for each month of 2021 for all rate schedules with multiple billing steps.

CGC RESPONSE:

The billing volumes by billing step for each month of 2021 for all Rate Schedules with multiple billing steps are on Schedule 16.4. The billing volumes by billing step after adjustment for the new Special Contract are on Schedule 16.4A.

2-21. Provide a forecasted bill analysis for the primary residential and small commercial classes comparing 2020, 2021, 2022 and the twelve-month period ending September 2023 under the following assumptions:

a. Assume the average usage per customer for each customer class;

b. Assume the full request of CGC is approved in this proceeding; and

c. Forecast gas costs based upon current and forecasted market conditions.

CGC RESPONSE:

See CA DR 2-21a Attachment. As requested, the average usage per customers used on this exhibit is unadjusted (un-normalized) volume for each respective month of 2021 and the rates and PGA in effect for each respective month January 2020 through June 2022. The analysis is provided assuming that the $6.8 million increase requested by CGC is approved and also if rates were put into effect assuming the full $8 million increase. CGC has not attempted to forecast future market conditions. For the period of July 2022-September 2023 the Purchased Gas Adjustment proposed to be effective July 1, 2022, is used. This PGA is based on the NYMEX Henry Hub prices for each of the months June 2022-May 2023 as published for May 26, 2022.

2-22. Refer to File <Schedule 39.1 - Outside Legal Services.xlsx>, Lines 3, 20. Provide the following:

a. Support/Documentation. Support detailing the legal expenses for TPUC Docket No. 20-00139 (invoices, redacted work logs, etc.) amounting to $113,639;

b. Clarification/Updated Information. Is the Company and its shareholders paying for part of the legal expenses for TPUC Docket No. 20-00139? If so, provide the amount; and

c. Rationale/Explanation. If the response to b. above is "no", provide explanation of why the Company should recover its legal expenses from its customers for the Company to litigate that it should keep the 50/50 revenue sharing incentive rather than a split of 25% for the Company and 75% for consumers.

CGC RESPONSE:

a. CGC objects to this request as overly broad and unduly burdensome, seeking privileged and/or confidential information, and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, CGC states as follows: As previously agreed to by the Consumer Advocate and approved by the Commission in its Order Approving 2019 ARM filing, issued October 27, 2020, in Docket 20-00049, CGC has provided in

Schedule 39 a detailed narrative, docket by docket, of the legal work performed and the associated legal fees for each matter. Even with respect to non-docketed matters, CGC has provided additional breakdowns as to the type of issues worked.

b. No.

c. Prudent legal fees are a just and reasonable expense that are properly recoverable from customers, not shareholders, including fees associated with defending the Company's asset management practices. *Consumer Advocate v. TRA*, 2012 WL 1964593 (May 30, 2012). Docket 20-00139 was initiated by the Consumer Advocate and the record reflects extensive litigation in defending the longstanding asset management practices.

2-23. Refer to File <Schedule 39.1 - Outside Legal Services.xlsx>, Lines 8, 27. Provide the following:

a. Support/Documentation. Support detailing the legal expenses for TPUC Docket No. 21-00094 (invoices, redacted work logs, etc.) amounting to $86,373;

b. Clarification/Updated Information. Is the Company and, its shareholders paying for part of the legal expenses for TPUC Docket No. 21-00094? If so, provide the amount;

c. Clarification/Updated Information. Is Kordsa, Inc. paying for part of the legal expenses for TPUC Docket No. 21-00094? If so, provide the amount; and

d. Rationale/Explanation. If the response to b. above is "no", provide a narrative explanation of why the Company should socialize the legal expenses associated with a special contract customer rather than have the special contract customer, itself, pay for those expenses.

CGC RESPONSE:

a. CGC objects to this request as overly broad and unduly burdensome, seeking privileged and/or confidential information, and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, CGC states as follows: As previously agreed to by the Consumer Advocate and approved by the Commission in its Order Approving 2019 ARM filing, issued October 27, 2020, in Docket 20-00049, CGC has provided in Schedule 39 a detailed narrative, docket by docket, of the legal work performed and the associated legal fees for each matter. Even with respect to non-docketed matters, CGC has provided additional breakdowns as to the type of issues worked.

b. No.

c. No.

d. Prudent legal fees are a just and reasonable expense that are properly recoverable from customers, not shareholders. As CGC demonstrated by the record in Docket 21-00094, CGC was faced with the situation of losing a large industrial customer, and its contribution to common overheard, or negotiating a special contract. The special contract negotiated included a contract rate that is and will be above CGC's incremental cost to serve. The incremental revenue provided by Kordsa is a contribution to common overhead that benefits CGC's general body of ratepayers by reducing the amount of overhead CGC's other customers must pay for. If CGC had lost Kordsa as a customer, CGC's other customers would have to make up that lost contribution. Given the benefit this special contract provides to all of CGC's customers, it is a prudent expense.

2-24. Refer to File <Schedule 39.1 - Outside Legal Services.xlsx>, Lines 4, 21. Provide the following:

a. Support/Documentation. Support detailing the legal expenses for TPUC Docket No. 21-00018 (invoices, redacted work logs, etc.) amounting to $53,745;

b. Clarification/Updated Information. Is the Company and its shareholders paying for part of the legal expenses for TPUC Docket No. 21-00018? If so, provide the amount; and

c. Rationale/Explanation. If the response to b. above is "no", provide a narrative explanation of why its customers alone, should pay for the Company's comments related to the Commission's rulemaking on practice and procedure, Tenn. Code Ann. §§ 122-01-01 and 1200-01-02.

CGC RESPONSE:

a. CGC objects to this request as overly broad and unduly burdensome, seeking privileged and/or confidential information, and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, CGC states as follows: As previously agreed to by the Consumer Advocate and approved by the Commission in its Order Approving 2019 ARM filing, issued October 27, 2020, in Docket 20-00049, CGC has provided in Schedule 39 a detailed narrative, docket by docket, of the legal work performed and the associated legal fees for each matter. Even with respect to non-docketed matters, CGC has provided additional breakdowns as to the type of issues worked.

b. No.

c. Prudent legal fees are a just and reasonable expense that are properly recoverable from customers, not shareholders. The Commission initiated Docket 21-00018 to address various rules of practice and procedure. As a party regularly appearing before the Commission, it is in the best interest of CGC's customers for CGC to participate, and CGC's comments in the docket reflect CGC's efforts to make the

regulatory process more efficient. This is the typical and ordinary type of work that a regulated utility must prudently undertake for the benefit of customers.

2-25. Refer to File <Schedule 39.1 - Outside Legal Services.xlsx>, Line 15. Provide the following:

a. Support/Documentation. Support detailing the legal expenses for TPUC Docket No. 20-00025 (invoices, redacted work logs, etc.) amounting to $6,646;

b. Clarification/Updated Information. Is the Company and its shareholders paying for part of the legal expenses for TPUC Docket No. 20-00025? If so, provide the amount; and

c. Rationale/Explanation. If the response to b. above is "no", provide a narrative explanation of why its customers alone, should pay for the Company's comments related to the Commission's rulemaking on for the evaluation of public utility acquisitions.

CGC RESPONSE:

a. CGC objects to this request as overly broad and unduly burdensome, seeking privileged and/or confidential information, and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, CGC states as follows: As previously agreed to by the Consumer Advocate and approved by the Commission in its Order Approving the 2019 ARM filing, issued October 27, 2020, in Docket 20-00049, CGC has provided in Schedule 39 a detailed narrative, docket by docket, of the legal work performed and the associated legal fees for each matter. Even with respect to non-docketed matters, CGC has provided additional breakdowns as to the type of issues worked.

b. No.

c. Prudent legal fees are a just and reasonable expense that are properly recoverable from customers, not shareholders. The Commission initiated Docket 21-00025 to address various rules of practice and procedure. The subject of this docket was utility acquisitions, which can be very important to the future growth of a natural gas utility such as CGC. Growth through utility acquisitions can spread out overhead costs across more customers, leading ultimately to lower rates, or at least rates that do not increase as substantially. CGC's role in the docket was to generally monitor the proceedings except for very brief but important comments submitted. This is the typical and ordinary type of work that a regulated utility must prudently undertake for the benefit of customers.

2-26. Refer to File <Schedule 39.1 - Outside Legal Services.xlsx>, Line 12. Provide the following:

a. Support/Documentation. Support detailing the legal expenses for "General Regulatory/Legislative Impacts" (invoices, redacted work logs, etc.) amounting to $21,649;

b. Clarification/Updated Information. Is the Company and its shareholders paying for part of the legal expenses for "General Regulatory/Legislative Impacts"? If so, provide the amount; and

c. Rationale/Explanation. If the response to b. above is "no", provide a narrative explanation of why its customers alone, should pay for "General Regulatory/Legislative Impacts".

CGC RESPONSE:

a. CGC objects to this request as overly broad and unduly burdensome, seeking privileged and/or confidential information, and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, CGC states as follows: As previously agreed to by the Consumer Advocate and approved by the Commission in its Order Approving 2019 ARM filing, issued October 27, 2020, in Docket 20-00049, CGC has provided in Schedule 39 a detailed narrative, docket by docket, of the legal work performed and the associated legal fees for each matter. Even with respect to non-docketed matters, CGC has provided additional breakdowns as to the type of issues worked.

b. No.

c. Prudent legal fees are a just and reasonable expense that are properly recoverable from customers, not shareholders. As the narrative to Schedule 39 provides, there are a number of non-docketed issues, docketed matters involving other utilities, and legislative monitoring (not lobbying, as such costs are excluded) that may have significant regulatory implications for CGC's operations and its customers. This is the typical and ordinary type of work that a regulated utility must prudently undertake for the benefit of customers.

2-27. Refer to File <Schedule 39.1 - Outside Legal Services.xlsx>, Line 35. Provide the following:

a. Define/Explanation. A general description of the type of legal work that falls within the category of "Regulatory Gen Regulatory-CGC";

b. Support/Documentation. Support detailing the legal expenses for "Regulatory Gen Regulatory-CGC" (invoices, redacted work logs, etc.);

c. Clarification/Updated Information. Is the Company and its shareholders paying for part of the legal expenses for "Regulatory Gen Regulatory-CGC"? If so, provide the amount; and

d. Rationale/Explanation. If the response to b. above is "no," provide a narrative explanation of why its customers alone, should pay for "Regulatory Gen Regulatory-CGC".

CGC RESPONSE:

a. CGC objects to this request as overly broad and unduly burdensome, seeking privileged and/or confidential information, and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, CGC states as follows: As previously agreed to by the Consumer Advocate and approved by the Commission in its Order Approving 2019 ARM filing, issued October 27, 2020, in Docket 20-00049, CGC has provided in Schedule 39 a detailed narrative, docket by docket, of the legal work performed and the associated legal fees for each matter. Even with respect to non-docketed matters, CGC has provided additional breakdowns as to the type of issues worked.

b. No.

c. With respect to this work done, it is the same type of work discussed in Response to CA 2-26. See further the Response to CA 2-26.

2-28. Refer to File <Schedule 39.1 - Outside Legal Services.xlsx>, Line 35. Provide the following:

a. Define/Explanation. A general description of the type of legal work that falls within the category of "Regulatory FERC counseling and Administration";

b. Support/Documentation. Support detailing the legal expenses for "Regulatory FERC counseling and Administration" (invoices, redacted work logs, etc.);

c. Clarification/Updated Information. Is the Company and its shareholders paying for part of the legal expenses for "Regulatory FERC counseling and Administration"? If so, provide the amount; and

d. Rationale/Explanation. If the response to b. above is "no", provide a narrative of why its customers alone, should pay for "Regulatory FERC counseling and Administration".

CGC RESPONSE:

a. CGC objects to this request as overly broad and unduly burdensome, seeking privileged and/or confidential information, and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, CGC states as follows: With respect to this work done, FERC either directly regulates, or its regulations otherwise impact, CGC's operations. Thus, it is necessary for CGC to have the benefit of counsel and advice on those FERC matters impacting CGC's operations.

b. See the response to (a).

c. No.

d. Prudent legal fees are a just and reasonable expense that are properly recoverable from customers, not shareholders. These FERC proceedings directly or indirectly impact CGC's operations, and how CGC provides service to its customers. This is the typical and ordinary type of work that a regulated utility must prudently undertake for the benefit of customers.

2-29. Refer to File <CGC Weems Exhibit TW-1 (ARM Model and Schedules).xlsx>, Tab "Schedule 17.1" Line 10. This exhibit shows a 5% cap on a "Special Contract Subject to increase".

a. Explanation/Support. Explain the source of the 5% cap on a "Special Contract Subject to increase". Provide copies of documents supporting the Company's explanation;

b. Explanation/Support. Has the Commission approved a 5% cap on a "Special Contract Subject to increase"? If yes, provide a copy of the Commission's approval;

c. Explanation/Support. Does the amount of $192,228 include a rate increase for both special contracts – Kordsa, Inc. and Volkswagen; and

d. Explanation/Support. Identification. If the answer to c. above is "no", identify the special contract which will not be subject to an increase under the Company's proposal. Provide a narrative explanation why only one special contract being subject to an increase under the Company's proposal. Provide all documents supporting the Company's explanation.

CGC RESPONSE:

Please see the attached CA DR 2-29 Attachment CONFIDENTIAL for the confidential substantive responses to this request.

2-30. The following accounts have seen a substantial increase in the base period compared with prior periods. With respect to these costs, respond to the following:

a. **Account 672551 Allocated Executive-Corp-SCS:**

Subaccount #672551	
Allocated Executive-Corp-SCS	
Year Ending	Amount
2016	$12,266
2017	$29,418
2018	$70,257
2019	$108,227
2020	$113,253
2021	$135,752

i. Rationale/Explanation: Provide a comprehensive explanation for the increased charges to this account; and

ii. Define/Identify. To the extent there are any non-labor charges recorded to this account, provide the general ledger information supporting these non-labor charges.

b. **Account 671429 Allocated Other Corp:**

Subaccount #671429	
Allocated Other Corp	
Year Ending	Amount
2016	$24,980
2017	$16,885
2018	$19,489
2019	$38,509
2020	$69,524
2021	$91,302

i. Rationale/Explanation: Provide a comprehensive explanation for the increased charges to this account; and

ii. Define/Identify. To the extent there are any non-labor charges recorded to this account, provide the general ledger information supporting these non-labor charges.

CGC RESPONSE:

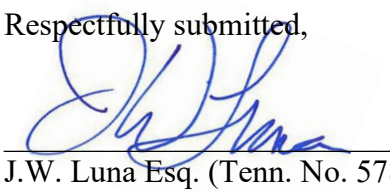
CGC is still working on the response to this request, which shall be provided as soon as it is available.

2-31. Define/Identify. Refer to subaccount 600047 Pay- No Gas AGLC Work. Provide a narrative description of the services performed under this account. Additionally, provide the Company's rational for inclusion of this account.

CGC RESPONSE:

The costs reflective in account 600047 are for charges to reactivate meters, and check/relight appliances for active customers whose meters were left off and locked for various reasons. The costs incurred are internal payroll charges associated with performance of the above activities. While the account description has "AGLC" in it, the account can be used by all utilities and costs are specific to those utilities and does not mean CGC employees are performing tasks for AGLC. Please see CA DR 2-31a Attachment for account details.

Respectfully submitted,



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Attorneys for Chattanooga Gas Company

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing Responses and Objections to the Consumer Advocate's Discovery Requests were forwarded via electronic mail on Friday, June 3, 2022, to the following:

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Dated: June 3, 2022

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

May 20, 2020

IN RE:	)	
	)	**DOCKET NO.**
CHATTANOOGA GAS COMPANY COMPLIANCE FILING AND REPORT	)	**18-00035**
	)	

FINAL ORDER

This matter came before Chair Robin L. Morrison, Vice Chair Kenneth C. Hill, and Commissioner John Hie of the Tennessee Public Utility Commission ("Commission" or "TPUC") during the regularly scheduled Commission Conference held on March 9, 2020, to determine the remaining issues stemming from the implementation and impact of the 2017 Tax Cuts and Jobs Act, Pub. L. No. 115-97 ("2017 Tax Act" or "TCJA") with respect to Chattanooga Gas Company ("CGC" "Company"). The Company and the Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General's Office ("Consumer Advocate") were the parties in this matter.

In summary, the Hearing Panel determined that Deferred Income Tax Expense Savings ("tax savings") is $843,810 and the Deferred Amortization of Excess Accumulated Deferred Income Tax ("Deferred Amortization EDIT") is $1,000,900. The aggregate amount of these regulatory liabilities is $1,844,710. The regulatory liability of $1,844,710 shall be amortized over a three-year period and incorporated into the Annual Rate Mechanism of Chattanooga Gas Company's annual filings with an unamortized balance reflected as a reduction in rate base.

BACKGROUND

On January 1, 2018, the 2017 Tax Act became effective which significantly impacted the earnings of investor-owned utilities. The 2017 Tax Act reduced the corporate federal income tax rate from 35% to 21%. On February 6, 2018 in Docket No. 18-00001, the Commission issued its *Order Opening an Investigation and Requiring Deferred Accounting Treatment* (hereafter "*2018 Tax Reform Order*"). Therein, the Commission ordered Atmos Energy Corporation ("Atmos Energy"), Kingsport Power Company d/b/a AEP Appalachian Power ("Kingsport Power"), Piedmont Natural Gas Company ("Piedmont Natural Gas"), Tennessee American Water Company ("Tennessee American Water"), and CGC to immediately apply deferred accounting treatment with respect to the impact of the lowered federal corporate income tax rate and, no later than March 31, 2018, provide the Commission with the amounts deferred and a proposal to reduce rates or otherwise make adjustments to account for the tax benefits resulting from the 2017 Tax Act.[1] The *2018 Tax Reform Order* directed Staff to assist the remaining water, wastewater, and natural gas utilities under the Commission's jurisdiction in the calculating the tax impacts on their earnings resulting from the 2017 Tax Act and report the results to the Commission.

In this docket, the Company reported it had tracked and accumulated the revenue impact of the TCJA in a deferred account.[2] Exhibits were provided reflecting the accumulated amounts for January and February 2018 and the impact of the reduction in the tax rate for the twelve months ending January 31, 2018. Because the twelve-month average provided by the Company

[1] *See In re: Tennessee Public Utility Commission Investigation of Impacts of Federal Tax Reform on Public Utility Revenue Requirements*, Docket No. 18-00001, *Order Opening Investigation and Requiring Deferred Accounting Treatment* (February 6, 2018) (hereinafter *2018 Tax Reform Order*).
[2] *Chattanooga Gas Company's Compliance Filing and Report*, p. 1, (March 29, 2018).

indicated that CGC was under-earning, the Company recommended no further action was immediately necessary. CGC proposed to retain any TCJA savings to offset earning below its authorized return. Further, as CGC had a rate case in Docket No. 18-00017 pending before the Commission, which reflected the new lower tax rate going forward, the Company asserted any further investigation regarding the impact of the TCJA should be handled in the rate case docket.[3]

The Consumer Advocate sought intervention in the docket, which was granted on April 24, 2018.[4] On May 14, 2018, a contested case proceeding was convened by the Hearing Panel.[5] During this time, the rate case in Docket No. 18-00017 progressed forward.

RELEVANT PROCEDURAL HISTORY OF RATE CASE DOCKET NO. 18-00017

The Company filed its rate case on February 15, 2018 in Docket No. 18-00017. In its *Petition*, the Company made no claim that it had a right to retain any 2017 Tax Act related savings, nor did not provide calculations of any amount it may have sought to retain. Neither did the Company seek to consolidate the rate case with the present docket, Docket No. 18-00035. The Consumer Advocate, rather than the Company, first raised the TJCA related tax savings issue during the Company's 2018 rate case several months after the *Petition* had been filed. On July 3, 2018, the Consumer Advocate filed its direct testimony in the 2018 rate case, including the Pre-Filed Direct Testimony of Mr. David Dittemore.

Mr. Dittemore's Pre-Filed Testimony in the 2018 rate case covered a forecast of the attrition period of CGC's O&M expenses and addressed a host of other regulatory accounting issues, including the tax savings related from the TJCA. Mr. Dittemore referenced the Company's *Compliance Filing and Report* filed in Docket No. 18-00017, and contended that

[3] *Id.* at 2.
[4] *Order Granting Petition to Intervene filed by the Consumer Advocate* (June 11, 2018).
[5] *Order Convening a Contested Case Proceeding and Appointing a Hearing Officer* (May 18, 2018).

CGC should not be allowed to retain the tax savings for the period between January 1, 2018 and the date that the new rates ordered in the rate case became effective.[6] The Consumer Advocate computed an estimate of the tax savings through September 2018, stating that the estimate would change if rates resulting from the rate case were implemented on a later date.[7] The Consumer Advocate also asserted CGC may have already begun to amortize its excess ADIT balance, an alleged action by the Company that went beyond the *2018 Tax Reform Order* in Docket No. 18-00001 to the detriment of the interests of the customers.[8]

In rebuttal testimony filed on August 3, 2018, CGC conceded that the *2018 Tax Reform Order* did not expressly authorize a public utility to retain any tax savings in the event that a public utility was under-earning.[9] Nevertheless, Mr. Gary A. Tucker, on behalf the Company, asserted that the "Company has deferred the savings and has proposed to retain those savings until new rates are established as presented in the Company's current rate case filing."[10] The Company, however, did not provide an estimate or a known and measurable amount of the income tax expense savings it sought to retain in the rate case docket.

The rate case was decided by the Commission on October 15, 2018, with rates becoming effective thereafter on November 1st. The Commission briefly addressed the Accumulated Deferred Income Tax and Regulatory Liability for Excess Deferrals in the rate case. On page 55 of the *Amended Order* issued in Docket No. 18-00017 on January 15, 2019, the voting panel adopted an EDIT regulatory liability of $22,177,646 for the attrition year and adopted the Company's amortization periods for both protected and unprotected EDIT. Additionally, beyond

[6] *In re: Petition of Chattanooga Gas Company for Approval of an Adjustment in Rates and Tariffs; the Termination of the AUA Mechanism and Related Tariff Changes and Revenue Deficiency Recovery; and an Annual Rate Review Mechanism*, (herein after "2018 Rate Case"), Docket No. 18-00017, David Dittemore, Pre-Filed Direct Testimony, pp. 27-28 (July 3, 2018).
[7] *Id*. at 29. The rates set in Docket No. 18-00017 were not effective until November 1, 2018.
[8] *Id.* at 23, 27.
[9] 2018 Rate Case, Gary Tucker, Pre-Filed Rebuttal Testimony, pp. 39-40 (August 3, 2018).
[10] *Id.*

that needed to set rates in the rate case, CGC was ordered to accrue in a regulatory liability account the Deferred Amortization EDIT for the period January 2018 to the effective date of new rates, which was November 1, 2018. The disposition of this unique regulatory liability would be determined in the present docket.[11] As noted by the Company and the Consumer Advocate in the present docket, the *Amended Order* in the rate case did not expressly address the calculation or disposition of the regulatory liability for the tax savings in the rate case; rather, this issue remained within the scope of the present docket, Docket No. 18-00035.

STATUS CONFERENCE OF MARCH 27, 2019

Upon the conclusion of rate case Docket No. 18-00017, the present docket moved forward. In an email dated March 12, 2019, the Consumer Advocate submitted two outstanding issues to be addressed in this docket: first, the treatment of Deferred Amortization EDIT as set forth in the Commission's *Amended Order* in Docket No. 18-00017 (on page 55) and second, the appropriate disposition of the Tax Savings accrued during the period January 1, 2018 through the date the new CGC rate became effective.[12] CGC disagreed that the second issue should be included as an issue for consideration. CGC asserted that the issue regarding savings had already been determined in its recent rate case.[13] The Hearing Officer convened a Status Conference on March 27, 2019 to discuss the issues to be included in the docket.

During the Status Conference, the Consumer Advocate reiterated the issues it thought should be included in the docket. The Consumer Advocate contended that the Commission never said that deferred amounts should remain with the Company. Rather, the Consumer Advocate asserted that deferred tax dollars should flow back to ratepayers and that the tax dockets were set up to address these types of issues. CGC asserted that all issues had been

[11] 2018 Rate Case, *Amended Order*, p. 55 (January 15, 2019).
[12] *Order Establishing Issues for Consideration*, p. 2, (June 27, 2019).
[13] *Id.*

litigated, and if the Commission had intended to send more than one issue to the tax docket it would have done so specifically. CGC maintained that the issue of TCJA tax savings had already been considered and decided in the rate case. CGC asserted that the Commission made the determination in the rate case that the TCJA related tax savings was in the rate base and the amount was zero.[14]

During the Status Conference, the parties presented their positions verbally, and did not file any motions or supporting documentation in the record. The parties disagreed as to whether the second issue regarding the disposition of tax savings should be included as an issue in this docket. CGC maintained that a determination had already been made on the issue of the disposition of tax savings in CGC's rate case, decided by the Commission on October 15, 2018 in Docket No. 18-00017. In her order, the Hearing Officer rejected the Company's position:

> The Hearing Officer finds that one of the objectives of this docket and similar dockets for the other larger utilities, commonly referred to as "tax dockets," is to determine the disposition of the tax savings by the utilities to the ratepayers. In its *Order Opening an Investigation and Requiring Deferred Accounting Treatment* issued in Docket No. 18-00001, the Commission states that CGC and certain other larger public utilities shall "provide to the Commission no later than March 31, 2018, the amounts deferred and a proposal to reduce rates or otherwise make adjustments to account of the tax benefits resulting from the 2017 Tax Cuts and Jobs Act, Pub. L. No. 115-97 ("2017 Tax Act")." Because of this mandate by the Commission, the current docket was opened with the filing of the *Chattanooga Gas Company Compliance Filing and Report* on March 29, 2019. Therefore, the Hearing Officer concludes that it is appropriate for the disposition of the tax savings to be considered in the current docket. Of course, CGC may argue before the Commission that its tax savings was already calculated and included in its recent rate case. The Commission is in the best position to determine whether it has previously ruled on the issue of the disposition of the tax savings. [15]

Thereafter, pursuant to the procedural schedule established by the Hearing Officer, the parties filed pre-filed testimony concerning both issues.

[14] *Id*. at 3-4.
[15] *Id.*

DIRECT TESTIMONY OF CHATTANOOGA GAS

In Pre-Filed Direct Testimony on behalf of CGC, Mr. Gary A. Tucker, addressed the amortized amounts of EDIT for the January to October 2018 time period and, due to reduction in the corporate tax rate, the potential tax savings in rates for the same period.[16] Mr. Tucker claimed that the Company provided testimony addressing all aspects of the 2017 Tax Act in its 2018 rate case, including the proposal that the Company retain the tax savings accumulated between January 1, 2018 and the effective date of its new base rates.[17] Mr. Tucker submitted that, going forward, rates reflect the benefits of the 2017 Tax Act, including the new 21% federal tax rate and amortization of excess accumulated deferred income taxes.[18]

Mr. Tucker conceded that not all impacts of the 2017 Tax Act were resolved in the rate case, but reiterated the Company's position that only one issue was remanded back to this docket for resolution: the disposition of the Deferred Amortization EDIT for the January to October 2018 period.[19] His opinion relied upon the written order in the Company's rate case in Docket No. 18-00017, specifically page 55 of the *Amended Order,* where it specifically states that the disposition of the EDIT regulatory liability will be determined in this present docket, Docket No. 18-00035. As the *Amended Order* did not specify that the tax saving issue was also referred to Docket No. 18-00035, Mr. Tucker reasoned that the matter should not be an issue in this docket. To support his belief that the tax savings issue was resolved in the rate case, Mr. Tucker points to various schedules contained in the rate case *Amended Order* showing that both the Regulatory Liability Deferred Tax Savings amount in Rate Base and 2018 Tax Savings Amortization is

[16] Gary A. Tucker, Pre-Filed Direct Testimony, pp. 2-3 (September 13, 2019).
[17] Commission approved new rates became effective on November 1, 2018.
[18] *Id*. at 4-5.
[19] *Id.* at 5-7.

"zero"; whereas, the excess tax deferrals were decided in the amount $22,177,646.[20] In summary, Mr. Tucker concluded the zero balances in the schedules, in combination with the express referral of the Deferred Amortization EDIT issue back to this docket indicate the issue of the savings resulting from the reduction in the federal income tax rate was considered in the 2018 rate case and determined by the Commission and decided to be zero.[21]

Referencing Exhibit GT-1, and assuming the tax savings is addressed by the Commission in this docket, Mr. Tucker calculated the total deferred tax savings regulatory liability balance of $1,633,314.[22] The portion of this amount related to the reduction in the federal tax rate was $582,309. Mr. Tucker calculated these amounts using the current period preliminary earnings before taxes and multiplying by the change in the composite statutory income tax rate (13.09%); i.e., the difference between the composite statutory income tax rate of 39.23% (based on a 35% federal tax rate) and the new composite statutory income tax rate of 26.14% (based on a 21% federal tax rate). The result was grossed for taxes to arrive at the revenue adjustment.

The current period was used by the Company because it recognizes the earnings received from January to October 2018, rather than assuming that earnings are recognized equally over a twelve-month period. In addition, the calculation recognizes the tax savings generated from the current taxable income that resulted from the reduced federal income tax rate, rather than the taxable income at the time of CGC's last rate case in 2010. Using 2010 data produces a mismatch of earnings that would overstate the actual income tax savings realized by the Company.[23] While the CGC did not believe the tax savings should be an issue in this docket, the

[20] *Id*. at 6-7.
[21] *Id*. at. 6-7.
[22] *Id*. at 8.
[23] *Id.* at 9.

Company submitted that $582,309 was the correct amount if the Commission considered the matter the present docket.[24]

According to the Company, the portion related to the EDIT amortization deferral is $1,051,005.[25] In 2018, CGC amortized $931,605 of protected and unprotected EDIT. To arrive at the amount amortized prior to the new rates in the rate case, CGC prorated for the January to October 2018 timeframe to arrive at an EDIT amortization of $776,337, which was grossed-up for taxes and recorded as a reduction to revenues with an equal offset to the tax savings regulatory liability account. This amount reflects the Company's finalized 2017 tax return and utility plant activity for 2018, but does not align with the amount approved in the Company's rate case docket, as the protected portion was subject to change pending finalization of the 2017 tax return.[26]

CGC has calculated a total deferred tax savings regulatory liability balance of $1,633,314 made up of $582,309 regulatory liability balance due to reduction in the federal income tax rate and $1,051,005 EDIT tax savings.[27] Addressing the disposition of the Total Tax Savings – Regulatory Liability Balance of $1,633,314, the Company proposed to recognize and retain the entire deferred tax savings within the Company. An adjustment would be required to the current period rate of return calculation in order to remove any impacts that result from the retained tax savings.

The Company notes its recent rate case filing was delayed by approximately two months primarily due to the 2017 Tax Act.[28] As part of the basis or rationale for retaining the tax savings, the Company relies on its financial results in 2018 in which it did not realize its

[24] *Id*. at 8-10.
[25] *Id.* at 10.
[26] *Id.*
[27] *Id*. at 13.
[28] *Id.* at 12.

authorized rate of return ("ROR"). According to the Company, CGC earned a ROR of 5.54% for 2018, compared to the authorized rate of 7.12% in the rate case, representing a revenue deficiency of $2.9 million.[29] Mr. Tucker states that even with the recognition of the deferred tax savings, the Company would not earn its authorized ROR. The new ROR calculation produces a ROR of 6.42%, still below the authorized return of 7.12%, which represents a revenue deficiency of $1.3 million.[30]

In conclusion, Mr. Tucker claims that the Company's proposal to retain the total deferred tax savings is in the public interest and appropriate in that it is the Commission's function to provide utilities the opportunity to earn a fair and reasonable return.[31] The Company notes that the rate case addressed the ability of the Company to earn a fair return going forward. In this docket, the CGC requests the Commission to partially offset its revenue deficiency from January to October of 2018.[32] Further, CGC asserts that retaining the aforementioned tax savings still leaves it earning more than 100 basis points below its authorized ROR, which in itself is a serious concern.[33]

DIRECT TESTIMONY OF THE CONSUMER ADVOCATE

On behalf of the Consumer Advocate, Mr. David Dittemore made a series of recommendations and findings. First, Mr. Dittemore recommended the Commission should require deferred tax savings accruing during the January to October 2018 period to be amortized as a credit (on a gross of tax basis) and should further require the Deferred Amortization EDIT to be amortized as a credit to expense (on a gross of tax basis) for the benefit of CGC customers

[29] *Id*. at GT-2.
[30] *Id*. at 13; GT-2.
[31] *Id.*
[32] *Id.*
[33] *Id.* at 13.

through the annual ARM mechanism.[34] The Consumer Advocate submitted the Company's proposal to retain the tax savings for the period of January to October 2018 should be rejected.

Second, Mr. Dittemore recommended the tax savings deferral should be calculated based on CGC's last rate case as of January 16, 2018, consistent with Commission's *2018 Tax Reform Order* of February 6, 2018 in Docket No. 18-00001. Mr. Dittemore found the Company's calculation of the Deferred Amortization EDIT for 2018 to be reasonable, notwithstanding CGC's position that it should retain those benefits accruing for the period of January to October 2018.[35] Finally, he contended that the total 2017 Tax Act-related savings accruing from January to October 2018 of $1,894,815 should be amortized over a three-year period and incorporated in the Company's ARM as a reduction to rate base.[36]

In addition, Mr. Dittemore clarified that the amortization expense should be recorded as a credit to Account 407 Amortization Expense.[37] Credits should flow back to customers via the annual ARM adjustments. The termination date for the calculation of tax savings and Deferred Amortization EDIT should be October 2018 to coincide with the Company's new base rates effective November 1, 2018.[38]

With respect to the calculation of the tax savings, the Consumer Advocate disagreed with the Company's calculations. The Consumer Advocate's calculation is based on an income tax calculation from the Company's last base rate case in Docket No. 09-00183, which is consistent with the Commission's instruction in its *2018 Tax Reform Order* in Docket No. 18-00001, which

[34] David N. Dittemore, Pre-Filed Direct Testimony, p. 2 (November 27, 2019).
[35] *Id.*
[36] *Id.* at 2-3.
[37] *Id*. at 3.
[38] *Id*.

initiated the tax investigation. CGC's calculation is based on the January to October 2018 time period.[39]

With respect to the Deferred Amortization EDIT balances proposed by the Company, the Consumer Advocate was in agreement. The balances were revised downward by the Company due to true-up of the actual 2017 tax return and removal of pension and OPEB related timing differences from the unprotected EADIT balance consistent with the treatment of these items in the rate case docket. Mr. Dittemore testified that he reviewed the Company's calculation of the deferred amount for January to October 2018 and found it to be reasonable.[40]

Further, Mr. Dittemore testified that he had several concerns with the Company's positions.[41] First, Mr. Dittemore disagreed with the Company's argument that the omission of a value in the 2018 rate case revenue requirement schedules represented the Commission's approval of the Company's request to retain Income Tax Expense savings in the rate case. Mr. Dittemore contended the Commission's silence on the issue does not create a reasonable inference that a determination was made based on a line item in a schedule. Conversely, if in fact the Commission declined to address tax savings in the rate case proceeding, it would have been incorrect to assign any value to that line item.[42]

Furthermore, Mr. Dittemore disagrees with the Company's total deferred tax savings regulatory liability of $1,633,314. The Consumer Advocate's calculation is $1,894,815, the difference being the period upon which tax expense savings were determined. Mr. Dittemore

[39] *Id*. at 3-4.
[40] *Id*. at 4.
[41] *Id*. at 6-7.
[42] *Id.* at 6.

again points out that he calculated his amount consistent with the Commission's directive in Docket No. 18-00001; whereas, the Company calculated based on 2018 actual results.[43]

The Consumer Advocate disagrees with the Company's position that under-earning in 2018 should allow the Company to retain the income tax savings. Whether the Company was under-earning in 2018 is irrelevant as to the treatment of the Tax Savings and Deferred Amortization EDIT. Relying on the basic tenants of the Filed-Rate Doctrine, the Consumer Advocate asserts that that there is a prohibition against retroactive ratemaking to make up any under-collection of costs.[44] Mr. Dittemore states, hypothetically, if the situation were reversed and the Company was over-earning in a given year and had no annual ARM review, rates could only be changed prospectively upon the issuance of a Commission order.[45]

Finally, Mr. Dittemore notes that the Commission's *2018 Tax Reform Order* in Docket No. 18-00001 created a regulatory liability in the deferral of tax savings; a liability the Company is seeking to offset with a "regulatory asset" composed solely of earnings below its authorized return.[46]

REBUTTAL TESTIMONY OF CHATTANOOGA GAS COMPANY

In Pre-Filed Rebuttal Testimony, Mr. Tucker updated and revised his previous exhibits and reiterated his assertion that the Commission's 2018 rate case *Amended Order* referred *only* the Deferred Amortization EDIT issue to this docket. Mr. Tucker maintained his belief that if the Commission had not decided the 2018 tax savings to be zero as reflected in the final schedules at pages 40, 41, 93, and 100 of the Commission's *Amended Order*, then the

[43] *Id.*
[44] *Id*. at 7-8.
[45] *Id*. at 8.
[46] *Id.*

Commission would have specifically sent that issue for consideration in this docket as well.[47] His conclusion, therefore, is that this issue was considered and decided by the Commission in the rate case docket and no further action is required or appropriate in this docket.[48]

With respect to the Consumer Advocate's calculations, Mr. Tucker acknowledged the Commission's approach to calculating income tax expense savings based on earnings approved in the Company's previous rate case in Docket No. 09-00183. Mr. Tucker asserted that while this may be the best approach for utilities that have recently had a rate case or have little or no change in net rate base or overall cost of service since the last rate case, this is not the best approach for CGC.[49]

Since the Company's last rate case was decided in 2010, there have been substantial increases in capital investments between 2011 and 2018 as well as other increases in revenues and expenses over this time period. According to the Company, using the last rate case decided in 2010 as a basis for the calculation results in a mismatch in earnings and overstates the actual income tax savings realized by CGC. Mr. Tucker submits the Commission never intended for the calculation of the income tax savings reserve to be in excess of the benefit recognized as a result of the 2017 Tax Act. The Company maintained it would support the same position should the reverse, i.e. actual earnings for January to October 2018, produce a higher income tax savings deferral.[50]

While disagreeing with the Commission's directive as it relates to CGC specifically, Mr. Tucker agreed that the Consumer Advocate's calculation of TCJA tax savings is reasonable and that it follows the directive of the Commission in its *2018 Tax Reform Order* in Docket No. 18-

[47] Gary A. Tucker, Pre-Filed Rebuttal Testimony, p. 3 (January 10, 2020).
[48] *Id.* at 2-3.
[49] *Id.* at 3-4.
[50] *Id.* at 3-5.

00001. Nevertheless, Mr. Tucker disagrees with the manner in which the Consumer Advocate calculated the savings, asserting that it does not recognize that earnings are not realized equally over a twelve-month period. While the Consumer Advocate's method of multiplying the annualized income tax savings by 10/12 (or approx. 83.3%) is reasonable, Mr. Tucker states the most accurate method would be to multiply the annualized tax savings by the 2018 margin allocation factor of 78.8%. This method would produce a total income savings reserve of $798,000, as compared to the Consumer Advocate's result of $844,000.[51]

Finally, Mr. Tucker disagrees with the proposition that whether CGC is under-earning is not a relevant consideration in determining the disposition of the tax savings and Deferred Amortization EDIT. The Company contends that focusing on just one aspect of a utility's earnings would lead to non-compensatory rates and unfair results. Mr. Tucker quotes from page 3 of the Commission's *2018 Tax Reform Order* in Docket No. 18-00001 that "review and action is necessary in order to investigate to prevent utilities from receiving windfall profits."

Mr. Tucker submits that "windfall profits" can be determined only by analyzing the utility's total earnings and rate of return both before and after the tax benefit and then deciding whether the utility was earning above its authorized rate of return.[52] The Company claims it was earning well below its authorized return. Mr. Tucker asserts that a refund to customers should not be ordered based on one revenue source being greater than the amount calculated when setting rates. The Company reiterates that the passage of the 2017 Tax Act delayed the filing of CGC's general rate and thereby rate relief by approximately two months. CGC states that it is not asserting that there should be retroactive rates to remedy this delay, but provides this

[51] *Id.* at 5-6.
[52] *Id.* at 6-7.

information to the Commission as a factor in its decision as to whether the Company experienced windfall profits through revenues collected based on its approved, filed rates.[53]

Finally., Mr. Tucker disagrees with the Consumer Advocate's assertion that the Company's request to retain the deferred tax savings violates the Filed-Rate Doctrine. He defines the Filed-Rate Doctrine as, "filed and approved rates are presumed reasonable until they are proven to not be reasonable, which is a function of the utility's overall rate of return, with any rate changes made prospectively."[54] The Company asserts the Consumer Advocate is looking at the tax rate change in complete isolation of all other factors and because the tax rate declined, so should the customer rates for the period, regardless of the utility's overall earnings situation.[55]

THE HEARING

The hearing in this matter was noticed by the Commission on February 7, 2020 and held on February 18, 2020, before the assigned voting panel during the regularly scheduled Commission Conference. The appearances made on behalf of the parties were as follows:

> Chattanooga Gas Company – **J.W. Luna, Esq.**, Butler Snow LLP, 150 3rd Avenue South, Suite 1600, TN 37201; **Floyd R. Self, Esq.**, Berger Singerman, LLP, 313 North Monroe Street, Suite 301, Tallahassee, Florida 32301
>
> The Consumer Advocate Unit – **Daniel Whitaker, III., Esq.**, Office of the Tennessee Attorney General and Reporter, Post Office Box 20207, Nashville, Tennessee, 37219

During the hearing, Mr. Gary Tucker presented testimony on behalf of the Company. Mr. David Dittemore provided testimony on behalf of the Consumer Advocate. Opportunities for the public to comment were presented, but no member of the public sought recognition to comment.

[53] *Id*.
[54] *Id.* at 8.
[55] *Id.* at 7-9.

FINDINGS AND CONCLUSIONS

The Company has made several arguments in an effort to show that it should be permitted to retain the tax savings and the Deferred Amortization EDIT related to the 2017 Tax Act and the Commission's *2018 Tax Reform Order*. Among them was a conclusion that the tax savings had already been resolved in the Company's favor in in the 2018 rate case docket. As a matter of procedure before the Commission, this argument cannot stand. As noted in the Hearing Officer's *Order Establishing Issues for Consideration*, a separate docket was established for each of the large utilities in recognition of the practical complexities of resolving the consequences of the implementation of 2017 Tax Act. There is no order, or any other indication in the rate case docket, that the *2018 Tax Reform Order* in Docket No. 18-00001 was or has been superseded. There was no motion made by any party, nor order issued, to consolidate this docket with the 2018 rate case docket.[56] While the parties provided their respective positions in the rate case, there is no reasonable indication in the record that the Commission moved issues from this docket to the rate case for resolution. It is the Commission's prerogative to manage its resources and the orderly adjudication of the issues and dockets that come before it.

The rate case did resolve lowering the federal tax rate going forward as naturally a new revenue requirement established for setting rates must recognize the current tax rate, which is now the new lower 21% tax rate. However, as a practical matter, there was no final calculation in the record of the rate case for the TCJA related tax savings at the time the rate case was decided on October 15, 2019. The calculated tax savings from January 1 until October 31, 2018, could not be known until after new rates went into effect on November 1, 2018. The Consumer

[56] *See* an example of the Commission consolidating issues from different dockets into one proceeding: *In re: Petition of Chattanooga Gas Company for a General Rate Increase, Implementation of the ENERGYsmart Conservation Programs, and Implementation of Revenue Decoupling Mechanism*, Docket No. 09-00183, *Order Moving Outstanding Issues into New Docket and Administratively Closing the Docket* (January 5, 2018).

Advocate offered an estimate during the 2018 rate case for a period ending in September 2018. The Company itself never offered a calculation of the tax savings during the 2018 rate case. Put simply, there was not enough evidence in the record in the 2018 rate case to accurately calculate the tax savings at the time the rates were set.

Indeed, the Company did not present its calculation of the income tax savings for the deferral period (January 2018 through October 2018) until Mr. Tucker filed his direct testimony in this docket on September 13, 2019 - nearly a year *after* the Commission's deliberations resolving the CGC rate case in October 2018.[57] Although the Consumer Advocate submitted an estimated deferred tax savings amount in the 2018 rate case, it did not submit its final calculation of savings until November 27, 2019.[58]

Further, the Company's reliance on the *Amended Order* in the rate case to assert the matter at hand was already determined and authorized the Company to retain the tax savings is misplaced. The schedules and data tables provided by the Commission in its 2018 rate case *Amended Order* represent the proverbial tip of the rate-making iceberg. Thousands of calculations go into the underlying data points in the illustrative rate-making schedules. The schedules themselves in isolation contain no explanation or rationale justifying any particular policy, methodology, or calculation over another. The inclusion of a zero, or a dash, is a default symbol used when there is no numerical value to insert or include in a category. No party can point to any text within the *Amended Order* that would provide any rationale for the Commission to single out the Company for special treatment and allow it to retain tax savings that no other large public utility has been authorized to retain. The proposition that the Commission would authorize the Company to retain such tax savings and memorialize doing so solely in a dash or

[57] Gary A. Tucker, Pre-Filed Direct Testimony, pp. 8-10, (September 13, 2019).
[58] David N. Dittemore, Pre-Filed Direct Testimony, Ex. DND-2 (Nov. 27, 2019).

zero in a chart is tenuous at best.[59]

The Company's reliance on the Commission's explicit remand of the Deferred Amortization EDIT issue from the rate case to this docket and, specifically, a lack of a corresponding remand of the tax savings is without merit. As previously discussed, the issue of the amount of the tax savings was never procedurally before the Commission in the 2018 rate case; as such there was no reason to "remand" the tax savings issue to the present docket. The explicit remand of the issue Deferred Amortization EDIT is due in part to the fact that the Consumer Advocate asserted that the Company may have gone beyond the Commission's directives in Docket No. 18-00001 and begun amortizing to the detriment of customers. While the original allegation seemingly fell to the wayside as the parties built the record, the explicit remand of the issue served to place the parties on notice that this unique or a similar issue would fall within the scope of the present docket.

The assertion that retaining the tax savings is justified in that the Company's reports it did not earn its authorized return in 2018 is unpersuasive. The Commission strives to set rates that are based on known and measureable adjustments for the future, not necessarily the past. Absent extraordinary circumstances or defined regulatory mechanisms, public service commissions do not reach into the past, provide offsets for past financial performance, or otherwise set rates retroactively. This principle applies both ways: for utilities and for utility customers. Indeed, the Company would agree that there is no basis to reach back into the years since the CGC's 2009 rate case and refund to Tennessee customers any earnings that were realized which exceeded the Company's authorized return. Neither the Company's 2018

[59] Providing additional schedules and data tables with orders is for illustrative and transparency purposes intended for the convenience of the parties and the public. The Commission will have to reconsider this practice if parties intend to single out and frame a data point in a schedule as a policy changing precedent to the exclusion of a docket's record and the Commission's orders.

financial results nor the 2018 rate increase, are appropriate considerations to justify the Company to retain tax savings.

Moreover, an assertion that retention of the tax savings and Deferred Amortization EDIT is justified because the Company's 2018 reported financial results show no evidence of "windfall profits" is unpersuasive. The Company asserts there is a simple test for whether a utility is collecting "windfall profits" – that is, whether a utility reports it is earning above and beyond its authorized return. The Commission has applied no such test to any of the major public utilities in Tennessee. Federal income tax expense, an expense that is built into the rates of large public utilities, represents a significant cost that is funded and absorbed by customers. As a matter of public policy, this Commission, as well as many public utility regulators across the country, has recognized that the lower federal income tax expense rate necessitates a corresponding lower level of federal income tax that is incorporated into the rates. [60] To allow a public entity to collect and retain a significant sum for a tax obligation that does not, or no longer, exists would constitute a windfall in and of itself. For this reason, regulators of public utilities have consistently singled out the issue and passed on any deferred savings to customers, and reduced rates.

With respect to the differences in the amount of the tax savings, both the Consumer Advocate and the Company use the same methodology, but diverge at the starting point for the calculation. The Consumer Advocate's approach of utilizing the taxable income approved in the Company's 2009 rate case is reasonable and complies with the *2018 Tax Reform Order* in Docket No. 18-00001. The same directive has been applied to the largest utilities in Tennessee, including Piedmont Natural Gas Company and Tennessee-American Water Company, which had rate cases in 2011 and 2012, respectively. Rates are set using a snapshot in time with

[60] *2018 Tax Reform Order*, pp. 2-3, fn. 2 (February 6, 2018).

adjustments made for the future, and include discretionary and reasonable judgments, which have been delegated to the Commission by the General Assembly. In contrast, the time periods between rate cases are not marked by regulatory scrutiny over those business, spending, and management decisions that could impact income tax expense significantly. Thus, the requirement that the tax savings calculation be derived or commenced from the Company's last base rate case is not a line or policy drawn arbitrarily, but rather the only reasonable starting point for purposes of regulatory certainty.

Based on the administrative record in this case and the Commission's orders issued in Docket Nos. 18-00001 and 18-00017, the Hearing Panel unanimously found that the issues of the disposition of the Deferred Income Tax Expense Savings for the period of January 2018 through October 2018, and Deferred Amortization of Excess Accumulated Deferred Income Tax for the period of January 2018 through October 2018, were not determined or decided in Docket No. 18-00017 and should be decided in this case.

The Hearing Panel further found that the amount of the Deferred Income Tax Expense Savings is $843,810, and the amount of the Deferred Amortization of Excess Accumulated Deferred Income Tax is $1,000,900. The aggregate amount of these regulatory liabilities is $1,844,710, which shall be amortized over a three-year period and incorporated in the Company's annual ARM filings with the unamortized balance reflected as a reduction to Rate Base.

IT IS THEREFORE ORDERED THAT:

1. The request of Chattanooga Gas Company to retain the tax savings deferred for the period January 1, 2018 through November 1, 2018 is denied.
2. The Deferred Income Tax Expense Savings is $843,810 and the Deferred

Amortization of Excess Accumulated Deferred Income Tax is $1,000,900. The aggregate amount of these regulatory liabilities is $1,844,710.

3. The regulatory liability of $1,844,710 shall be amortized over a three-year period and incorporated into the Annual Rate Mechanism of Chattanooga Gas Company's annual filings with an unamortized balance reflected as a reduction in rate base.
4. Any party aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.
5. Any party 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 (60) days from the date of this Order.

Chair Robin L. Morrison, Vice Chair Kenneth C. Hill, and Commissioner John Hie concur.

ATTEST:

Earl Taylor

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Earl R. Taylor, Executive Director

CHATTANOOGA GAS COMPANY

DEPRECIATION RATE STUDY

AT DECEMBER 31, 2016

http://www.utilityalliance.com

CHATTANOOGA GAS COMPANY
DEPRECIATION RATE STUDY
EXECUTIVE SUMMARY

Southern Company Gas engaged Alliance Consulting Group to conduct a depreciation study of Chattanooga Gas Company ("CGC" or "the Company") gas operations depreciable assets as of December 31, 2016.

This study was conducted under the standard depreciation study approach. The current approved depreciation rates were based on the straight-line method, average life group ("ALG") procedure, and remaining-life technique. The change in annual depreciation accrual expense is a decrease of approximately $326 thousand.

The average service lives ("ASLs") for the accounts were generally increasing. Of the 49 accounts analyzed, 22 accounts have increasing lives, 6 accounts have decreasing lives, and 21 accounts have no change in life. The accounts with the most significant changes in life were in Storage Plant Accounts 362.0 and 362.10, which are natural gas and liquefied natural gas ("LNG") holders (tanks) each increased by 30 years; Account 364.23 LNG Structures and Improvements increased by 30 years; and Account 363.30 Compressor Equipment increased by 25 years.

For net salvage, there were 10 accounts decreasing their net salvage percentages (i.e. more negative), 37 accounts remained the same, and two accounts with increasing net salvage (i.e. less negative). The account impacted most by the decrease (more negative net salvage) are Accounts 380.10 and 380.20 Distribution Steel and Plastic Services where the net salvage moved from negative 60 percent to negative 75 percent. The account most impacted by the increase (less negative net salvage) is Account 386 Distribution Other Equipment where the net salvage moved from negative 60 percent to zero percent.

The depreciation study we conducted analyzed and developed depreciation recommendations at an account level resulting in annual

depreciation accrual amounts and depreciation rates at that level. The depreciation study also reflects the implementation of Vintage Group Amortization for certain General Plant accounts. This study recommends a decrease of $326 thousand in annual depreciation expense for depreciable gas plant compared to the depreciation rates currently in effect. This decrease is comprised of $12 thousand for Storage and $579 thousand for General Plant and an increase of $265 thousand for Distribution Plant. Appendix A demonstrates the change in depreciation expense for the accounts. Appendix B presents the development of the annual depreciation rates and accruals.

CHATTANOOGA GAS COMPANY

NATURAL GAS OPERATIONS

DEPRECIATION RATE STUDY

AT DECEMBER 31, 2016

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PURPOSE

The purpose of this study is to develop depreciation rates for the depreciable property as recorded on the Company books at December 31, 2016. The account based depreciation rates were designed to recover the total remaining undepreciated investment, adjusted for net salvage, over the remaining life of CGC's property on a straight-line basis. Non-depreciable property (land) and intangible plant were excluded from this study.

CGC provides retail natural gas sales and transportation services to approximately 64,000 residential, commercial and industrial customers in Hamilton and Bradley counties in southeast Tennessee. Their service territory includes Chattanooga, Cleveland, Red Bank, East Ridge, Lookout Mountain and Signal Mountain. CGC owns and operates a liquefied natural gas ("LNG") storage facility, distribution mains and various other plant assets that comprise a complex system of storage and intermediate and low pressure distribution networks located across the service area. There are a number of city gates throughout the system where gas is delivered. Once gas is metered into individual cities, the pressure is reduced through regulators in order to meet system requirements as determined by pressure and volume needs. Then gas is delivered to customers for burner tip consumption.

CGC has made significant investments to expand and modernize the gas distribution system since the late 1980's and plans to continue making those infrastructure improvements and replacements. Assets for CGC at December 31, 2016 include: approximately 1,600 miles of distribution mains, 5 natural gas city gate stations, and a LNG storage facility that holds the equivalent of 6.1 billion cubic feet of natural gas. In addition, CGC owns and maintains other equipment such as services, meters, and general plant to serve its customers.

STUDY RESULTS

Depreciation rates for all CGC depreciable property are shown in Appendix A. Overall these rates translate into an annual depreciation accrual of $6.4 million based on CGC's depreciable investment at December 31, 2016. The annual depreciation expense calculated by using the approved rates was $6.7 million.

Consistent with Federal Energy Regulatory Commission Rule AR-15, this depreciation study develops depreciation expense for Vintage Group Amortization in Accounts 391 through 398 (excluding Accounts 392 and 396). This process provides for the amortization of general plant over the same life as recommended in this study (with a separate amortization to allocate deficit or excess reserves over a five year period). Vintage Group Amortization recognizes timely retirement of assets by retiring property from the books at the end of its amortized life and simplifies the accounting for general property. Implementation of this approach did not affect the annual expense accrued by CGC. Both the FERC and the Tennessee Public Utility Commission ("TPUC") have approved this approach.

The study gave recognition to increased lives in nearly 45% of the accounts and decreased (more negative) net salvage in 20% of the accounts. The increase in lives, somewhat offset by the decrease in net salvage, is the primary driver of the overall decrease in depreciation expense. Appendix A presents a comparison of approved rates versus proposed rates by account. Appendix B presents the development of the annual depreciation rates and accruals. Appendix C presents a comparison of approved and proposed mortality and net salvage estimates by account. Appendix D presents the net salvage analysis by account.

GENERAL DISCUSSION

Definition

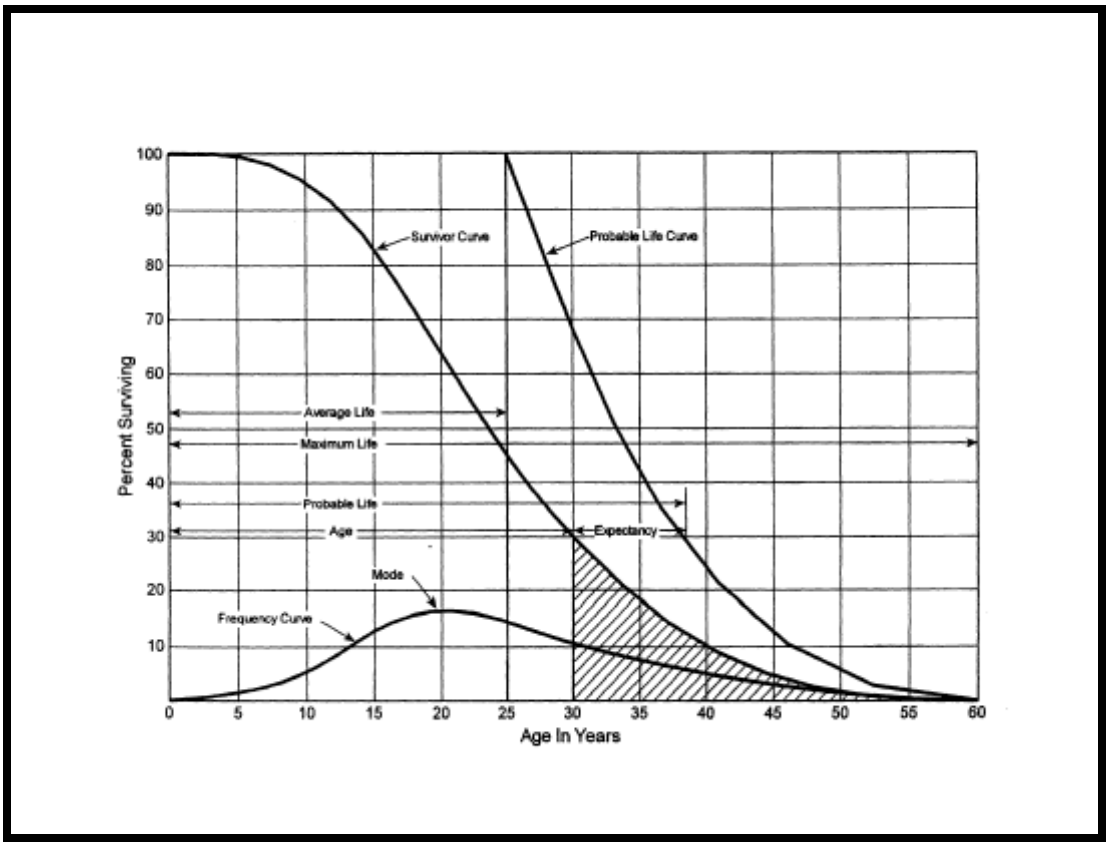
The term "depreciation" as used in this study is considered in the accounting sense, that is, a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is a process of allocation, not valuation. This expense is systematically allocated to accounting periods over the life of the properties. The amount allocated to any one accounting period does not necessarily represent the loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional property group. On retirement the full cost of depreciable property, less the net salvage value, is charged to the depreciation reserve.

Basis of Depreciation Estimates

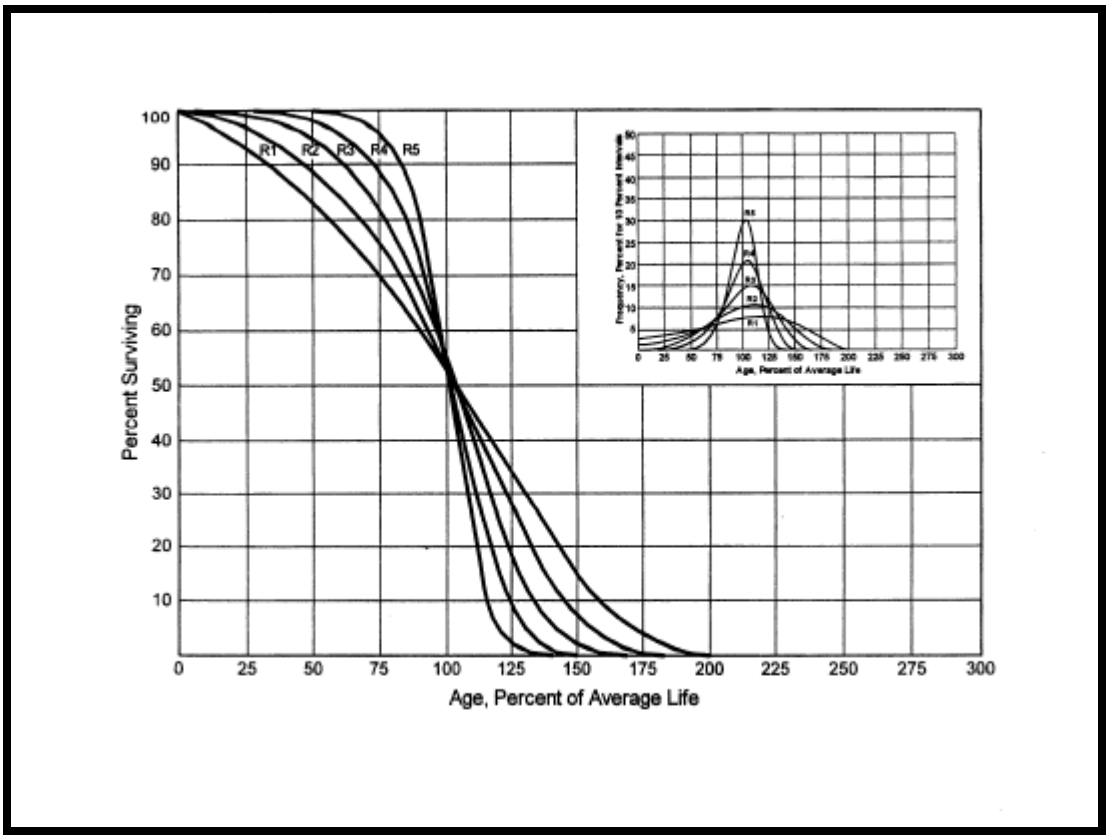
The straight-line, broad (average) life group, remaining-life depreciation system was employed to calculate annual and accrued depreciation in this study. In this system, the annual depreciation expense for each group is computed by dividing the original cost of the asset less allocated depreciation reserve less estimated net salvage by its respective average life group remaining life. The calculated remaining lives and annual depreciation accrual rates were based on attained ages of plant in service and the estimated service life and salvage characteristics of each depreciable account. The computations of the annual depreciation rates for each account and function are shown on Appendix A and B. Both Actuarial and Simulated Plant Record (“SPR”) analysis were used where sufficient data was available, and judgment was used to some degree on all accounts.

Survivor Curves

To fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. Individual property units within a group do not normally have identical lives or investment amounts. The average life of a group can be determined by first constructing a survivor curve which is plotted as a percentage of the units surviving at each age. A survivor curve represents the percentage of property remaining in service at various age intervals. The Iowa Curves are the result of an extensive investigation of life characteristics of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. Through common usage, revalidation and regulatory acceptance, these curves have become a descriptive standard for the life characteristics of industrial property. An example of an Iowa Curve is shown below.



There are four families in the Iowa Curves that are distinguished by the relation of the age at the retirement mode (largest annual retirement frequency) and the average life. For distributions with the mode age greater than the average life, an "R" designation (i.e., Right modal) is used. The family of “R” moded curves is shown below.



Similarly, an "S" designation (i.e., Symmetric modal) is used for the family whose mode age is symmetric about the average life. An "L" designation (i.e., Left modal) is used for the family whose mode age is less than the average life. A special case of left modal dispersion is the "O" or origin modal curve family. Within each curve family, numerical designations are used to describe the relative magnitude of the retirement frequencies at the mode. A "6" indicates that the retirements are not greatly dispersed from the mode (i.e., high mode frequency) while a "1" indicates a large dispersion about the mode (i.e., low

mode frequency). For example, a curve with an average life of 30 years and an "L3" dispersion is a moderately dispersed, left modal curve that can be designated as a 30 L3 Curve. An SQ, or square, survivor curve occurs where no dispersion is present (i.e., units of common age retire simultaneously).

Most property groups can be closely fitted to one Iowa Curve with a unique average service life. The blending of judgment concerning current conditions and future trends along with the matching of historical data permits the depreciation analyst to make an informed selection of an account's average life and retirement dispersion pattern.

Actuarial Analysis

Actuarial analysis (retirement rate method) was used in evaluating historical asset retirement experience where vintage data were available and sufficient retirement activity was present. In actuarial analysis, interval exposures (total property subject to retirement at the beginning of the age interval, regardless of vintage) and age interval retirements are calculated. The complement of the ratio of interval retirements to interval exposures establishes a survivor ratio. The survivor ratio is the fraction of property surviving to the end of the selected age interval, given that it has survived to the beginning of that age interval. Survivor ratios for all of the available age intervals were chained by successive multiplications to establish a series of survivor factors, collectively known as an observed life table. The observed life table shows the experienced mortality characteristic of the account and may be compared to standard mortality curves such as the Iowa Curves. Where data was available, accounts were analyzed using this method. Placement bands were used to illustrate the composite history over a specific era, and experience bands were used to focus on retirement history for all vintages during a set period. The results from these analyses for those accounts which had data sufficient to be analyzed using this method are shown in the Life Analysis section of this report.

Simulated Plant Record Analysis

The SPR - Balances approach is one of the commonly accepted approaches to analyze mortality characteristics of utility property. SPR was applied to any accounts where vintaged transaction data was unavailable or available for a limited number of years. In this method, an Iowa Curve and average service life are selected as a starting point of the analysis and its survivor factors applied to the actual annual additions to give a sequence of annual balance totals. These simulated balances are compared with the actual balances by using both graphical and statistical analysis. Through multiple comparisons, the mortality characteristics (as defined by an average life and Iowa Curve) that are the best historical match to the property in the account can be found.

The Conformance Index ("CI") is one measure used to evaluate various SPR analyses. CIs are also used to evaluate the "goodness of fit" between the actual data and the Iowa Curve being referenced. The sum of squares difference ("SSD") is a summation of the difference between the calculated balances and the actual balances for the band or test year being analyzed. This difference is squared and then summed to arrive at the SSD.

$$SSD = \Sigma_1^n (Calculated\ Balance_i - Observed\ Balance_i)^2$$

Where n is the number of years in the test band. This calculation can then be used to develop other calculations, which the analyst feels might give a better indication for the "goodness of fit" for the representative curve under consideration. The residual measure ("RM") is the square root of the average squared differences as developed above. The residual measure is calculated as follows:

$$RM = \sqrt{(\frac{SSD}{n})}$$

The CI is developed from the residual measure and the average observed plant

balances for the band or test year being analyzed. The calculation of conformance index is shown below:

$$CI = \frac{\sum_i^n Balances_i / n}{RM}$$

The retirement experience index ("REI") gives an indication of the maturity of the account and is the percent of the property retired from the oldest vintage in the band at the end of the test year. Retirement indices range from 0 percent to 100 percent and an REI of 100 percent indicates that a complete curve was used. A retirement index less than 100 percent indicates that the survivor curve was truncated at that point. The originator of the SPR method, Alex Bauhan, suggests ranges of value for the CI and REI.

The relationship for CI proposed by Bauhan is shown below[1]:

CI	Value
Over 75	Excellent
50 to 75	Good
25 to 50	Fair
Under 25	Poor

The relationship for REI proposed by Bauhan[2] is shown below:

REI	Value
Over 75	Excellent
50 to 75	Good
33 to 50	Fair
17 to 33	Poor
Under 17	Valueless

Despite the fact there has not been empirical research to validate Bauhan's conclusions, depreciation analysts have used these measures in analyzing SPR results for nearly 60 years, since the SPR method was developed.

1 Public Utility Depreciation Practices, p. 96.
2 Public Utility Depreciation Practices, p. 97.

Each of these statistics provides the analyst with a different perspective of the comparison between a band of simulated or calculated balances and the observed or actual balances in the account being studied. Although one statistic is not necessarily superior over the others, the conformance index is the one many analysts use in depreciation studies. The depreciation analyst should carefully weigh the data from REIs to ensure that a mature curve is being used to estimate life.

Statistics are useful in analyzing mortality characteristics of accounts as well as determining a range of service lives to be analyzed using the detailed graphical method. However, these statistics boil all the information down to one, or at most, a few numbers for comparison. Visual matching through comparison between actual and calculated balances expands the analysis by permitting the analyst to view many points of data at a time. The goodness of fit should be visually compared to plots of other Iowa Curve dispersions and average lives for the selection of the appropriate curve and life. Detailed information for each account is shown later in this study and in workpapers.

Judgment

Any depreciation study requires informed judgment by the analyst conducting the study. A knowledge of the property being studied, company policies and procedures, general trends in technology and industry practice, and a sound basis of understanding depreciation theory are needed to apply this informed judgment. Judgment was used in areas such as survivor curve modeling and selection, depreciation method selection, simulated plant record method analysis, and actuarial analysis.

Judgment is not defined as being used in cases where there are specific, significant pieces of information that influence the choice of a life or curve. Those cases would simply be a reflection of specific facts into the analysis. Where there are multiple factors, activities, actions, property characteristics, statistical inconsistencies, implications of applying certain curves, property mix in accounts or a multitude of other considerations that impact the analysis

(potentially in various directions), judgment is used to take all of these factors and synthesize them into a general direction or understanding of the characteristics of the property. Individually, no one factor in these cases may have a substantial impact on the analysis, but overall, may shed light on the utilization and characteristics of assets. Judgment may also be defined as deduction, inference, wisdom, common sense, or the ability to make sensible decisions. There is no single correct result from statistical analysis; hence, there is no answer absent judgment. At the very least for example, any analysis requires choosing which bands to place more emphasis.

The establishment of appropriate average service lives and retirement dispersions for the Storage, Distribution and General accounts requires judgment to incorporate the understanding of the operation of the system with the available accounting information analyzed using the actuarial and SPR balances method. The appropriateness of lives and curves depends not only on statistical analyses, but also on how well future retirement patterns will match past retirements.

Current applications and trends in use of the equipment also need to be factored into life and survivor curve choices in order for appropriate mortality characteristics to be chosen.

Average Life Group Depreciation

At the request of CGC and in compliance with Settlement Agreement in TRA Docket No. 06-00175., this study only calculated and proposed the ALG depreciation procedure to group the assets within each account. After an average service life and dispersion were selected for each account, those parameters were used to estimate what portion of the surviving investment of each vintage was expected to retire. The depreciation of the group continues until all investment in the vintage group is retired. ALG is defined by their respective account dispersion, life, and salvage estimates. A straight-line rate for each ALG is calculated by computing a composite remaining life for each group across all vintages within the group, dividing the remaining investment to be recovered by the remaining life to find the annual depreciation expense and

dividing the annual depreciation expense by the surviving investment. The resultant rate for each ALG is designed to recover all retirements less net salvage when the last unit retires. The ALG procedure recovers net book cost over the life of each account by averaging many components.

Theoretical Depreciation Reserve

The book depreciation reserve was derived from Company records where the provision for depreciation is maintained on an account level. As a point of comparison, a theoretical depreciation reserve model was computed for each account. This study used a reserve model that relied on a prospective concept relating future retirement and accrual patterns for property, given current life and salvage estimates. The theoretical reserve of a group is developed from the estimated remaining life, total life of the property group, and estimated net salvage. The theoretical reserve represents the portion of the group cost that would have been accrued if current forecasts were used throughout the life of the group for future depreciation accruals. The computation involves multiplying the vintage balances within the group by the theoretical reserve ratio for each vintage. The average life group method requires an estimate of dispersion and service life to establish how much of each vintage is expected to be retired in each year until all property within the group is retired. Estimated average service lives and dispersion determine the amount within each average life group. The straight-line remaining-life theoretical reserve ratio at any given age (RR) is calculated as:

$$RR = 1 - \frac{(Average\,Remaining\,Life)}{(Average\,Service\,Life)} * (1 - Net\,Salvage\,Ratio)$$

DETAILED DISCUSSION

Depreciation Study Process

This depreciation study encompassed four distinct phases. The first phase involved data collection and field interviews. The second phase was where the initial data analysis occurred. The third phase was where the information and analysis was evaluated. Once the first three stages were complete, the fourth phase began. This phase involved the calculation of deprecation rates and documenting the corresponding recommendations.

During the Phase I data collection process, historical data was compiled from continuing property records and general ledger systems. Data was validated for accuracy by extracting and comparing to multiple financial system sources. Audit of this data was validated against historical data from prior periods, historical general ledger sources, and field personnel discussions. This data was reviewed extensively to put in the proper format for a depreciation study. Further discussion on data review and adjustment is found in the Salvage Considerations Section of this study. Also as part of the Phase I data collection process, numerous discussions were conducted with engineers and field operations personnel to obtain information that would assist in formulating life and salvage recommendations in this study. One of the most important elements of performing a proper depreciation study is to understand how the Company utilizes assets and the environment of those assets. Interviews with engineering and operations personnel are important ways to allow the analyst to obtain information that is beneficial when evaluating the output from the life and net salvage programs in relation to the Company's actual asset utilization and environment. Information that was gleaned in these discussions is found both in the Detailed Discussion of this study in the life analysis and salvage analysis sections and also in workpapers.

Phase 2 is where the actuarial analysis is performed. Phase 2 and 3 overlap to a significant degree. The detailed property records information is used in phase 2 to develop observed life tables (or SPR results tables) for life analysis. The observed life tables are visually compared to industry standard tables to determine historical life characteristics. It is possible that the analyst would cycle back to this phase based on the evaluation process performed in phase 3. Net salvage analysis consists of compiling historical salvage and removal data by functional group to determine values and trends in gross salvage and removal cost. This information was then carried forward into phase 3 for the evaluation process.

Phase 3 is the evaluation process which synthesizes analysis, interviews, and operational characteristics into a final selection of asset lives and net salvage parameters. The historical analysis from phase 2 is further enhanced by the incorporation of recent or future changes in the characteristics or operations of assets that were revealed in phase 1. Phases 2 and 3 allow the depreciation analyst to validate the asset characteristics as seen in the accounting transactions with actual Company operational experience.

Finally, Phase 4 involved the calculation of accrual rates, making recommendations and documenting the conclusions in a final report. The calculation of accrual rates is found in the workpapers. Recommendations for the various accounts are contained within the Detailed Discussion of this report. The depreciation study flow diagram shown as Figure 1[3] documents the steps used in conducting this study. Depreciation Systems, page 289 documents the same basic processes in performing a depreciation study which are: Statistical analysis, evaluation of the statistical analysis, discussions with management, forecast assumptions, write logic supporting forecasts and estimation, and write final report.

[3] Introduction to Depreciation for Public Utilities & Other Industries, AGA EEI 2013

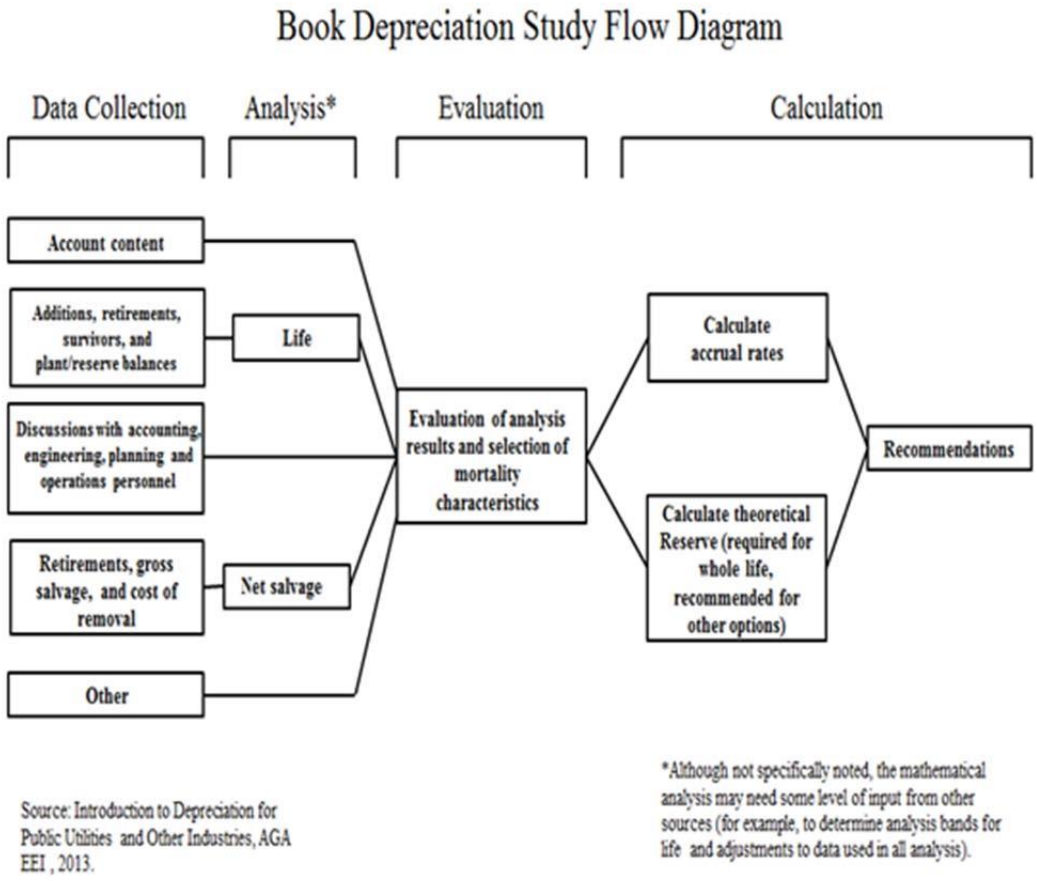


Figure 1
CGC DEPRECIATION STUDY PROCESS

Depreciation Rate Calculation

Annual depreciation expense amounts for the depreciable accounts of CGC were calculated by the straight line method, average life group procedure, and remaining-life technique. With this approach, remaining lives were calculated according to standard ALG group expectancy techniques, using the Iowa Survivor Curves noted in the calculation. For each plant account, the difference between the surviving investment, adjusted for estimated net salvage, and the allocated book depreciation reserve, was divided by the average remaining life to yield the annual depreciation expense.

Remaining Life Calculation

The establishment of appropriate average service lives and retirement dispersions for each account within a functional group was based on engineering judgment that incorporated available accounting information analyzed using the actuarial (retirement rate) and SPR (balances) methods. After establishment of appropriate average service lives and retirement dispersion, remaining life was computed for each account. Theoretical depreciation reserve with zero net salvage was calculated using theoretical reserve ratios as defined in the theoretical reserve portion of the General Discussion section. The difference between plant balance and theoretical reserve was then spread over the ALG depreciation accruals. Remaining life computations for each account are provided in work papers.

Life Analysis

The retirement rate actuarial analysis method was applied to storage and general plant accounts for CGC. For each account, an actuarial retirement rate analysis was made with placement and experience bands of varying width. The historical observed life table was plotted and compared with various Iowa Survivor Curves to obtain the most appropriate match. The selected curve for each account is shown in the Life Analysis Section of this report. The observed life tables for all analyzed placement and experience bands are provided in workpapers.

For each account on the overall band (i.e. placement from earliest vintage year which varied for each account through 2016), various dispersion curves were plotted. Frequently, visual matching would confirm one specific dispersion pattern (i.e. L, S. or R) as an obviously better match than others. The next step would be to determine the

most appropriate life using that dispersion pattern. Then, after looking at the overall experience band, different experience bands were plotted and analyzed: in increments of approximately ten years, for instance 1997-2016, 1977-2008, etc. Repeated matching usually pointed to a focus on one dispersion family and small range of service lives. The goal of visual matching was to minimize the differential between the observed life table and Iowa curve in top and mid-range of the plots. These results are used in conjunction with all other factors that may influence asset lives.

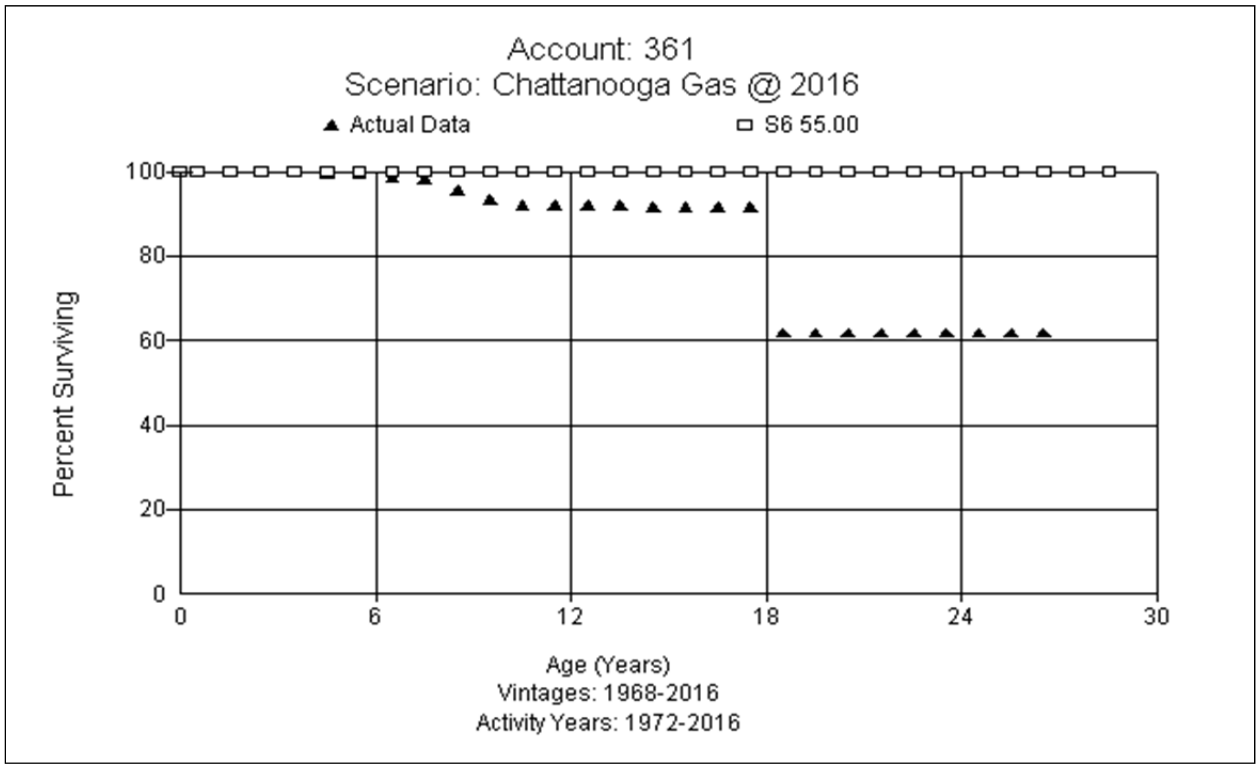
The SPR (semi-actuarial) balances method was applied to most distribution accounts for CGC. For each account, an analysis was performed at intervals of 10, 20, 30, 40, and full bands within the balance periods. In addition to reviewing the SPR analysis for each band and account, a graphical comparison between actual and simulated balances was performed.

ACCOUNT SPECIFIC LIFE ANALYSIS RESULTS

LNG Storage Plant

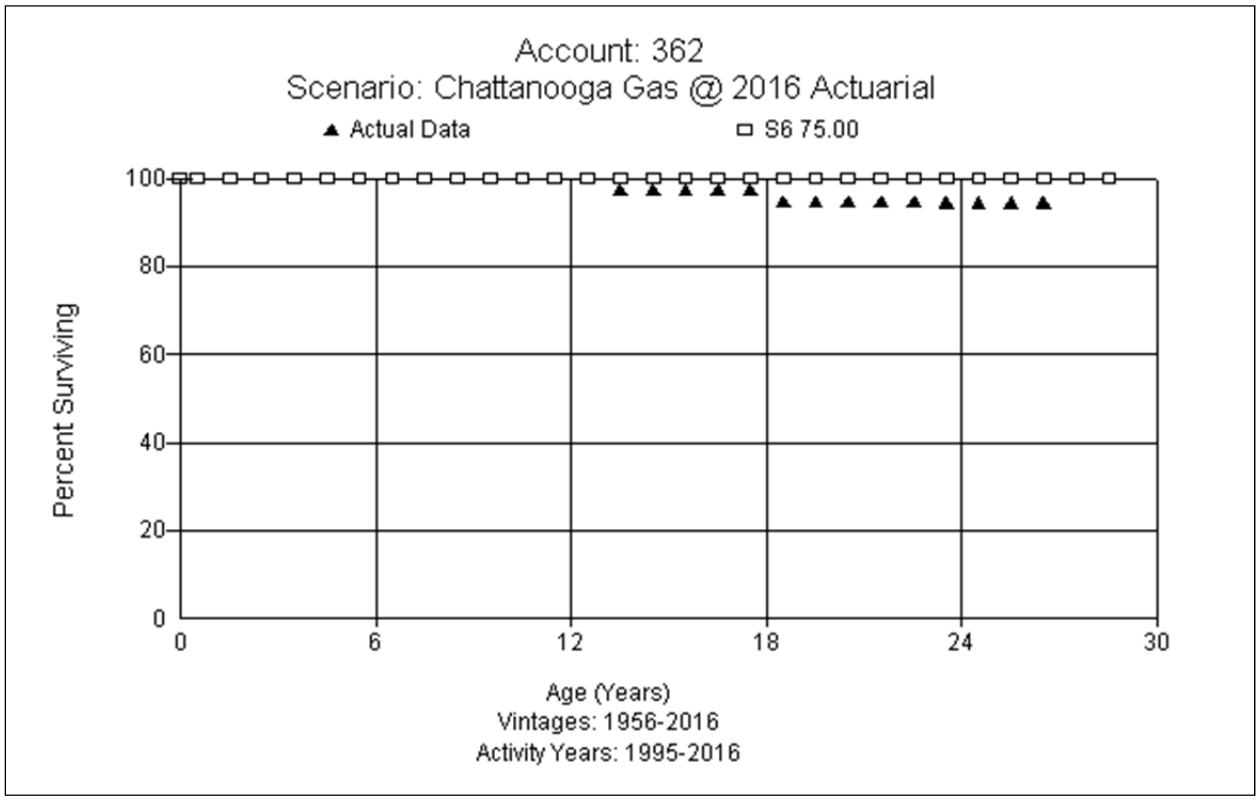
Account 361.0 Natural Gas Structures and Improvements (55 S6)

This account consists of structures, gates, fences, paving, security and fire water booster systems, plant control systems and boil-off compressor package. There is approximately $10.3 million. The approved life for this account is 45 years with the S6 dispersion. The few retirements that have been recorded are at ages younger than would be expected, which is indicated in the average age of retirements of 10.21 years. The analysis is inconclusive but expectations are that these assets will last longer than the currently approved 45 year life. Based on the type and mix of assets in the account, expectations, and judgment, we recommend moving out to 55 years but retaining the S6 dispersion. An observed life table with the study proposed parameter is shown in the graph below.



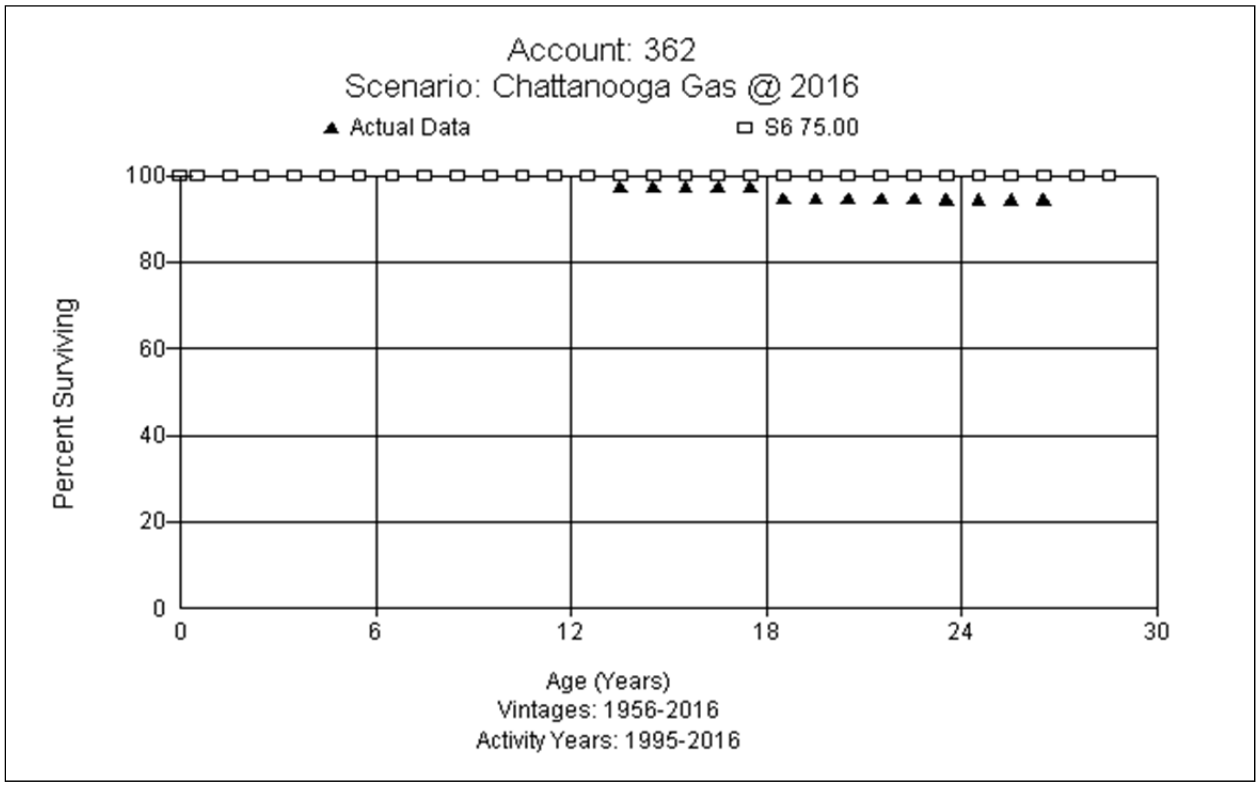
Account 362.0 Natural Gas Holders (75 S6)

This account consists of the natural gas holders (tanks) and related equipment. There is approximately $180 thousand in this account. The approved life for this account is 45 years with the S6 dispersion. Consistent with the last study, Accounts 362.00 and 362.10 were combined for analysis due to the similarity in form and function. Due to the small level of retirements, the analysis was inconclusive. Discussions with Company personnel indicated the tanks, which are now 45 years old, should last another 30 years with good maintenance and a good coating. Based on the type of asset, discussions with Company personnel and judgment, this study recommends increasing the life to 75 years while retaining the S6 dispersion. An observed life table for the combined 362.00 and 362.10 accounts with the study proposed parameter is shown in the graph below.



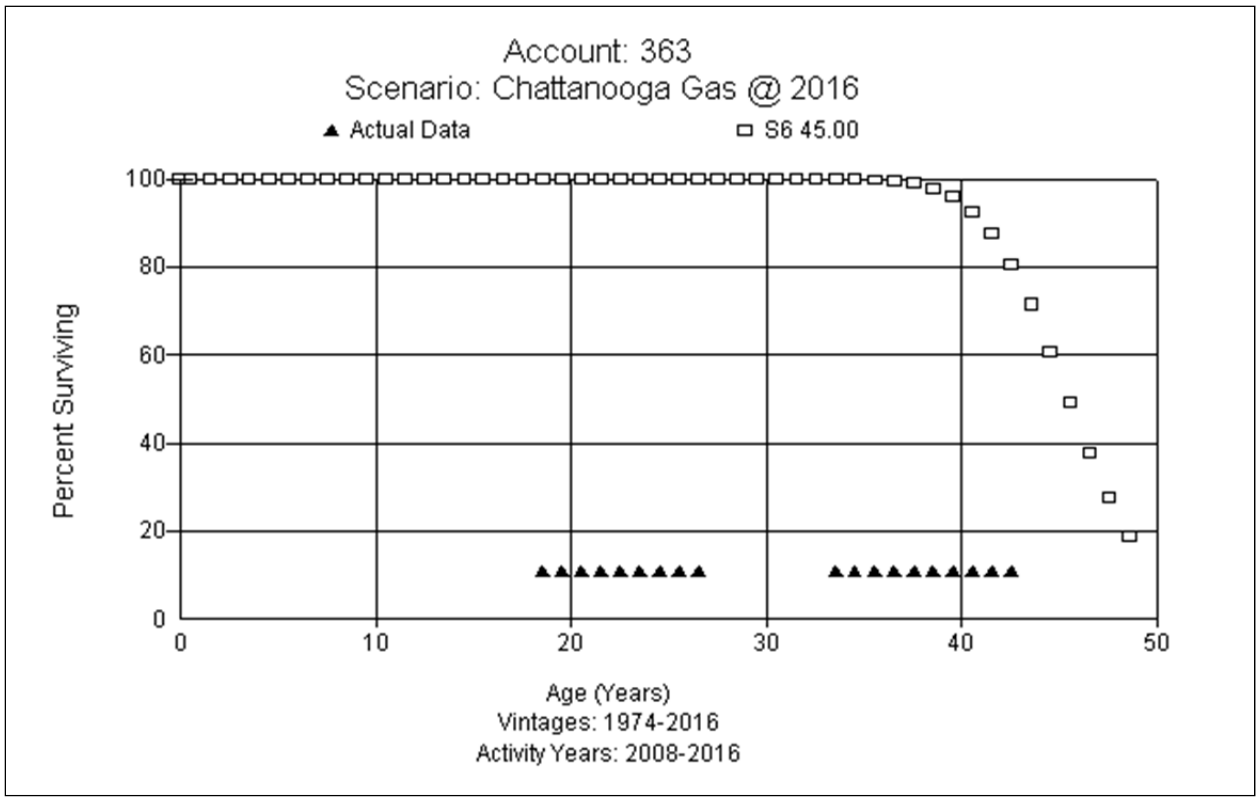
Account 362.10 LNG Storage Tanks (75 S6)

This account consists of the storage tanks located at the LNG storage plant site. There is approximately $7.7 million in this account. The approved life for this account is 45 years with the S6 dispersion. Consistent with the last study Accounts 362.00 and 362.10 were combined for analysis due to the similarity in form and function. Due to the small level of retirements, the analysis was inclusive. Discussions with Company personnel indicated the tanks, which are now 45 years old, should last another 30 years with good maintenance and a good coating. Based on the type of asset, discussions with Company personnel and judgment, this study recommends increasing the life to 75 years while retaining the S6 dispersion. An observed life table for the combined 362.00 and 362.10 accounts with the study proposed parameter is shown in the graph below.



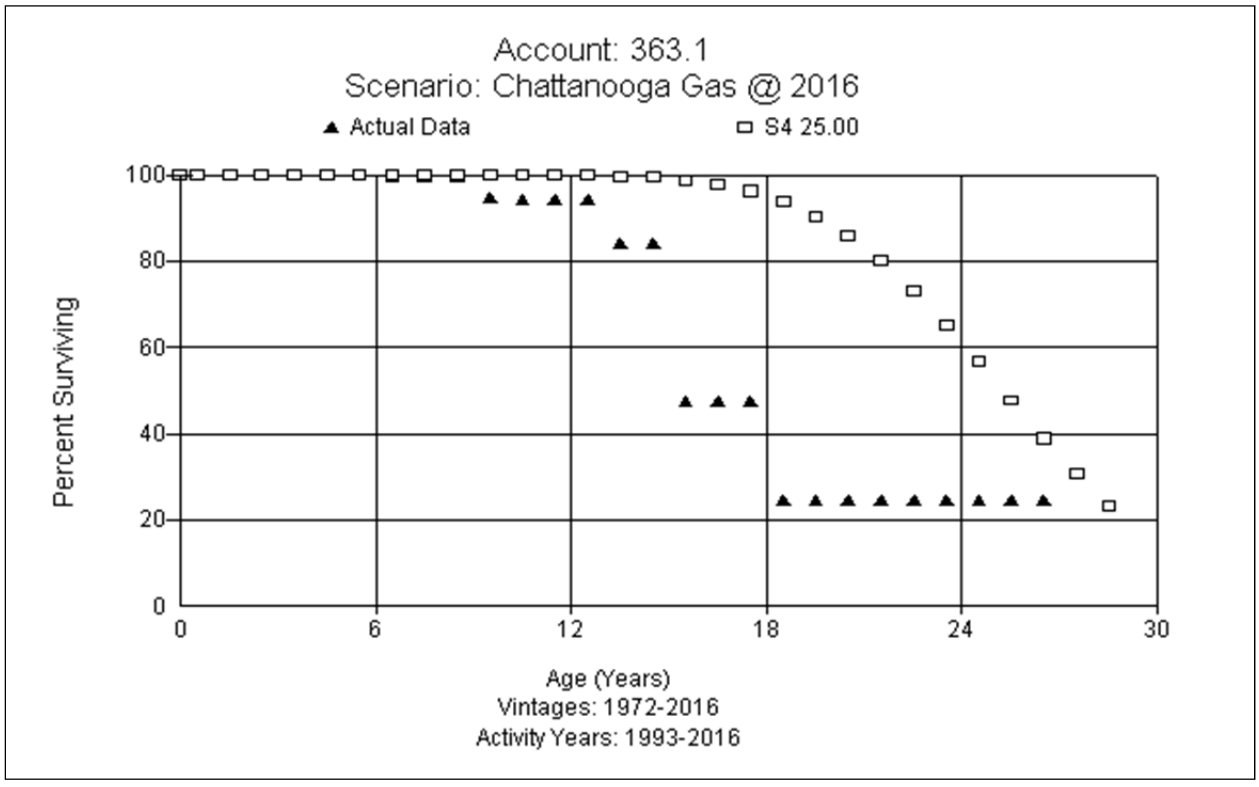
Account 363.0 Purification Equipment (45 S6)

This account consists of regeneration heaters, hydrocarbon removal equipment, various purification racks, vessels, and filters used in the LNG plant operations. There is approximately $528 thousand of investment in this account. The approved life for this account is 45 S6. The average age of surviving assets is 33.09 years. The average age of retirements is 18.50 years. The analysis is being driven by one retirement which would suggest a life less than 30 years and is not necessarily representative of the future. Discussions with Company personnel indicated many parts at the plant were replaced due to a fire. The discussions with Company personnel and age and characteristic of the assets in this account continue to indicate the existing life is reasonable. Based on the limited analysis, discussions with Company personnel and judgment, this study proposes to retain the 45 S6 at this time. An observed life table with the study proposed parameter is shown in the graph below.



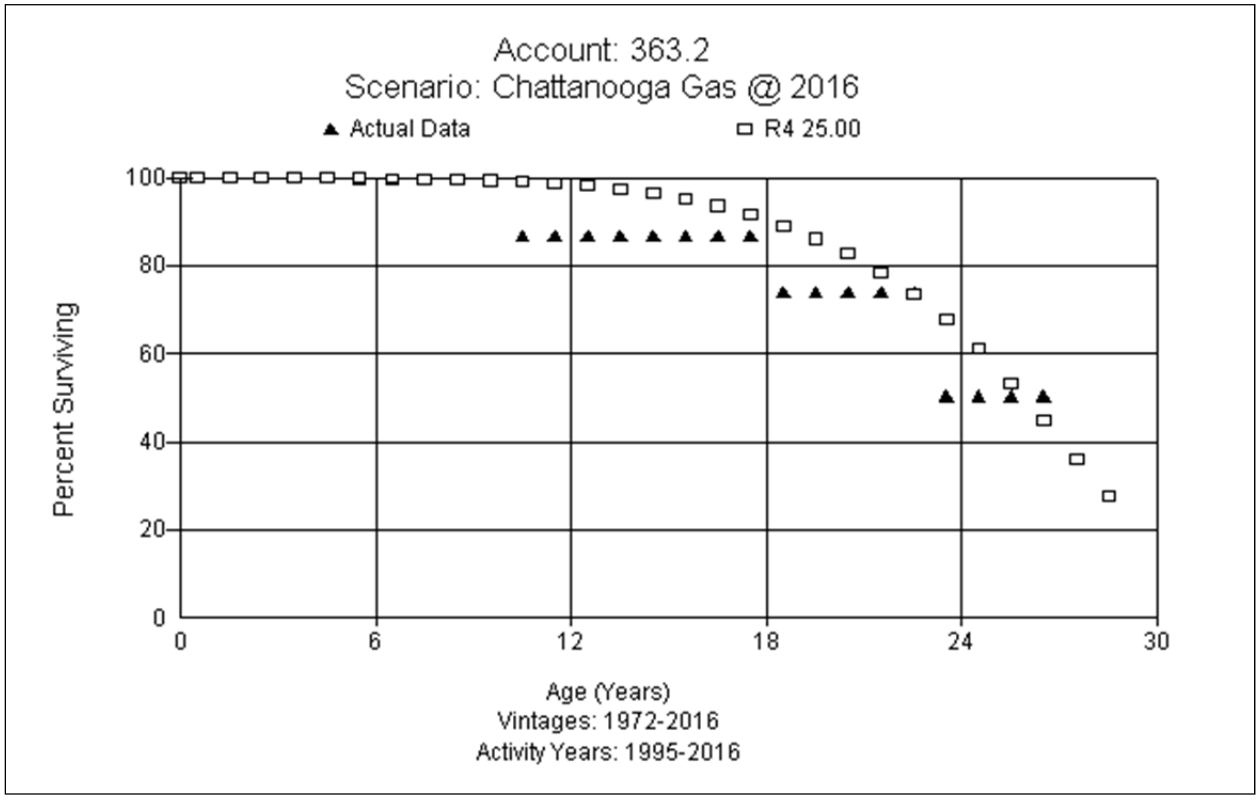
Account 363.1 Liquefaction Equipment (25 S4)

This account consists of inlet separators, absorber, regeneration, and odorizing and liquefaction equipment associated with the LNG plant. There is approximately $5.3 million, in this account. The approved life for this account is the 25 S4. The surviving assets average age is 7.49. The average age of retirements is 15.37 years. Discussions with Company personnel indicated many of the assets in this account have been replaced due to a fire with exception of the cold box (which is the main component). Limited curve fits with a life in the 15–25 year range are indicated. Based on analysis indications, Company input and expectations, and type of assets in this account, this study proposes retaining the 25 S4. An observed life table with the study proposed parameter is shown in the graph below.



Account 363.2 Vaporizing Equipment (25 R4)

This account consists of vaporizers, boiler, piping and pump equipment associated with the LNG plant. There is approximately $2 million in this account. The approved life for this account is the 25 R4. The average age of retirements is 16.23 years. Average age of the surviving investment is 19.51 years. Consistent with other accounts, retirements were recorded at an early age due to a fire. Discussions with Company personnel did not indicate the existing life was unreasonable. Based on the analysis, type of assets, discussions with Company personnel, and judgment, this study recommends retention of the 25 R4. An observed life table with the study proposed parameter is graphed for this account below.

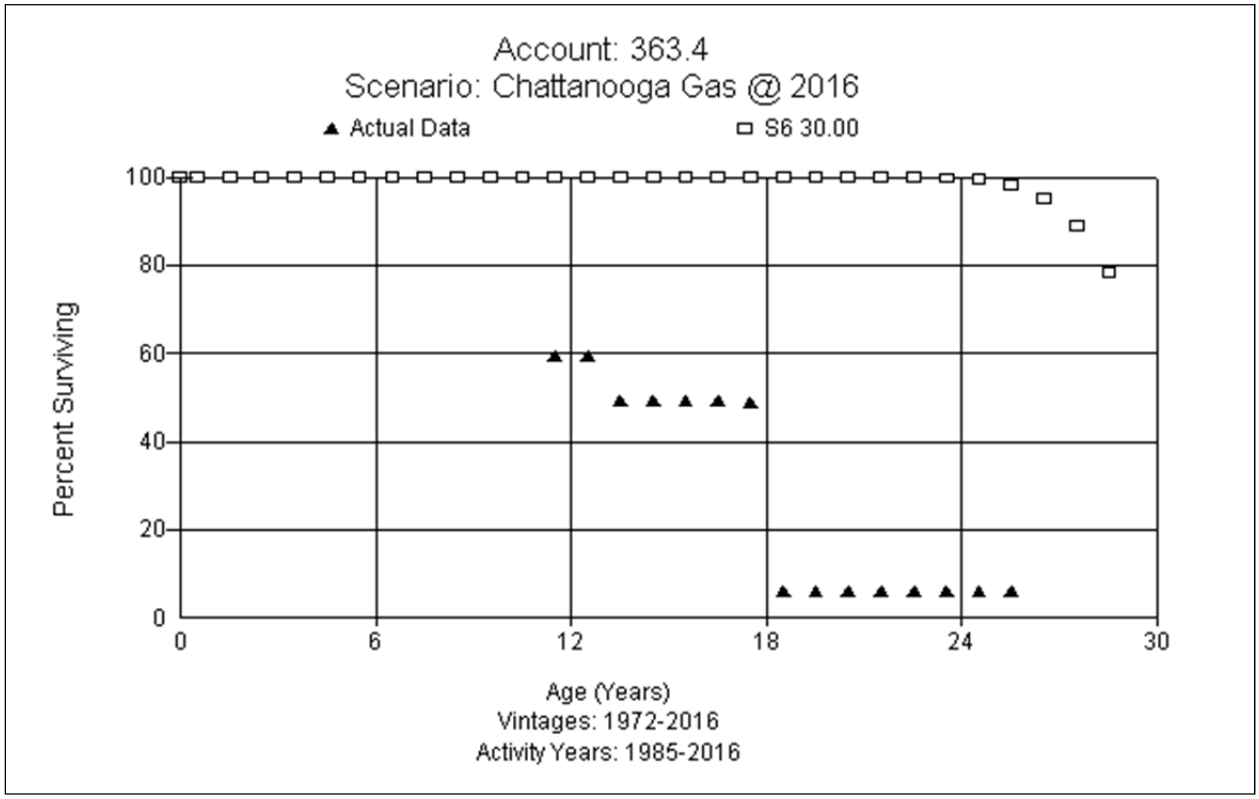


Account 363.3 Compressor Equipment (50 R4)

This account consists of compressors, valves, piping and other compressor station equipment used in the LNG storage operations. There is approximately $2.7 million of investment in this account. The current approved life is 25 R4. Discussions with Company personnel indicated these are boil-off compressors with reciprocating engines. There are two compressors, so having a second compressor allows a shorter run time each year for each compressor extending the overall life. The current average age of surviving assets is 13.88 years. Based on discussions with Company personnel regarding assets, expectations, and judgment, this study recommends moving to a 50 year ASL with the R4 dispersion pattern. There are no retirements recorded, so no graph of the observed life table with the proposed study parameter is provided.

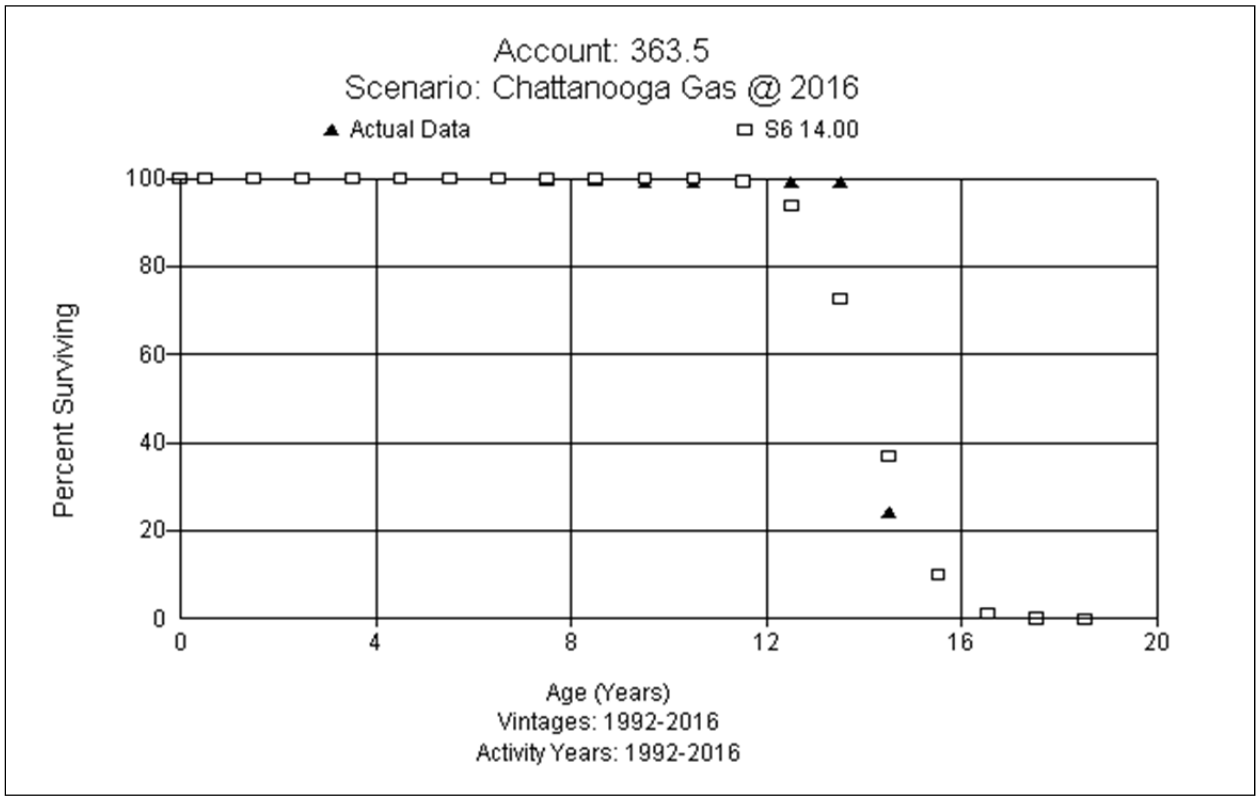
Account 363.4 Measuring & Regulating Equipment (30 S6)

This account consists of measuring and regulating station equipment used for LNG storage operations. There is approximately $283 thousand in this account. The approved life for this account is the 30 S6. The average age of surviving assets is 6.62 years. The limited retirements that have been recorded have occurred between age 12 and 18 years which impacts the curve fits with the majority of the fits between 18-24 years. However, a life of 30 years is a reasonable expectation for these types of assets. The average age of retirements is 16.33 years. Based on the analysis, type of equipment, and judgment this study recommends retention of the existing 30 S6 curve at this time. A graph of the observed life table with the study proposed parameter is provided.



Account 363.5 Other Equipment (14 S6)

This account consists of instrumentation and switch gear, analyzers and other miscellaneous equipment used in the LNG storage operations. There is approximately $2.1 million of investment in this account. The approved life for this account is 14 years with the S6 dispersion. The current average age of the surviving investment is 7.36 years. Average age of retirements is 14.31 years. The fuller band analysis indicates a life slightly less than the existing 14 years but with the same steep dispersion pattern. The more recent band fits is the 14 S6, which is consistent with the existing. Based on the analysis, type of assets, and judgment this study recommends retention of the existing 14 S6. A graph of the observed life table with the study proposed parameter is provided.



Account 364.2 Structures & Improvements LNG (55 S6)

This account consists of structures and improvements used in the LNG storage operations. There is approximately $521 thousand of investment in this account. The approved life for this account is the 45 S6. Current average age of surviving investment is 2.25 years. Discussion with Company personnel indicated a new control building was added when the fire happened, but the old building remains. Based on limited historical activity, type of assets, similarity to Account 361.0, and Company input, this study recommends increasing the life to 55 years while retaining the S6 curve. No observed life table is graphed for this account.

Account 364.5 M&R Equipment LNG (30 S6)

This account consists of measuring and regulating equipment used in the LNG storage operations. There is approximately $962 thousand of investment in this account. The approved life for this account is the 30 S6. Current average age of surviving investment is 2.50 years. Without more historical retirement activity or feedback that the life is not appropriate, there is no basis for changing the approved life. This study recommends retention of the 30 S6. No observed life table is graphed for this account.

Account 364.8 Other Equipment (14 S6)

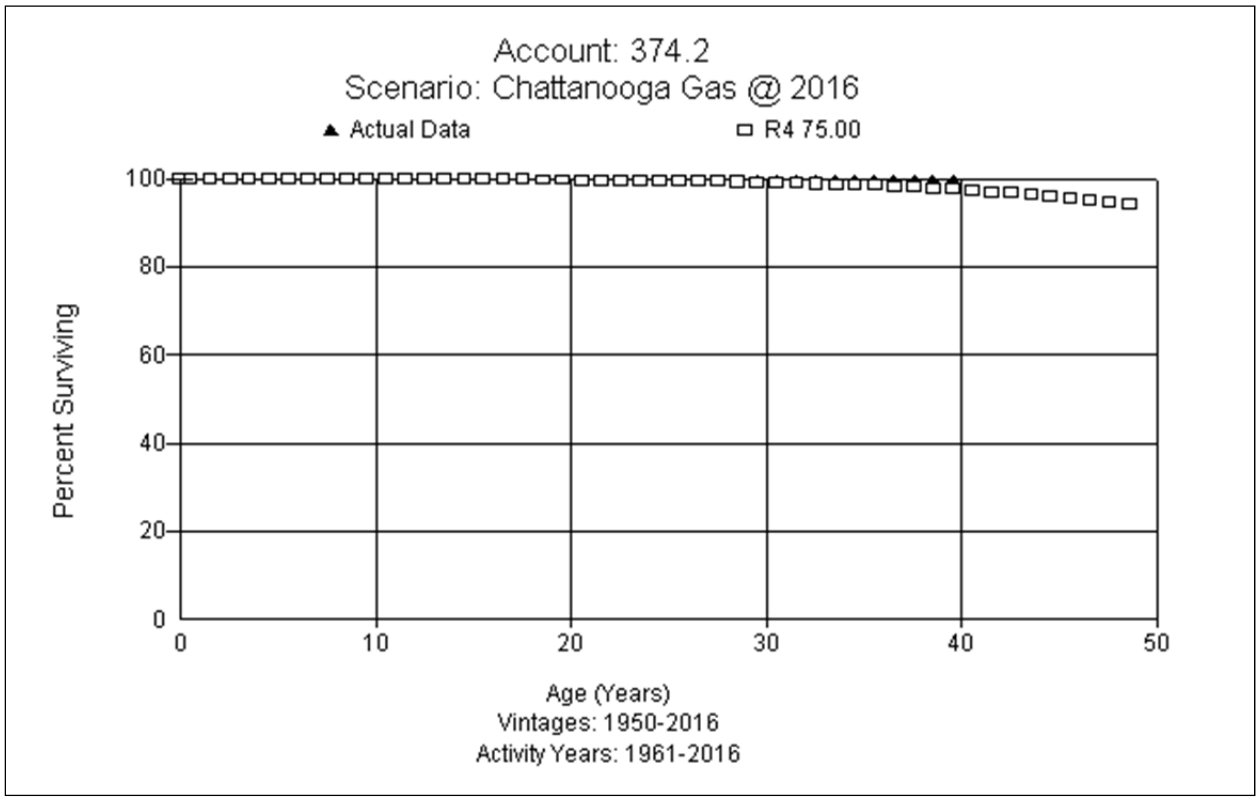
This account consists of other equipment used in the LNG storage operations. There is approximately $732 thousand of investment in this account. The approved life for this account is the 14 S6. Current average age of surviving investment is 4.73 years. Without more historical retirement activity and no feedback that the life based on the types of assets are inappropriate, there is no basis for changing the approved life. This study recommends retention of the 14 S6. No observed life table is graphed for this account.

Distribution Plant

The Distribution system of CGC has been and will continue to see infrastructure replacements. The Pipe Replacement Program ("PRP") which targeted cast iron first, finished a couple years ago. The Company is still working on bare steel with all pipe identified originally is expected to be removed by next year. The initial steel identification was pre-1957 vintages. Ineffectively coated pipe may be found in vintages up to even the early 1970s and was maybe 106 miles or more. There will still be an effort to retire vintage steel in the next few years. No vintage plastic program has been initiated. There will be a continued focus and effort in infrastructure which affects both Accounts 376 Mains and 380 Services the most.

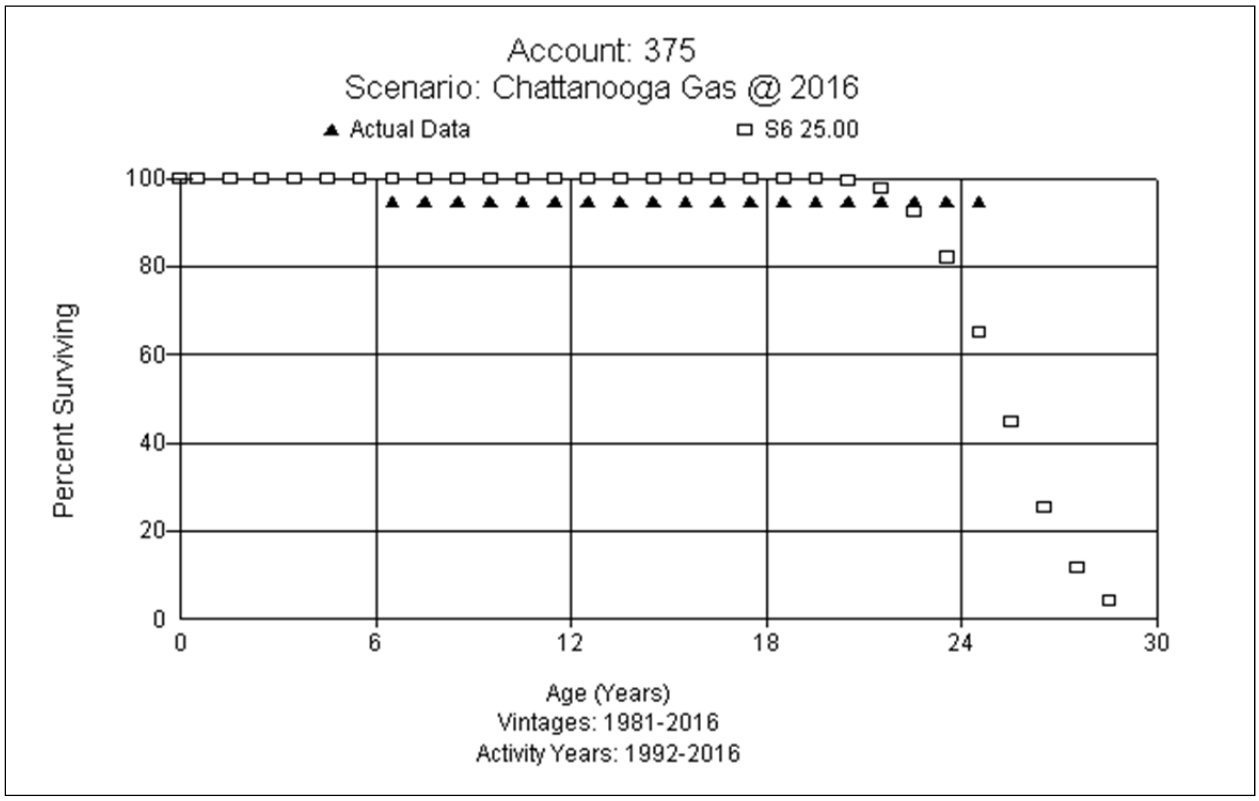
Account 374.2 Land Rights (75 R4)

This account includes the cost of land rights used in connection with distribution operations. There is approximately $697 thousand in this account. The approved life for this account is the 60 R4. There have been very few retirements recorded. Land Rights are tied with the installation of mains so a reasonable expectation is the life would equal or exceed the life of mains. This study recommends increasing the life to 75 years but retaining the R4 dispersion. A graph of the observed life table with the study proposed parameter is provided.



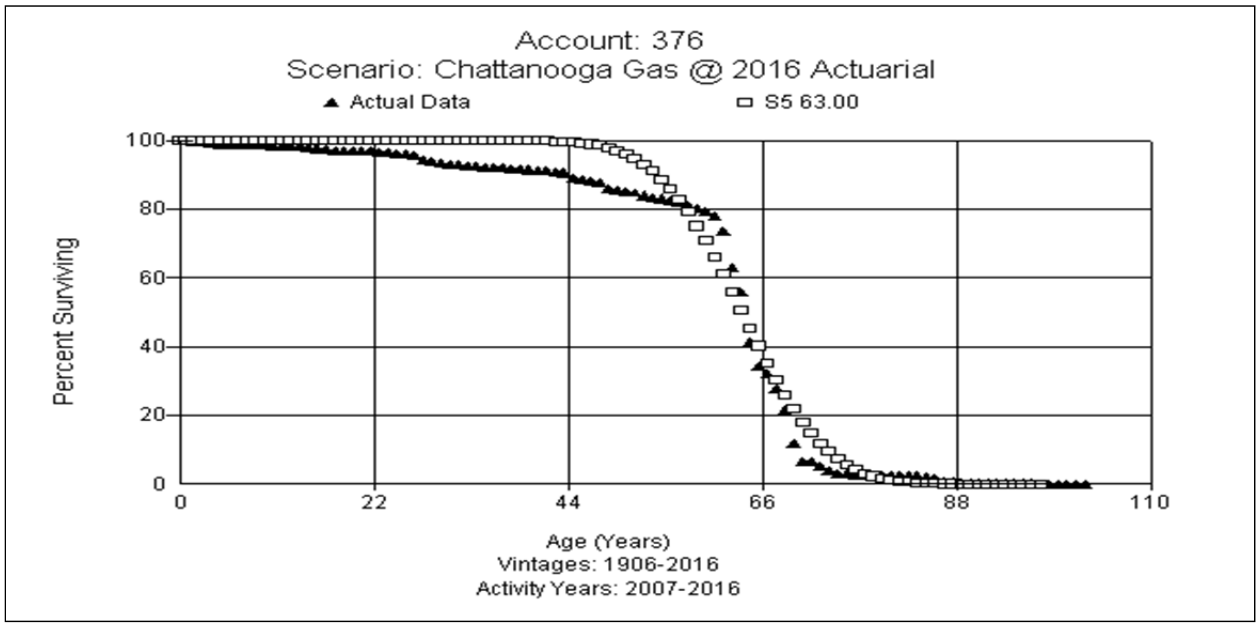
Account 375.0 Structures and Improvements (25 S6)

This account includes two portable steel buildings and other miscellaneous structures and improvements associated with the gas distribution system. There is approximately $72 thousand in this account. The approved life for this account is the 25 S6. There have only been two retirements recorded and those are at ages much younger than would be expected. The average age of retirements is 4.68 years and the average age of the surviving investment is 7.72 years. Discussion with Company personnel indicated bollards (barriers) are the additions to the account. These are generally used to protect residential and small commercial meters. A bollard is expected to have a life around 25 years. Considering the indications in the limited historical activity and analysis, type of assets, discussions with Company personnel and judgment, this study recommends retention of the 25 S6 at this time. A graph of the observed life table with the study proposed parameter is provided.



Account 376.0 Mains All (63 S5)

This account consists of all distribution mains, which is comprised of cast iron, steel and plastic. There is approximately $130.7 million in this account. The approved life is 57 R2.5. The current average age of the investment is 16.39 years. There is approximately 1,600 miles of mains. The cast iron program finished a couple years ago but the Company is still working on replacing bare steel. There is still an effort to retire vintage steel over the next few years. No vintage plastic program has been initiated. The initial steel identification was pre-1957 vintages but ineffectively coated pipe may be found in vintages up to 1970s (maybe 106 miles or more). Discussions with Company personnel indicated a life longer than 57 years would be reasonable and they would expect to see the newer pipe last longer due to better (effective) coating and consistent cathodic protection. Some earlier generations are having hydrocarbon penetration. Current mix is approximately 60% plastic (around 15% is pre-1974 vintage plastic) and 40% steel. The Company began recording aged retirements in 2000, so actuarial analysis was performed. The full band had a good fit with a 63 S5. The SPR analysis indicates the best CI and REIs have ASLs of 61 and 68 years with R2.5 and R2 dispersion patterns, respectively. Considering both actuarial and SPR analysis and discussions with Company personnel on plans and expectations, this study recommends increasing the life to 63 years with the S5 dispersion. A graph of the observed life table and the study proposed curve and life is shown below.

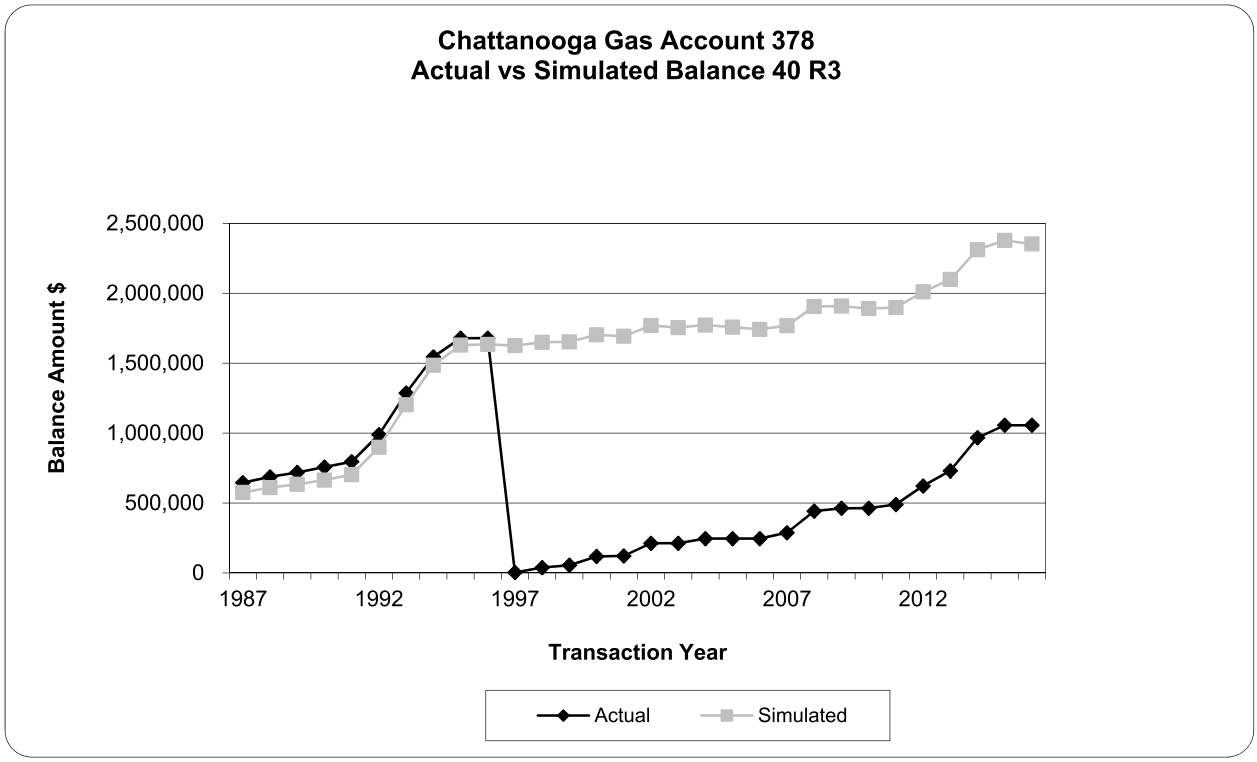


Account 377.0 Compressor Station Equipment

This account consists of regulator stations, receivers, recorders, transmitters and other miscellaneous compressor station equipment used in the distribution system. There is approximately $703 thousand of investment in this account. The currently approved life is 25 R3 for this account. Based on discussions with Company personnel these assets should be transferred to measuring and regulating accounts. It was determined that $597 thousand would be transferred to Account 378 and $106 thousand would be transferred to Account 379. This transfer is considered to be a proforma adjustment in the study and will occur in 2017. Therefore, no account recommendation or rate is provided in the study.

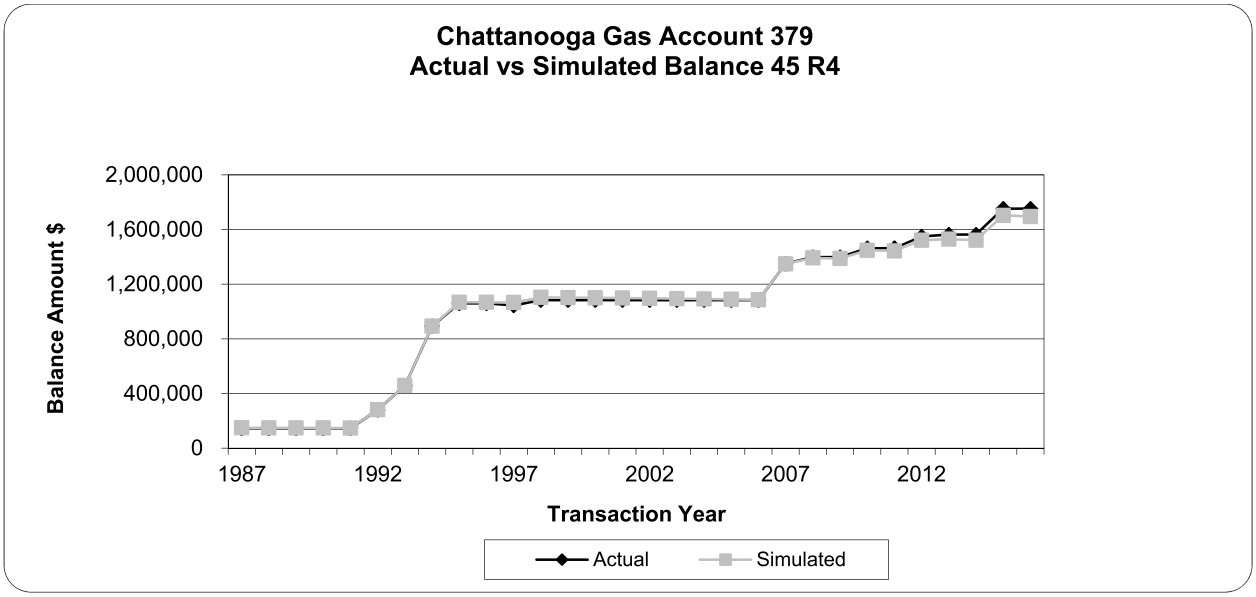
Account 378.0 Measuring & Regulating Equipment (40 R3)

This account consists primarily of valves, regulators and heaters. There is approximately $1 million of investment in this account and will be increased by the transfer of $597 thousand from Account 377 to a total of $1.7 million. The transfer is a proforma adjustment to the study and will occur in 2017. The approved curve for this account is the 40 R3. Retirements that have been recorded are prior to CGC maintaining vintage retirement data so the SPR life analysis was used. The results of the SPR had poor CI but excellent REI with life indications in the 5-7 year range, which is much lower than would be expected for this type of assets. Discussions with Company personnel indicated retirements have occurred and that there is now similarity in life expectations for Account 378 and 379. Based on Company input, type of assets, limited life analysis, and judgment, this study recommends retention of the existing 40 R3. A graph of the simulated balances for the proposed curve and life versus actual balances is shown below.



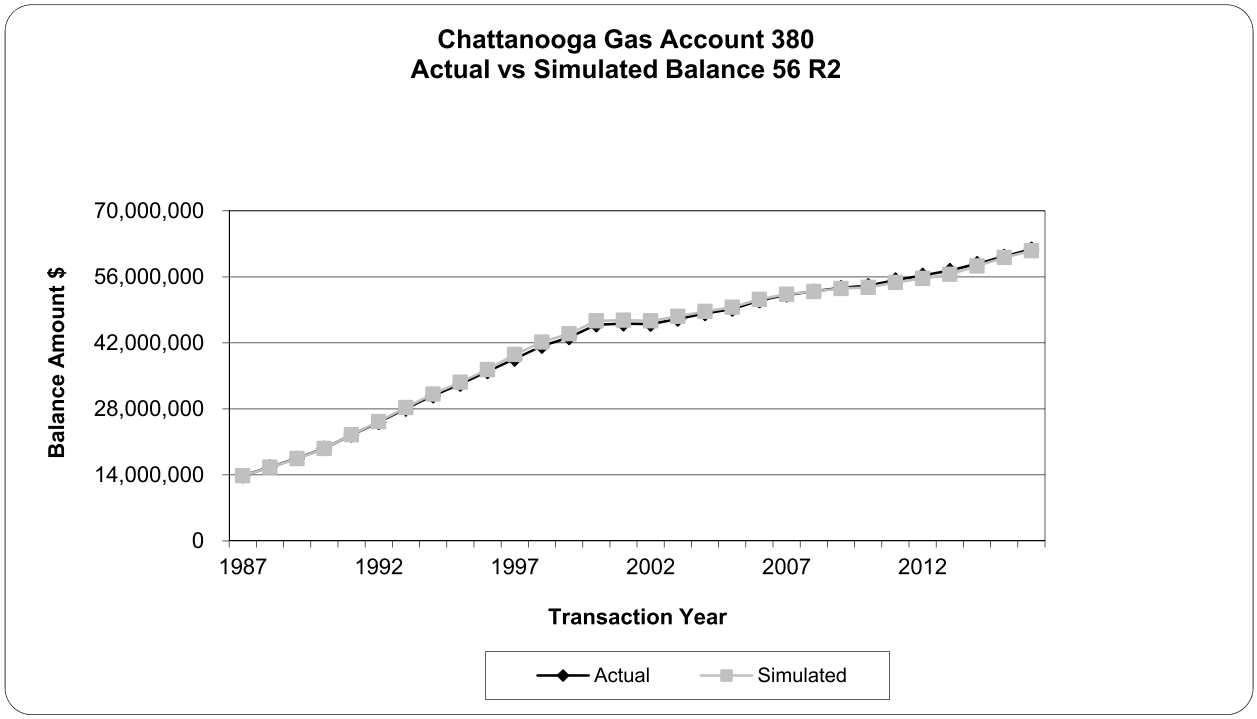
Account 379.0 City Gate Equipment (45 R4)

This account consists primarily of valves, regulators and heaters used at receipt points on the distribution system. There is approximately $1.8 million of investment in this account and will be increased by the transfer of nearly $106 thousand from Account 377 to a total of $1.9 million. The transfer is a proforma adjustment to the study and will occur in 2017. The approved curve for this account is the 42 R4. The highest ranking curves in the SPR analysis are not representative of these types of assets. Steeper dispersion patterns (which have fair CIs) have more reasonable life indications. Discussions with Company personnel indicated they have been much more aggressive at rebuilding city gates. Historically, the life would have been more different than DRS stations but not as much anymore. The Company will be doing one rebuild and one new station (with the retirement of the old one) in 2017. Over the past 5 years, the Company has done one rebuild and 2 stations where components were replaced (Davidson Road and East Gate Station – where there were some modifications in the last few years but it will replace in 2017-2018). The Company believes a slightly longer life – in the neighborhood of 45 would be appropriate. SPR results with a good CI and good REI were 48-49 years with steep dispersion pattern. Giving consideration to Company plans to aggressively rebuild and replace city gate stations, analysis indications, and judgment, this study recommends only moving to 45 years while retaining the R4 dispersion. A graph of the simulated balances for the proposed curve and life versus actual balances is shown below.



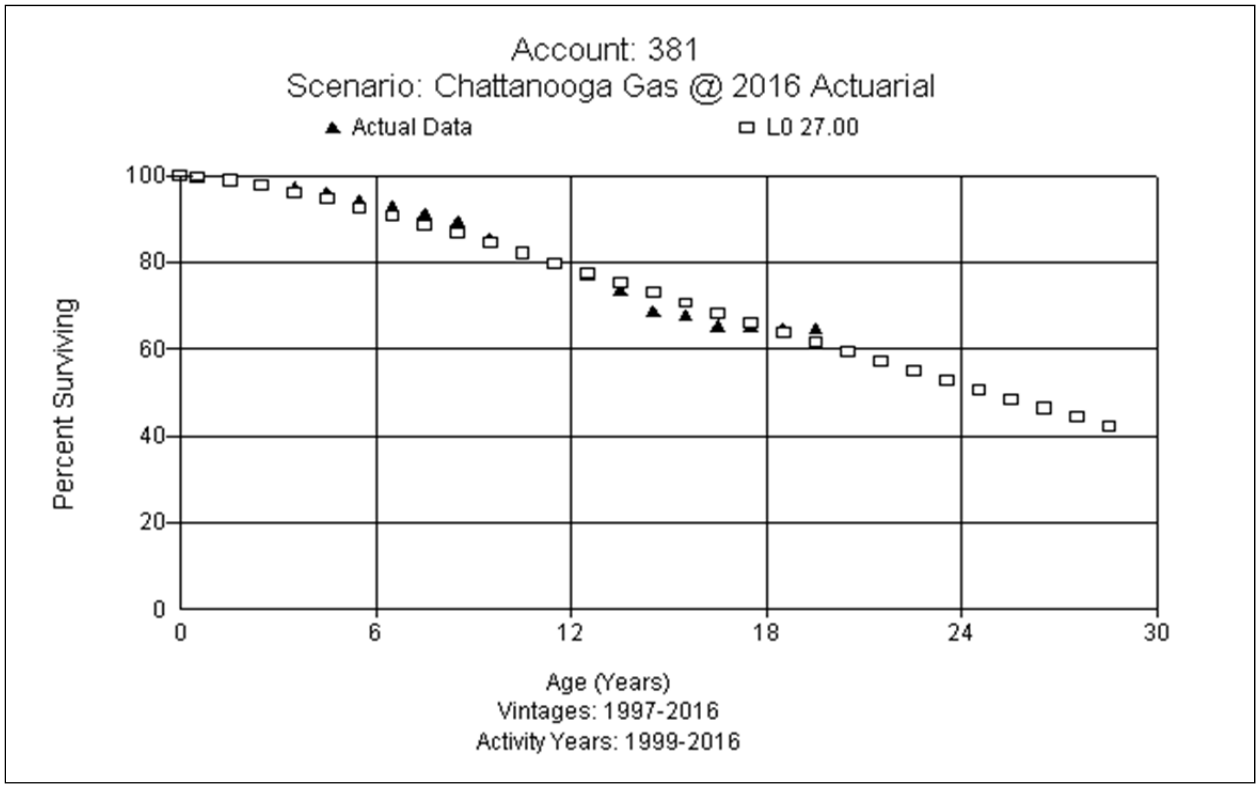
Account 380 Services - All (56 R2)

This account consists of all types (steel and plastic) of services. There is approximately $61.9 million of investment in this account. The approved curve for this account is the 51 R2. The average age of the surviving investment is 16.81 years. Consistent with the prior study, this study has combined all service accounts together for analysis and rate calculation. For life analysis, both actuarial and SPR were performed. However, the actuarial was limited and produced an inadequately short stub curve. The SPR analysis indicated the 56 R2 to be in the top five best fits with a good CI and excellent REI. Discussions with Company personnel indicated when mains are moving from steel to plastic, the steel services will be replaced with plastic. The same will hold true when it involves steel or vintage plastic, the services will be replaced. Excess Flow Valve requirements (from FEMSA) may require more service replacements. If a steel service is damaged, it will be replaced. However, if a plastic service is damaged it would probably be repaired (if not an early generation plastic). The Company expects Services to parallel the life of mains but a little shorter. Third party dig-ins and reroutes are forces of retirement for services. Considering all the information, this study recommends moving to a 56 year life and retaining the R2 dispersion. A graph of the simulated balances for the proposed curve and life versus actual balances is shown below.



Account 381.0 Meters (27 L0)

This account includes the cost of about 60,000 meters used in measuring gas to customers. The approved curve for this account is the 30 S5. The balance in this account is $13.5 million. The current average age of the surviving investment is 11.69 years. The average age of retirements is 19.34 years. Both SPR and actuarial analysis were performed. The SPR analysis resulted in poor CI with excellent REI but highest ranked curves had lives between 42 to 53 years, which is too long for the assets and expectations as well as compared to the existing. The actuarial analysis in the more recent placement band indicated a good fit with the 27 L0. Discussions with Company personnel indicated 25-30 years is the targeted meter life. All meters that are brought in to test are refurbished if tested reliable. Every meter that is pulled to test is retired (either to be thrown away or to be refurbished). There are about 60,000 residential meters, with around 1,000 meters tested per year and additional ones that fail for other reasons. Based on the indications in the analyses, discussions with Company personnel, type of assets and expectations, this study recommendation is to use the L0 27. A graph of the observed life table and the study proposed curve and life is shown below.

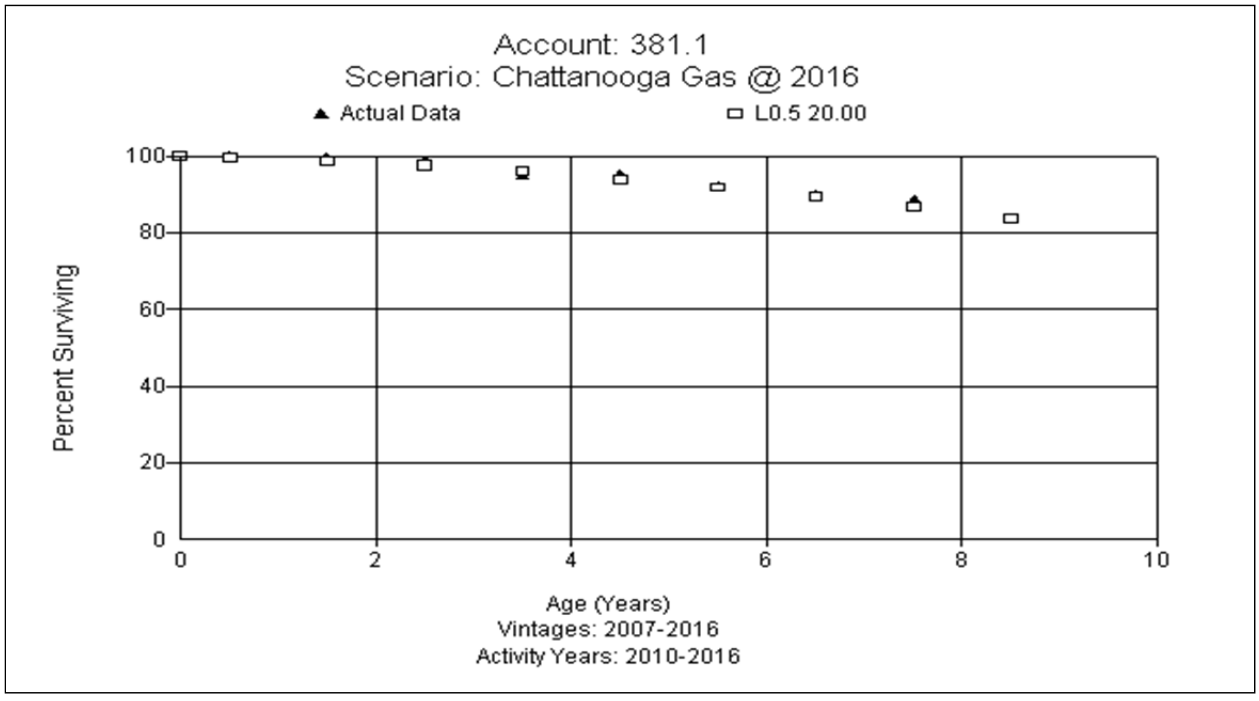


Account 381.1 Meters - ERTS (20 L0.5)

This account includes the cost of automated metering devices ("ERTs") used in measuring gas to residential customers. The approved curve for this account is the 30 S5. The balance in this account is $3.7 million. The current average age of the surviving investment is 7.38 years. The average age of retirements is 5.01 years. The prior study combined Accounts 381.0 and 381.1. However, we have segregated the accounts in this study. Discussions with Company personnel indicated they initially installed 40G ERTs on its system and are currently installing 100G ERTs. Over the past several years, as 40G ERTs failed, the replacement units have been 100G ERTs. The expected life of an ERT is about 20 years. The Company's current replacement practice is as follows:

- Any meter scheduled for change out will be replaced with a meter with a 100G ERT;
- Any stopped meter, a new meter with a 100G ERT will be installed;
- Meters with dead ERTs, a new 110G ERT will be installed on the meter if the meter is not scheduled for replacement; and
- A small number of dead ERTs, ERTs with busted batteries are held in the warehouse for disposal

Based on the Account 381.1 analysis, discussions with Company personnel, and assets, the study recommendation is the 20 L0.5. A graph of the observed life table and the study proposed curve and life is shown below.

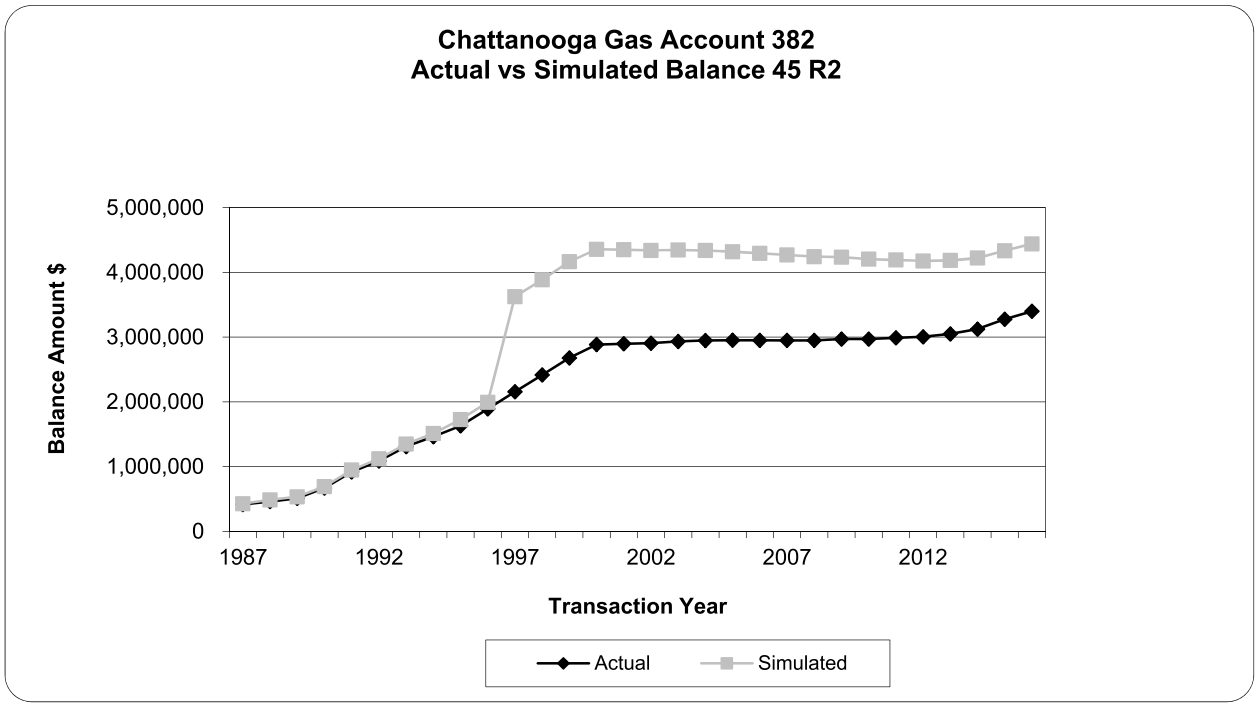


Account 381.3 Metreteks

This account includes the cost of assets to electronically monitor and record the gas consumption of commercial and industrial customers. The surviving assets have been combined with Account 381.0 Meters.

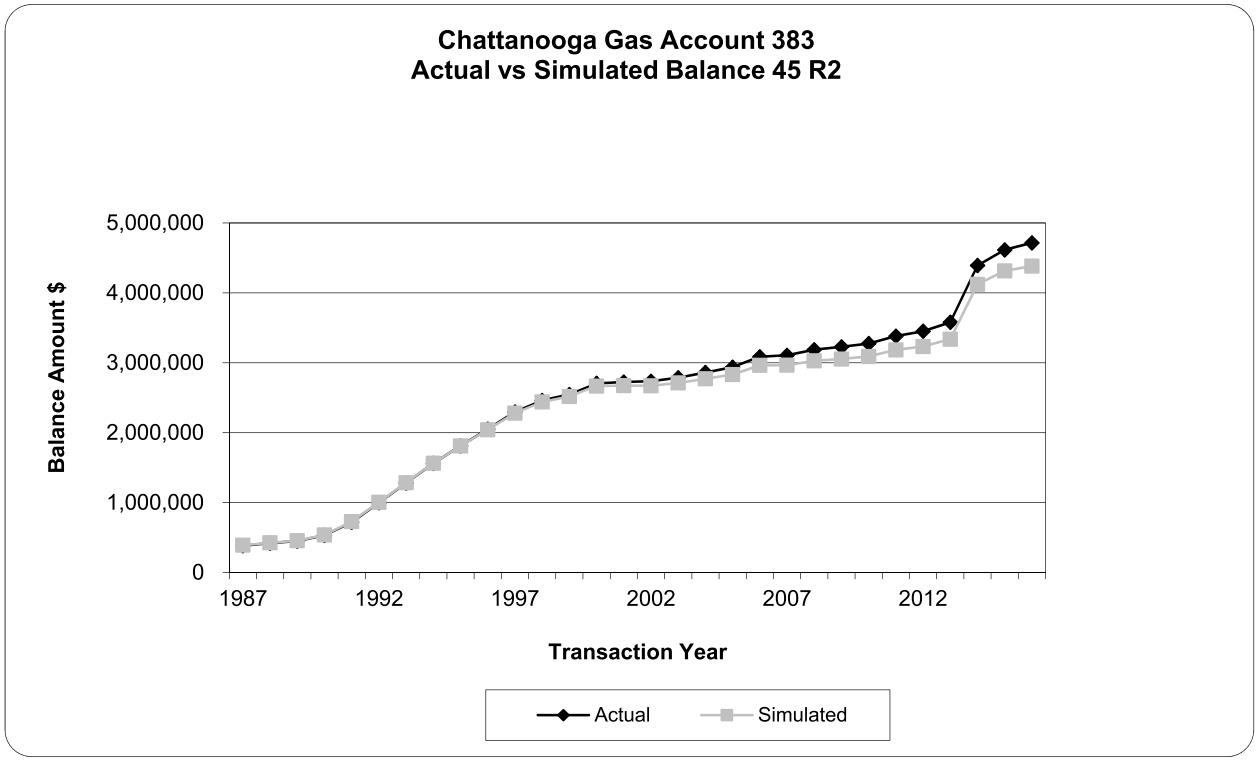
Account 382.0 Meter Installations (45 R2)

This account includes the cost of installation of meters. There is approximately $3.4 million of plant in this account. The approved life is the 30 S5. The current average age of the surviving investment is 16.96 years. The average age at retirement is 16.64 years. The SPR analysis yields low ASL (20-23 years) with poor CIs and excellent REIs. CGC began purchasing the manufactured meter loops in the last 5-6 or more years ago. When changing a meter it would not necessarily change out the meter bar/loop. If replacing a service, the Company would generally install a new meter loop. Based on all the information, this study recommends moving toward expectations for a longer life by moving to 45 years and the R2 dispersion pattern. A graph of the simulated balances for the proposed curve and life versus actual balances is shown below.



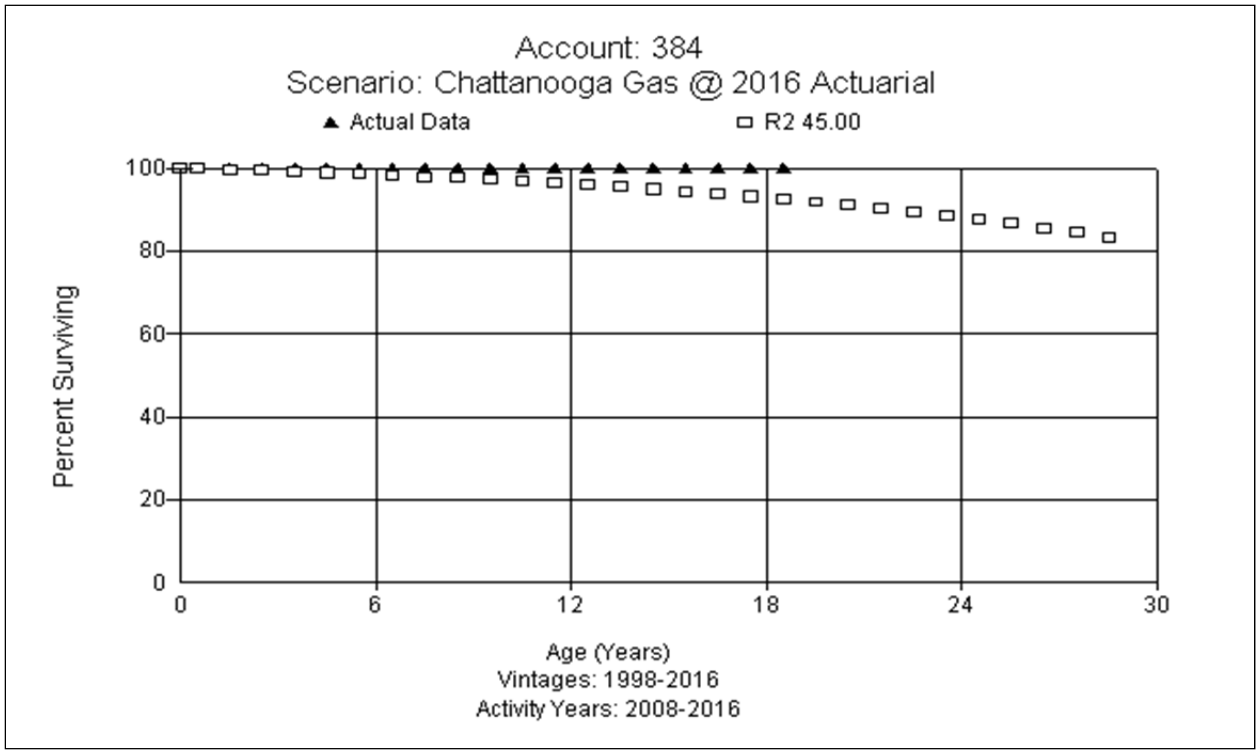
Account 383.0 House Regulators (45 R2)

This account includes the cost of house regulators. There is approximately $4.7 million of investment in this account. The approved life is the 37 S6. The current average age of investment is 15.64 years. Discussions with Company personnel indicated the house regulator is part of meter loop. When replacing the meter loop, the Company would automatically replace the regulator. There may be some instances where the regulator is replaced before the loop if the regulator fails. Company expects the same life for a regulator (and regulator installation) as the loop. Company expectation is that the meter loop and regulator lives would be closer to the life of services. There is a wide range of lives exhibited in the SPR analysis. The top three best ranked curves in the SPR analysis yield results that are unreasonable. The next three best ranked curves are in the low 40's with steep R and S dispersion patterns and have excellent CI and REIs. Consistent with the Meter Installation account, based on discussions with Company personnel, the SPR analysis, expectations, and judgment, this study recommends moving toward expectations for a longer life by moving to 45 years and the R2 dispersion pattern. A graph of the simulated balances for the proposed curve and life versus actual balances is shown below.



Account 384.0 House Regulator Installations (45 R2)

This account includes the cost of installing house regulating equipment. The current balance is $287 thousand. This account was not segregated in the prior study but the approved curve and life, 37 S6, of Account 383 – House Regulators would be an appropriate comparison. The actuarial data is limited, which has very limited retirements recorded. Discussions with Company personnel indicated it is reasonable to link the life of this account with Account 383 - House Regulators. The study recommendation is to use the 45 R2 as was proposed for that account. A graph of the observed life table and the study proposed curve and life is shown below.



Account 385.0 Industrial Meter & Regulating Equipment (35 R3)

This account includes the cost of measuring and regulating equipment used in industrial stations. The current balance is $139 thousand. The approved life is the 35 R3. Current average age of surviving investments is 20.67 years. The actuarial data is limited with one retirement recorded in 2011 at age 27.50 years. The assets in this account are similar to assets in Account 378 – Measuring & Regulating Equipment but with slightly heavier usage. The expectations are for a slightly shorter life than for domestic meter and regulator equipment. This study recommends retaining the existing 35 R3. Due to limited historical data and no retirement activity no graph is provided.

Account 386.0 Installations on Customer Premises (40 S1.5)

This account includes the cost of equipment owned and maintained by the company on customer premises, which is the equivalent to a service line (Account 380). The current balance of $17 thousand reflects one surviving vintage (1992) and has not changed in over 10 years. The existing is 40 S1.5. Current average age of surviving investments is 24.50 years. This study recommends retention of 40 S1.5. No graph is provided.

Account 387 Other Equipment (50 R4)

This account includes the cost of equipment used in conjunction with providing distribution service. The current balance of $386 thousand is due primarily to additions in 2008. The current average age of surviving investment is 11.44 years. No retirements have been recorded. There is no basis to change from the existing 50 R4 at this time. No graph is provided.

General Plant

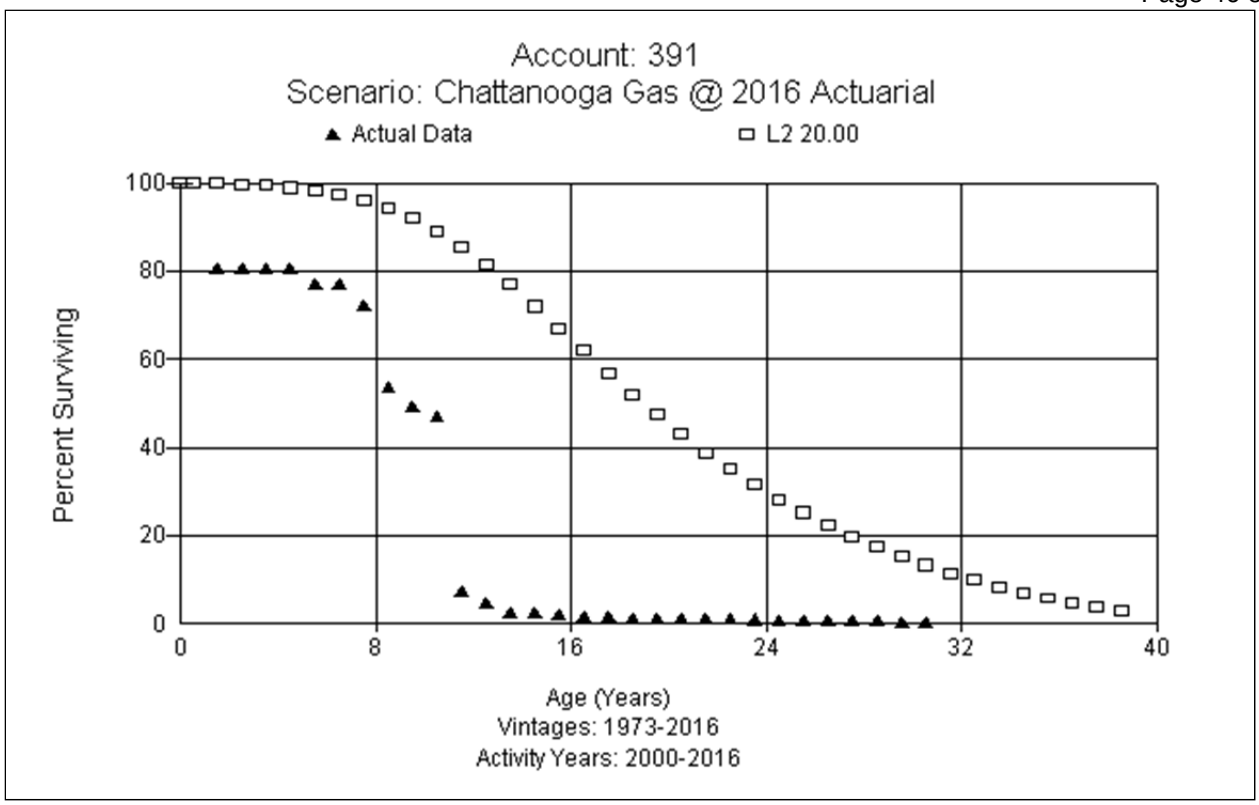
The activity in this function was impacted by CGC's sale of buildings, which has left no depreciable investment in Account 390 – Structures and Improvements at this time. This study has segregated this function into two categories: depreciated and amortized. We are recommending the implementation of Vintage Group Amortization (General Plant Amortization) as authorized by FERC's Accounting Release 15 (AR15) for accounts 391-398 (excludes 392 and 396).

Account 390.0 Structures & Improvements

There is currently no depreciable investment in this account and continues to evaluate a lease versus buy analysis. The existing 10 SQ is reflective of leasehold improvement type assets, not structures. No study recommendation is provided for this account at this time.

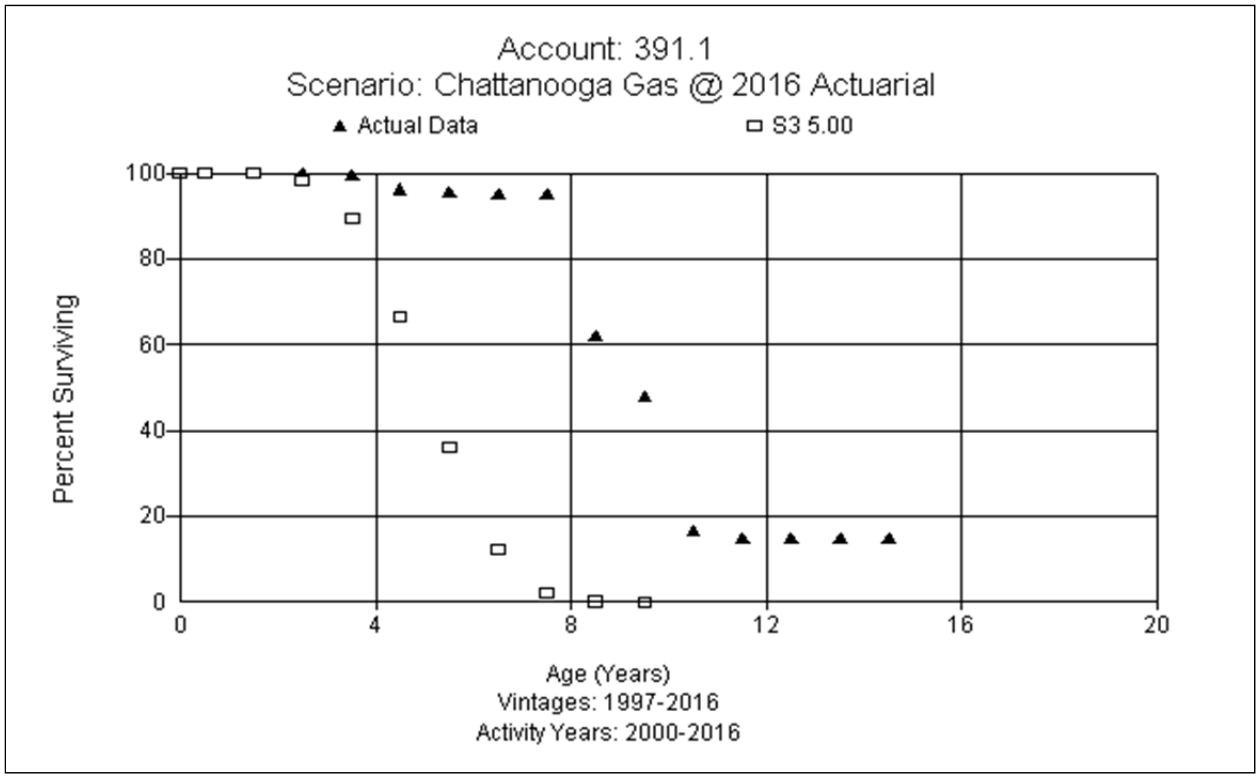
Account 391.0 Office Furniture & Equipment (20 SQ)

This account generally consists of miscellaneous office furniture such as desks, chairs, filing cabinets, and tables used for general utility service. There are only two surviving vintages. There is approximately $10 thousand in equipment in this account. The approved curve for this account is the 20 S6. Analysis indicates a shorter life of between 10 and 12 years. The analysis is not representative of account assets going forward. Therefore, this study proposes retention of the existing 20 year life with the L2 dispersion. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. A graph of the observed life table with the study proposed curve and life is shown below.


Account: 391
Scenario: Chattanooga Gas @ 2016 Actuarial
Actual Data
L2 20.00
Percent Surviving
100
80
60
40
20
0
0
8
16
24
32
40
Age (Years)
Vintages: 1973-2016
Activity Years: 2000-2016

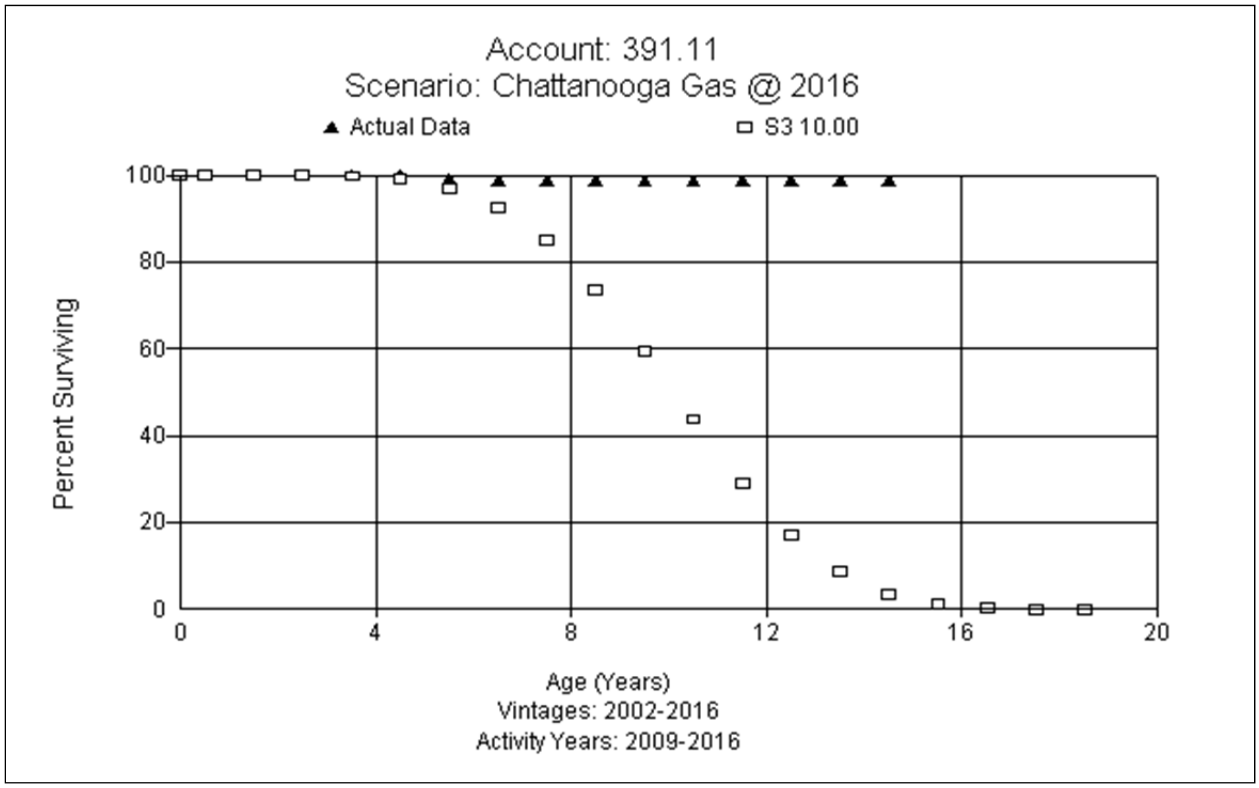
Account 391.10 Computer Equipment and Software (5 SQ)

This account consists of personal computer equipment, printers, peripherals and software used for general utility service. The approved curve for this account is the 5 S6. There is approximately $587 thousand in equipment in this account. The average age of the surviving investment is 8.16 years. The average age of retirement is 9.59 years. Discussions with Company personnel indicated the assets in this account generally have a refresh cycle of 4-5 years. Our analysis indicates a longer life and flatter dispersion pattern, but Company personnel indicated the merger has created a deferral on replacing some equipment until consistency of equipment and software is established. Company personnel indicated another 1-2 years before standardization is started. Based on the discussions with Company personnel, near term expectations, refresh policy, analysis, and judgement, this study recommends retention of the 5 year life based with the S3 dispersion. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. A graph of the observed life table with the study proposed curve and life is shown below.



Account 391.11 CFE - Computer Software (10 SQ)

This account consists of personal computer equipment, printers, peripherals and software used for general utility service. The approved curve for this account is the 10 R1.5. There is approximately $2.2 million in equipment in this account. The average age of the surviving investment is 6.73 years. Discussions with Company personnel indicated the software recorded here is non-enterprise software. The average age of retirements is 5.69. There was limited historical retirement activity for actuarial analysis so no meaningful indications were observed. Similar to Account 391.10 the Company is evaluating both hardware and software platforms to be used uniformly among its subsidiaries. This will take some time to implement and will push current refresh cycles longer. Based on type of surviving assets, discussion with the Company, and judgment this study recommends retention of the existing 10 year life but moving to the S3 dispersion pattern. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. A graph of the observed life table with the study proposed curve and life is shown below.

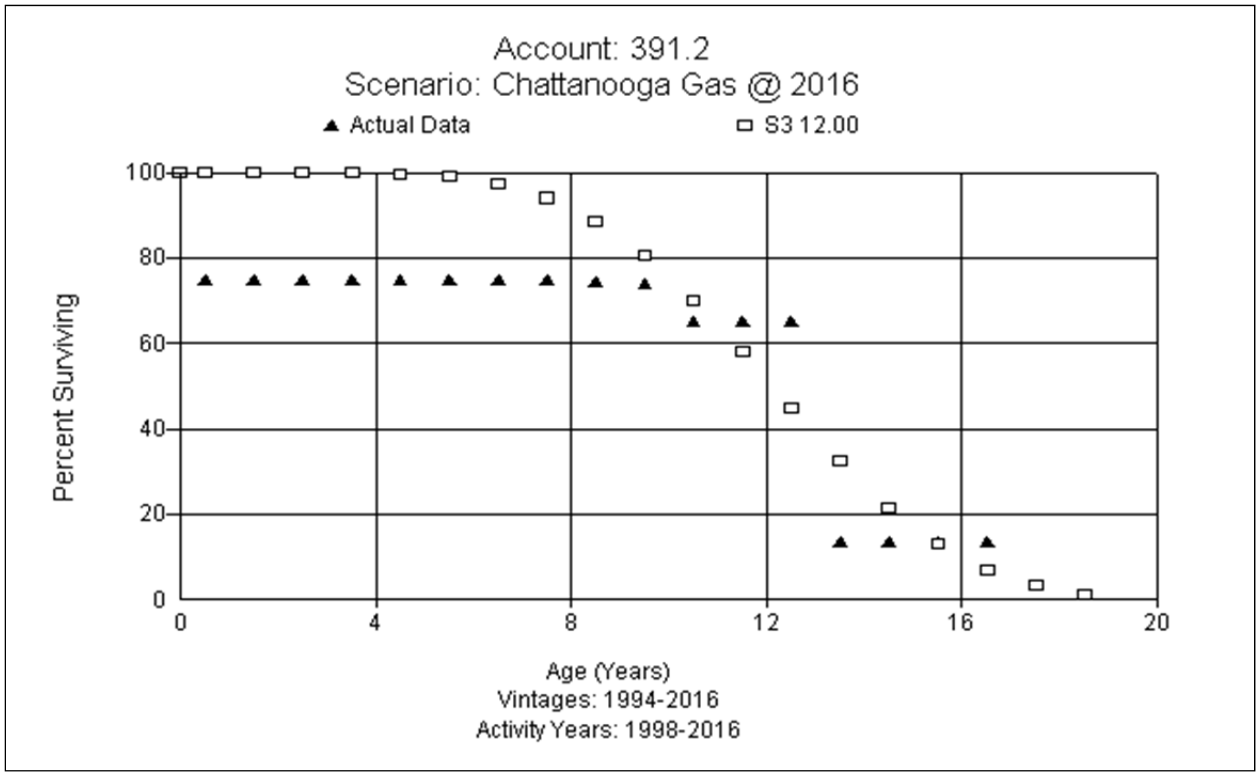


Account 391.12 CFE - Computer Hardware (5 R1.5)

This account consists of network and server type computer equipment used for general utility service. The approved curve for this account is the 10 R1.5. There is approximately $254 thousand in equipment in this account. The average age of the surviving investment is 3.04 years. Discussions with Company personnel indicated these assets have a refresh policy of 5 years, which is budgeted and followed pretty closely. Refreshing on a rotating cycle is important to system reliability. Nearly 82% of the assets in the account have vintages from 2014 to 2016. This study recommends moving to the 5 R1.5 curve based on type of surviving assets, discussion with the Company, refresh cycle policy, and judgment. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. No graph of the observed life table and the study proposed curve and life is shown below due to the lack of segregated historical account retirement activity.

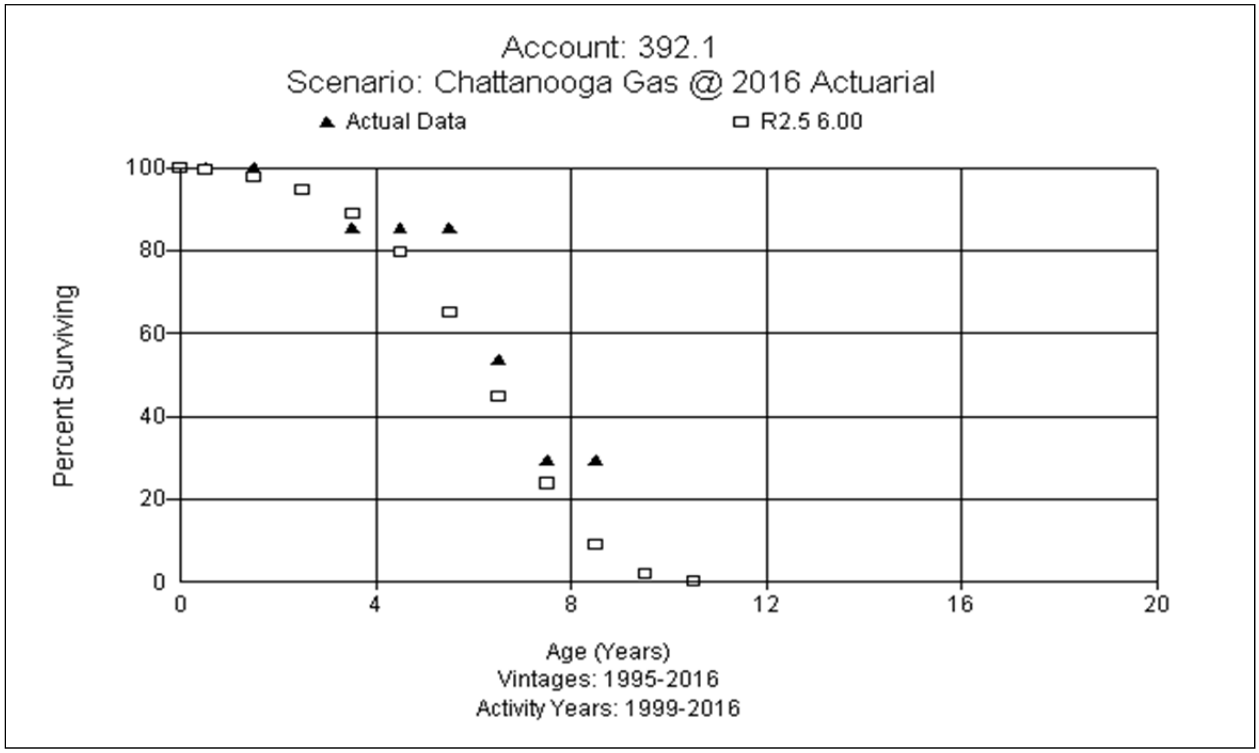
Account 391.2 Enterprises Systems (12 SQ)

This account consists of enterprise (large software applications) system software and hardware. The approved curve for this account is the 10 R1.5 which is reflective of the prior study's combined analysis of all electronic data processing equipment. There is approximately $2 million in assets in this account. The current average age of the surviving investment is 8.68 years. Discussions with Company personnel indicated these large system assets are allocated to the various business units. Currently there are merger system integrations and upgrades to be accomplished. Company indicated this could take another 1 ½ to 2 years. Based on type of surviving assets, discussions with Company on future plans and expectations, and judgment this study recommends increasing the life to 12 years and moving to the S3 dispersion pattern. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. A graph of the observed life table and the study proposed curve and life is shown below.



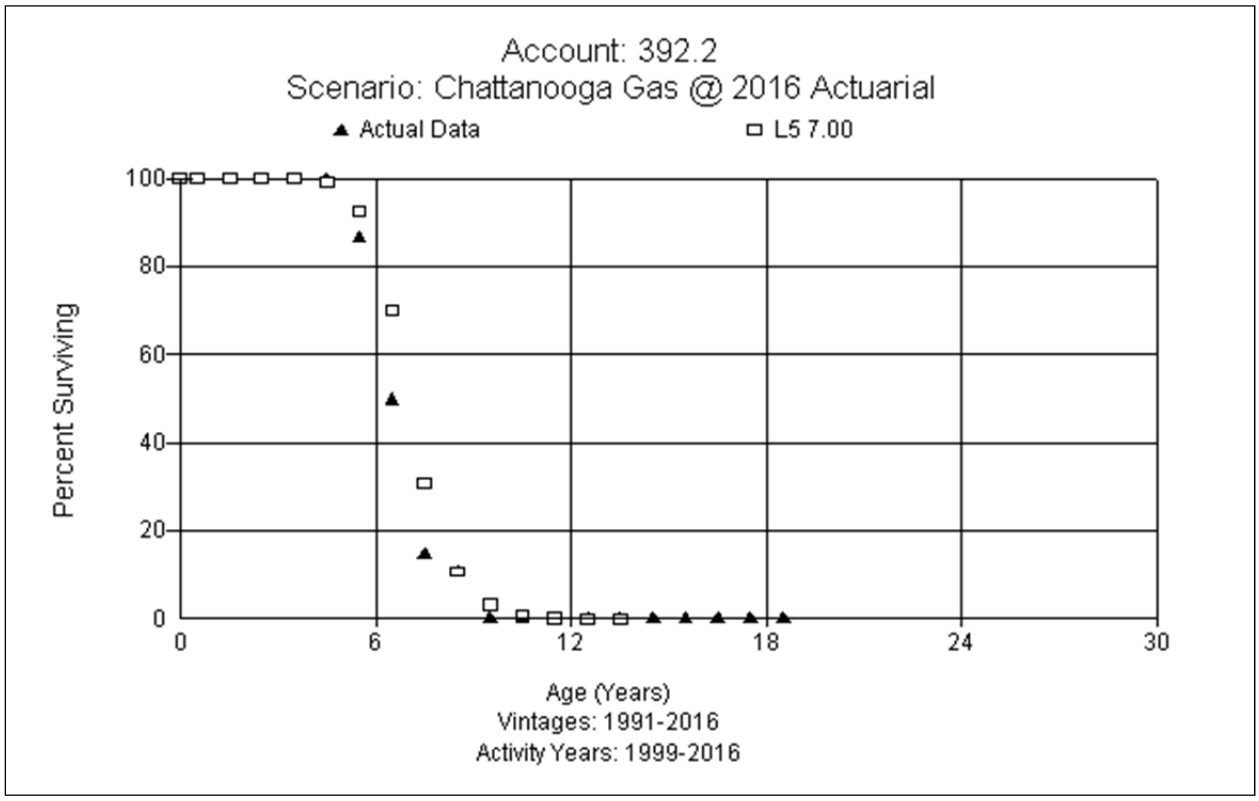
Account 392.1 Transportation Equipment – Autos and Light Trucks (6 R2.5)

This account consists of autos and light trucks used in performing various distribution and general company operations. The approved curve for this account is the 7 S6. There is approximately $158 thousand in equipment in this account. The average age of the surviving investment is 1.63 years. The Company utilizes a "new fleet" approach. Life analysis curve fits indicate a life between 6-8 years. The average age of retirements is 5.79 years, which is very close to Company ASL expectations. The Company continues evaluating lease versus buy options for these assets on a periodic basis and is expected to continue in the future. The study recommends a 6 year ASL and R2.5 curve to reflect some dispersion in retirements. A graph of the observed life table and the study proposed curve and life is shown below.



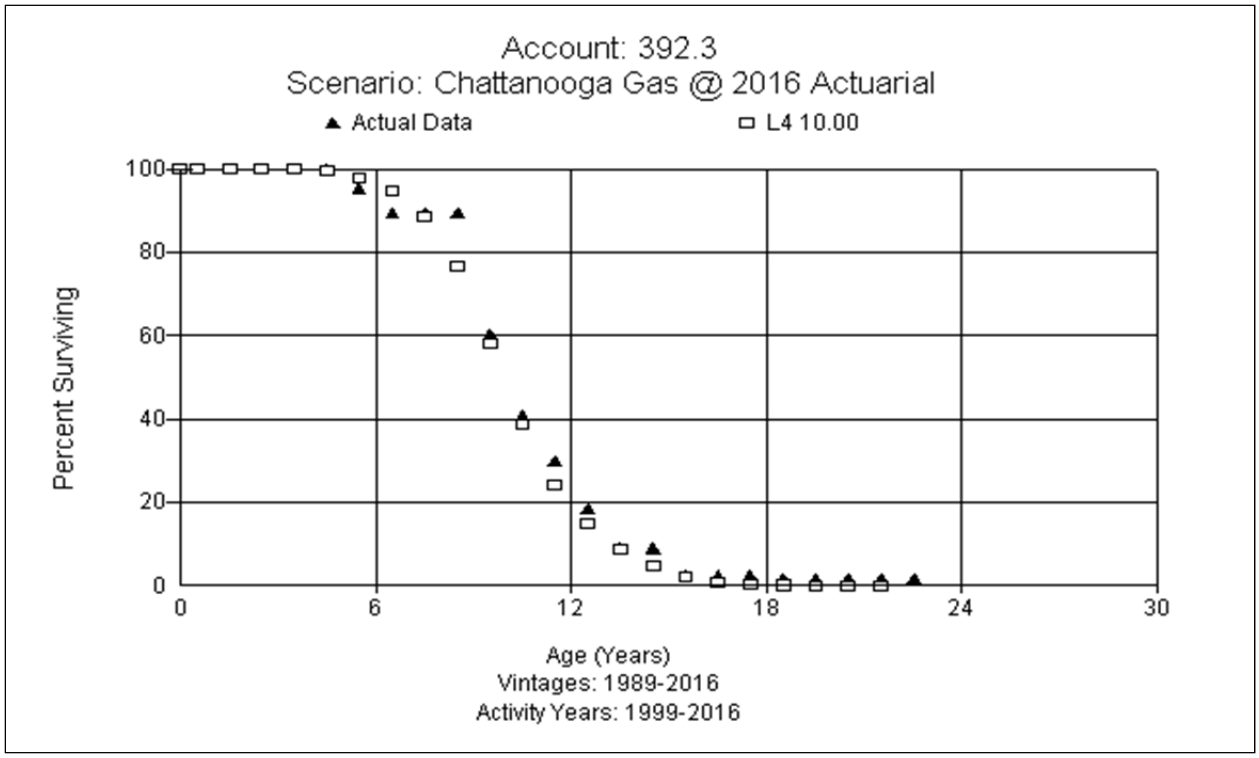
Account 392.2 Transportation Equipment – 7 Year Service Trucks (7 L5)

This account consists of service duty trucks and related equipment used by service crews performing operations and maintenance on the distribution system. The approved curve for this account is the 7 S6. There is approximately $630 thousand in equipment in this account. The current average age of the surviving investment is 2.33 years. The Company applies the "new fleet" approach to these assets as well. The Company performs lease versus buy evaluations and will continue this practice in the future. The study has very consistent life and dispersion indications. The life analysis in the full band indicates a 7 L5 to be a good fit. Based upon the type of vehicle, use, analysis indications, Company plans and expectations, the study recommendation is a 7 L5. A graph of the observed life table and the study proposed curve and life is shown below.



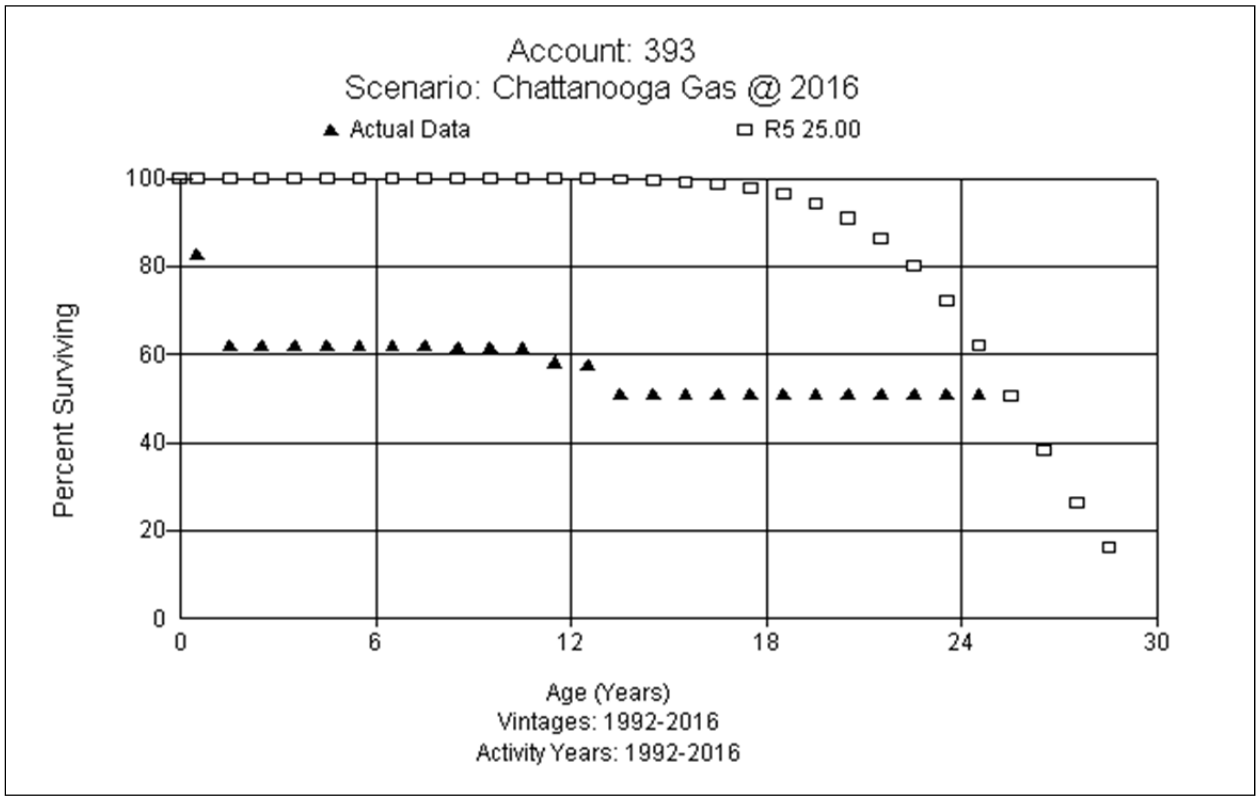
Account 392.3 Transportation Equipment – 10 Year Heavy Trucks (10 L4)

This account consists of heavy duty trucks and related equipment used by service center crews performing operations and maintenance on the distribution system. The approved curve for this account is the 10 S3. There is approximately $892 thousand in equipment in this account. The Company continues to apply a "new fleet" approach. The current average age of the surviving investment is 4.06 years. The study has very consistent life and dispersion indications, which supports the plans and expectations of Company personnel. Therefore, the study recommendation is a 10 L4. A graph of the observed life table and the study proposed curve and life is shown below.



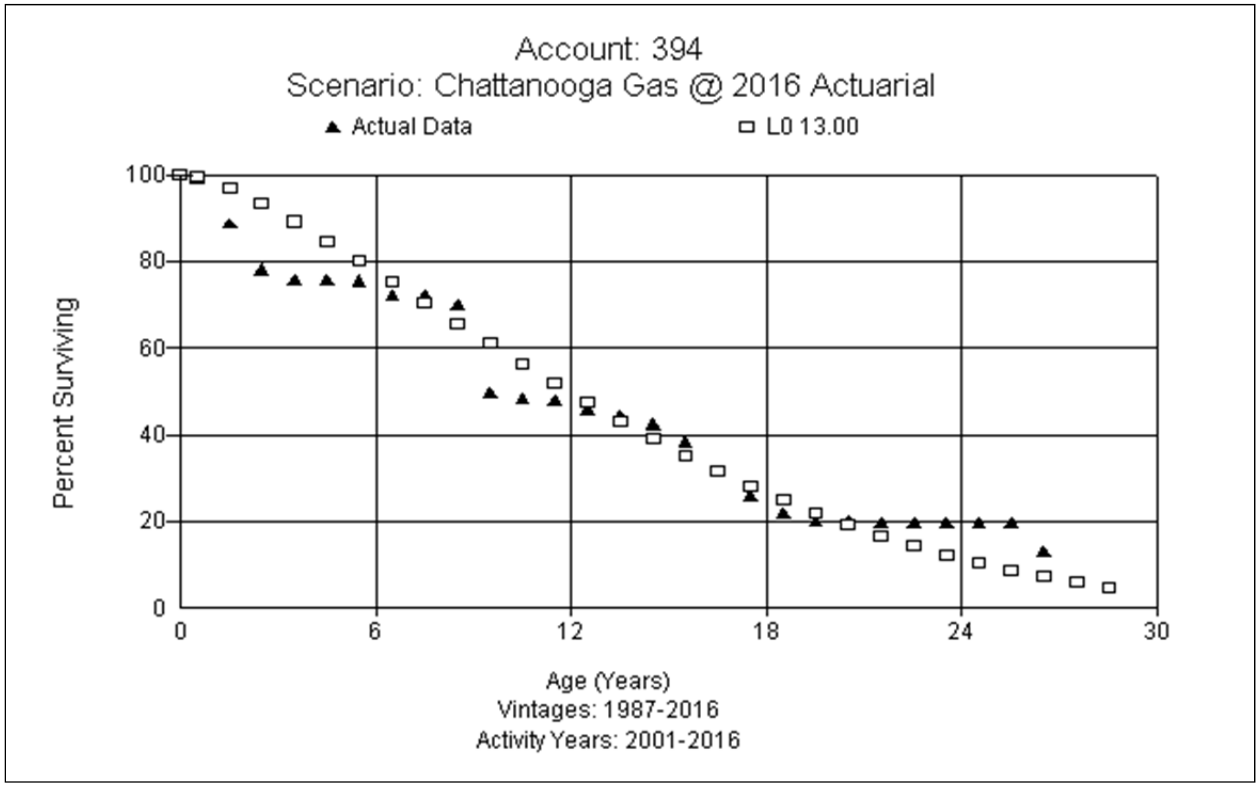
Account 393 Stores Equipment (25 SQ)

This account contains forklifts, shelves and bins used for general utility service. The approved curve for this account is the 25 R5. There is approximately $18 thousand in equipment in this account. The current average age of the surviving investment is 24.55 years. The average age of retirements is 12.97 years. The analysis indicates a flatter dispersion and shorter life due to retirements at younger ages. However, the types of assets usually recorded in the account have longer lives as evidenced by the current average age of investment. Based on type of assets, current age and expectations, the study proposes retention of the existing 25 R5. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. A graph of the observed life table with the study proposed curve and life is shown below.



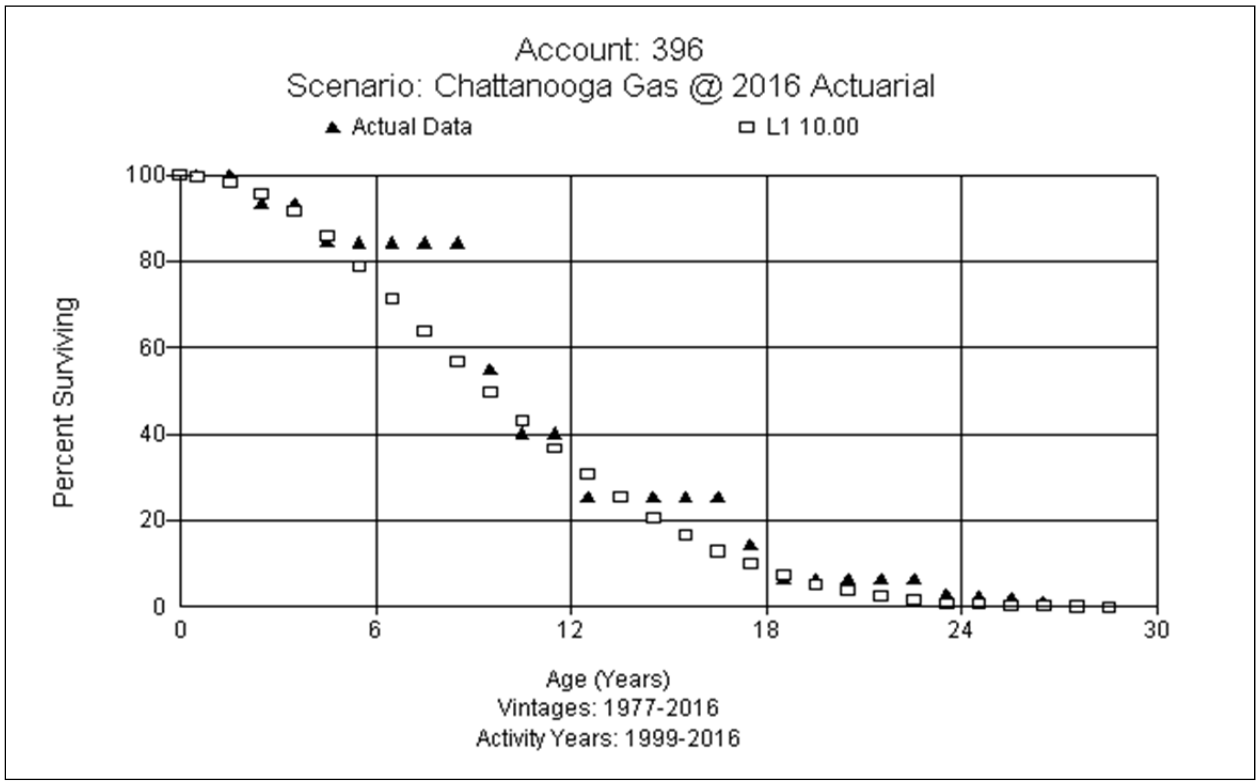
Account 394 Tools, Shop & Garage Equipment (13 SQ)

This account consists of vacuum excavation machine, tapping machines, electro fusion unit, pipe horn & pipe horn valve locators, mustang squeezer, roots transfer prover, air tools, saws, and other miscellaneous tools and equipment used in the shop and garages. There is approximately $367 thousand in this account. The approved curve for this account is the 15 R2. The current average age of the surviving investment is 10.69 years. The analysis suggests a life between 11 and 15 years with a good fit in the full band of the L0 13, which is being driven by some retirements occurring at ages below 10 years. Over 50% of the account balance has been added since the last two years. Discussions with Company personnel indicated there is a wide variety of tools and equipment with varying ages but would expect a life of 15 years or less. Based on the type, mix and discussions with Company personnel, and the analysis, this study proposes the 13 L0. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. A graph of the observed life table and the study proposed curve and life is shown below.



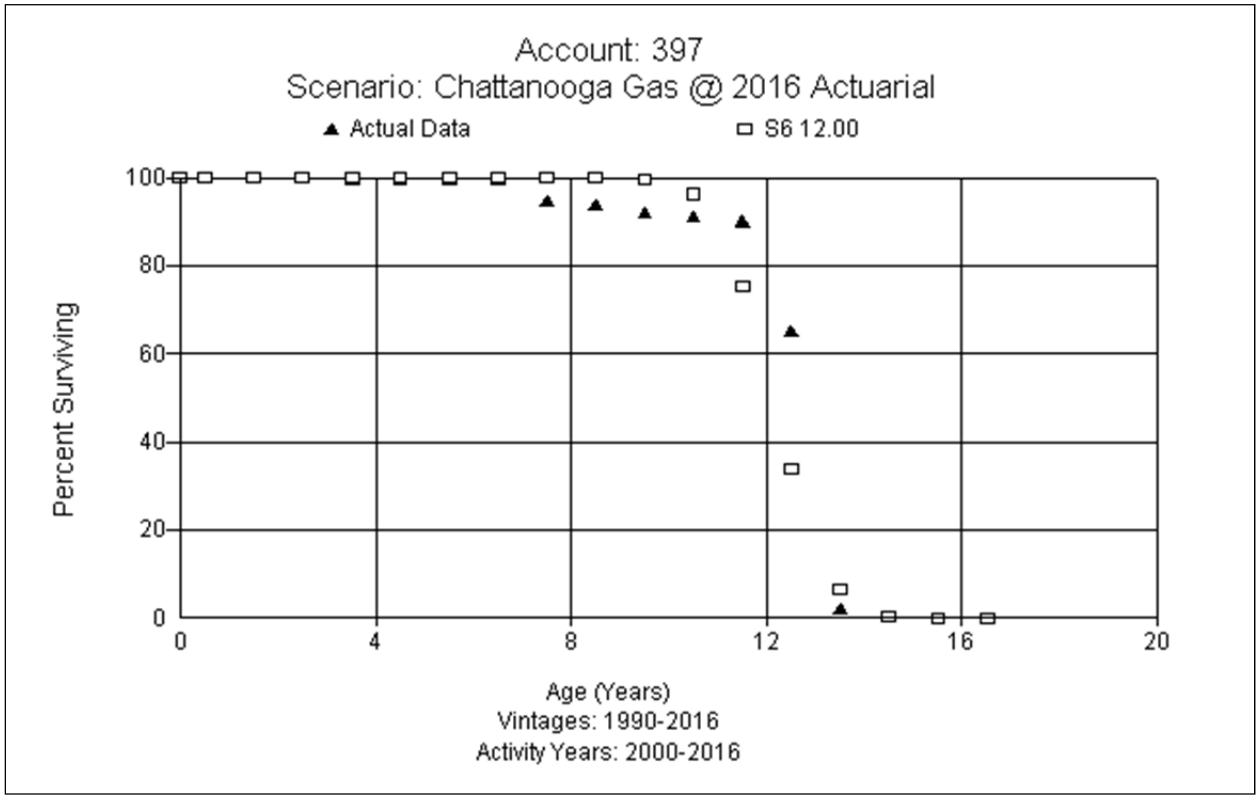
Account 396.0 Power Operated Equipment (10 L1)

This account consists of backhoe loader, 12 volt pump, rock drill, paving breakers and other power operated equipment that cannot be licensed on roadways. The approved curve for this account is the 10 S6. There is approximately $416 thousand in equipment in this account. The current average age of the surviving investment is 4.58 years. Discussions with Company personnel indicated a 10 year life is reasonable for the assets. Obsolescence is one of the drivers of retirements as well as the physical life. Similar to 392 accounts, the Company assesses reliability and would replace to maintain it. The life analysis indications in the full band have a good fit with the L1 10, which is reflective of the Company's plans and expectations for these assets. Based upon all the information, this study recommends retention of the 10 year life but changing the dispersion to L1. A graph of the observed life table and the study proposed curve and life is shown below.



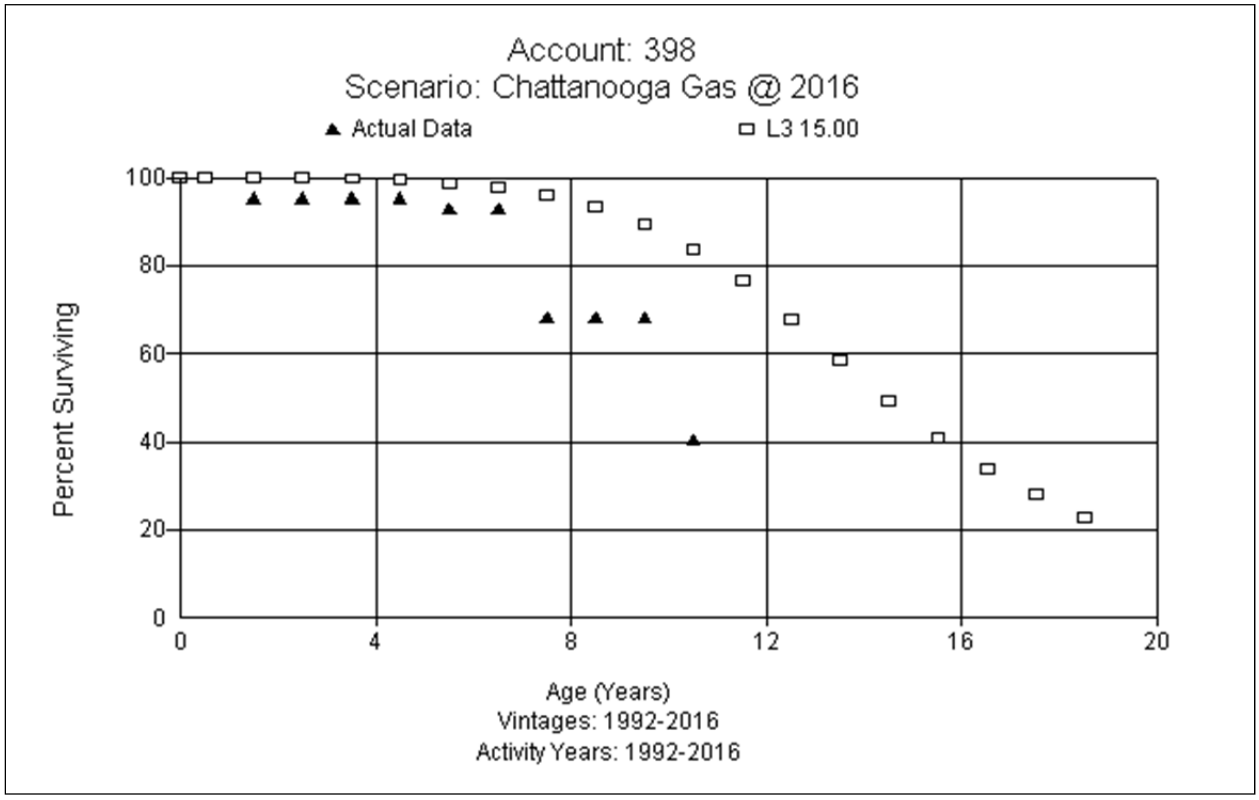
Account 397.0 Communication Equipment (12 SQ)

This account consists of miscellaneous communication equipment used in general utility service. There is $409 in this account. The existing mortality characteristic is a 10 L3. The current average age of the surviving investment is 5.23 years, with all of it being added between 2009 and 2016. The life analysis results indicate some very large retirements occurring in 2004 between ages 12-14 years. The best fit in the full band is the S6 12. Based on the type of assets and use and the analysis, this study proposes moving the life to 12 years and changing to the S6 dispersion pattern. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. A graph of the observed life table and the study proposed curve and life is shown below.



Account 398.0 Miscellaneous Equipment (15 SQ)

This account consists of miscellaneous equipment used in general utility service. There is approximately $207 thousand in this account. The existing is a 15 L3. The majority of surviving assets were added from 2009 to present. The average age of survivors is 5.52 years. The full band analysis indicates a life of 11 L2 to be a good fit, but this result is being driven by one large retirement at age 7.5 in 2001. Generally, the assets in this account are expected to have at least a 15 year life. Based on analysis indications, type of assets, and judgment, the study recommends retaining the 15 L3. However, vintage group amortization is being recommended so the SQ dispersion will be used for the rate calculations. An observed life table with the 15 L3 is graphed and shown below.



ACCOUNT SPECIFIC SALVAGE ANALYSIS

When a capital asset is retired, physically removed from service and finally disposed of, terminal retirement is said to have occurred. The residual value of a terminal retirement is called gross salvage. Net salvage is the difference between the gross salvage (what the asset was sold for) and the removal cost (cost to remove and dispose of the asset). Salvage and removal cost percentages are calculated by dividing the current cost of salvage or removal by the original installed cost of the asset. Some plant assets can experience significant negative removal cost percentages due to the timing of the original addition versus the retirement. For example, a Distribution asset in FERC Account 376, Mains, with a current installed cost of $500 (2016) would have had an installed cost of $26.46[4] in 1953. A removal cost of $50 for the asset calculated (incorrectly) on current installed cost would only have a negative10 percent removal cost ($50/$500). However, a correct removal cost calculation would show a negative 189 percent removal cost for that asset ($50/$26.46). Inflation from the time of installation of the asset until the time of its removal must be taken into account in the calculation of the removal cost percentage because the depreciation rate, which includes the removal cost percentage, will be applied to the original installed cost of assets.

The net salvage analysis uses the history of the individual accounts to estimate the future net salvage that CGC can expect in its operations. As a result, the analysis not only looks at the historical experience of CGC, but also takes into account recent and expected changes in operations that could reasonably lead to different future expectations than were experienced in the past. Recent experience is more heavily weighted in making net salvage recommendations than older experience.

Salvage Characteristics

For each account, data for retirements, gross salvage, and cost of removal is derived from 2000-2008. Moving averages, which remove timing differences between retirement and salvage and removal cost, were analyzed over periods varying from one to 10 years.

[4] Using the Handy-Whitman Bulletin No. 184, G-2, line 44, $26.46 = $500 x 38/718.

LNG Storage Plant

Account 361.0 Structures and Improvements (0% NS)

This account includes any salvage and removal cost related to structures used in connection with underground storage compressor operations. The authorized net salvage for this account is 0 percent. It is expected that cost of removal would exceed any salvage at time of retirement. However, retirements have occurred with no salvage or cost of removal recorded, so this study recommends retaining the existing approved 0 percent net salvage at this time.

Account 362.0 Storage Tanks (0% NS)

This account consists of the combined salvage and removal costs associated with the storage tanks for natural and liquefied natural gas. The authorized net salvage for this account is 0 percent. The expectation at terminal end of life for these tanks would be to see some salvage and some cost of removal. Without any historical experience in this account, this study recommends retention of the existing 0 percent net salvage at this time.

Account 363.0 Purification Equipment (0% NS)

This account consists of salvage and removal cost associated with retirement of purification equipment used in the LNG storage operations. The currently authorized net salvage for this account is 0 percent. It is expected that cost of removal would exceed any salvage at time of retirement. However, retirements have occurred with no salvage or cost of removal recorded, so this study recommends retaining the existing approved 0 percent net salvage at this time.

Account 363.1 Liquefaction Equipment (0% NS)

This account consists of any salvage and removal costs associated with liquefaction equipment used in the LNG storage operations. The currently authorized net salvage for this account is 0 percent. It is expected that cost of removal would exceed any salvage at time of retirement. However, retirements have occurred with no salvage or cost of removal recorded, so this study recommends retaining the existing approved 0 percent net salvage at this time.

Account 363.2 Vaporizing Equipment (0% NS)

This account includes any salvage and removal cost related to vaporizing equipment used in connection with LNG storage operations. The currently authorized net salvage for this account is 0 percent. It is expected that cost of removal would exceed any salvage at time of retirement. However, retirements have occurred with no salvage or cost of removal recorded, so this study recommends retaining the existing approved 0 percent net salvage at this time.

Account 363.3 Compressor Station Equipment (0% NS)

This account includes any salvage and removal cost related to compressor station equipment used in connection with LNG storage operations. The currently authorized net salvage for this account is 0 percent. It is expected that cost of removal would exceed any salvage at time of retirement. However, retirements have occurred with no salvage or cost of removal recorded, so this study recommends retaining the existing approved 0 percent net salvage at this time.

Account 363.4 Measuring & Regulating Equipment (0% NS)

This account includes any salvage and removal cost related to measuring and regulating equipment used in connection with LNG storage operations. The currently authorized net salvage for this account is 0 percent. It is expected that cost of removal would exceed any salvage at time of retirement. However, retirements have occurred with no salvage or cost of removal recorded, so this study recommends retaining the existing approved 0 percent net salvage at this time.

Account 363.5 Other Storage Equipment (0% NS)

This account includes any salvage and removal cost related to other storage equipment used in connection with LNG storage operations. The currently authorized net salvage for this account is 0 percent. It is expected that cost of removal would exceed any salvage at time of retirement. However, retirements have occurred with no salvage or cost of removal recorded, so this study recommends retaining the existing approved 0 percent net salvage at this time.

Distribution Plant

Account 374.1 Rights of Way (0% NS)

This account includes any salvage and removal cost related to land rights used in connection with distribution operations. Generally, there is no salvage or cost of removal cost is incurred. Therefore, this study recommends retaining the approved 0 percent net salvage for this account.

Account 375.0 Structures and Improvements (0% NS)

This account consists of any salvage and removal cost related to small structures and associated assets on the distribution system. The authorized net salvage is 0 percent. Typically we would expect little to no salvage and cost of removal to exceed any salvage. However, there is little historical retirement activity. This study recommends retaining the 0 percent net salvage rate for this account.

Account 376 Mains (-34% NS)

This account consists of any salvage and removal cost related to Mains of all material types. The authorized net salvage is negative 32 percent. The most recent moving average net salvage experienced ranges from negative 34 percent to negative 88 percent. The full experience analyzed, 1997-2016, indicates a negative 34 percent. The process to abandon (cut, cap and purge) in place at time of retirement generals little or no salvage, but cost of removal has increased due to labor costs, environmental and regulatory rules and procedures around the safe retirement of mains. The 3 and 5 year moving averages are more negative, negative 67% and negative 47%, respectively. However, the account has fluctuations in both retirements and cost of removal being recorded. Based on all the information and analysis, our recommendation relies on the most recent 10 year moving average which results in a slight increase from a negative 32 percent to a negative 34 percent.

Account 377 Compressor Station Equipment (0% NS)

This account consists of any salvage and removal cost related to compressor station equipment related to the gas distribution system. The authorized net salvage is 0 percent. Our salvage analysis is limited to the most recent 10 years with only two

retirements being recorded with no salvage or cost of removal. This account has been transferred to Accounts 378 and 379.

Account 378.0 Measuring & Regulating Station Equipment (0% NS)

This account includes any salvage and removal cost related to installed equipment used in regulating gas at entry points to the distribution system. The authorized net salvage is 0 percent. Generally there is little to no salvage and cost of removal will exceed it generating a negative net salvage factor. However, no retirements have been recorded with the cost of removal shown, which is due to the timing differences that are known to occur in a net salvage analysis. Without retirement detail, future studies will evaluate and set net salvage at that time. Based on the available information and analysis, this study proposes to retain the existing 0 percent net salvage.

Account 379.0 City Gate Equipment (0% NS)

This account includes any salvage and removal cost related to installed equipment used in regulating gas at city gate entry points to the distribution system. The approved net salvage is 0 percent. Generally there is little to no salvage and cost of removal will exceed it generating a negative net salvage factor. However, no retirements have been recorded with the cost of removal shown, which is due to the timing differences that are known to occur in a net salvage analysis. Without retirement detail, future studies will evaluate and set net salvage at that time. Based on the available information and analysis, this study proposes to retain the existing 0 percent net salvage.

Account 380 Services (-75% NS)

This account includes any salvage and removal cost related to service lines on the distribution system. Service lines are the pipes and accessories leading from the main to the customers' premises. The authorized net salvage rate for this account is negative 60 percent. Generally, pipe is abandoned in place. However, removal cost is still incurred even when abandoning the pipe in place. For pipe that is being replaced, activities such as isolating the old pipe, cutting the old pipe, purging or foaming the old

pipe and capping the old pipe are charged as removal costs. When the pipe is not being replaced, in addition to the above activities, dispatching a crew, uncovering the pipe, recovering the hole and repairing the surface are additional activities charged to removal cost.

The trend seen in the historical data over recent years has been toward increased removal cost. The 3 and 5 year moving averages are more negative, negative 142% and negative 116%, respectively. Discussions with Company personnel indicated there has been a change in the process of how cost of removal would be recorded. Until this year the cost was allocated as a percentage (10% of installed labor cost) of the cost of the job. Starting this year, contractors will separately estimate the removal cost in the project proposal. They believe that the contractor will estimate removal cost lower than 10% of project cost. Based on the information from Company personnel and the analysis, our recommendation relies on the most recent 10 year moving average but moderated to reflect the change going forward. This study recommends moving from a negative 60 percent to a negative 75 percent net salvage.

Account 381.0 Meters (0% NS)

This account includes any salvage and removal cost related to meters used in measuring gas to customers. The authorized net salvage rate is 0 percent. No salvage is being recorded presently and only one year, 2014, had cost of removal recorded. Based on the most recent 10 year moving average, this study recommends retention of the 0 percent net salvage.

Account 381.1 ERT's (0% NS)

This account includes any salvage and removal cost related to ERTs used with a meter to measuring gas to customers. The authorized net salvage rate is 0 percent. No salvage or cost of removal has been recorded in this account since retirements were first recorded in 2010. Based on this activity, this study recommends retention of the 0 percent net salvage.

Account 381.3 Metreteks

This account includes any salvage and removal cost related to automated meters

used in measuring gas to commercial and industrial customers. The authorized net salvage rate is 0 percent. This account has been combined with Account 381.0.

Account 382.0 Meter Installations (0% NS)

This account includes any salvage and removal cost related to meter installations used in measuring gas to customers. The authorized net salvage rate is 0 percent. No salvage or cost of removal has been recorded and none is expected in the future. This study recommends retention of the existing 0 percent net salvage.

Account 383.0 House Regulators (-5% NS)

This account includes any salvage and removal cost related to house regulators. The authorized net salvage percent is 0 percent. There has been some cost of removal activity recorded, but it has been inconsistent over the last 10 years. Recent activity is driving the overall result to be a negative 10 percent. Discussions with Company personnel indicated the Company is implementing a system in January of 2019 that uses a derivation functionality when a single work order is used for both new installation and retirement for tracking cost of removal. At the present time, this account is the only account recording a measureable cost of removal pertaining to retirement costs for meters and the meter loop. Therefore, this study recommends moving toward the indications with a negative 5 percent net salvage at this time. Further evaluation of the impacts of this system will occur in the next study.

Account 384.0 House Regulator Installations (0% NS)

This account includes any salvage and removal cost related to house regulator installations. The authorized net salvage percent is 0 percent. There is limited retirement experience and no salvage or cost of removal has been recorded. This study recommends retention of the existing 0 percent net salvage.

Account 385 Industrial Meter & Regulator Equipment (0% NS)

This account includes the salvage and removal costs related to measuring and regulating equipment used in industrial stations. The authorized net salvage percent is 0 percent and is retained.

Account 386 Installations on Customer Premises (0% NS)

This account includes the salvage and removal costs related to assets owned and maintained by CGC on customer premises, which is equivalent to that of services. The currently authorized net salvage percent is negative 60 percent based on Account 380 experience. The current study does not propose to maintain the link but instead move to a 0 percent net salvage at this time.

Account 387 Other Equipment (0% NS)

This account includes the salvage and removal costs related to miscellaneous distribution equipment used in distribution operations. The authorized net salvage percent is 0 percent and is retained in this study.

General Plant

The General Plant function has depreciated and amortized accounts. Typically, Account 390.0 Structures & Improvements would be depreciated property, but it currently has no depreciable investment recorded. For the remaining accounts, only Account 396.0 Power Operated Equipment is considered depreciable and has recorded salvage. The other accounts are all being recommended for amortization and generally do not have any salvage or cost of removal recorded. The following is a brief description of each account analysis and the study recommendations.

Account 391.0 Office Furniture and Equipment (0% NS)

This account includes any salvage and removal cost related to office furniture and equipment. The authorized net salvage rate for this account is 0 percent. The Company currently leases most of the assets that would be in this account and remaining assets are not expected to have any salvage or cost of removal at retirement. This study recommends retention of the existing 0 percent net salvage for this account.

Account 391.1 Computer Equipment and Software (0% NS)

This account includes any salvage and removal cost related to personal computers, printers, peripherals and related software. The authorized net salvage rate for this account is 0 percent. Based on the type of equipment and no past experience of

recording salvage or cost of removal in this account, this study recommends retaining the 0 percent net salvage.

Account 391.2 Enterprise Systems (0% NS)

This account includes any salvage and removal cost related to enterprise system software. The authorized net salvage rate for this account is 0 percent. Based on the type of equipment and no past experience of recording salvage or cost of removal in this account, this study recommends retaining the 0 percent net salvage for this account.

Account 392.1 Transportation Equipment – Autos and Light Trucks (16%)

This account consists of salvage and removal costs associated with autos and light trucks. Currently, a 28 percent net salvage is recognized. Company leased assets until 2013. The retirement and salvage in 2016 has been removed as it was due to an accident and insurance proceeds. That is not a typical end of life transaction and owned assets are still too young. After six years CGC would not expect to receive 28 percent net salvage. Prior study used a combined net salvage analysis, but accounts have been segregated and now being tracked separately but there may be some mismatch of prior year transactions across the account. Current analysis indicates 0% for most recent 10 year moving average. However, the 2014 moving 10 year average is 17.44 percent. Giving consideration to the historical experience across all the accounts, discussion with Company personnel, additional salvage information provided by CGC fleet indicating a 16.44 percent average, this study recommends moving from the approved 28 percent net salvage to 16 percent net salvage at this time.

Account 392.2 Transportation Equipment – 7 Year Service Trucks (26% NS)

This account consists of salvage and removal costs associated with service trucks and associated equipment. Currently, 28 percent net salvage is recognized. Prior study used a combined net salvage analysis, but accounts have been segregated and now being tracked separately but there may be some mismatch of prior year transactions across the account. Current analysis indicates 12.51% for most recent 10 year moving average. However, the 2015 moving 10 year average is 16.75 percent.

Giving consideration to the historical experience across all the accounts, discussion with Company personnel, additional salvage information provided by CGC fleet indicating a 26.19 percent average, this study recommends moving from the approved 28 percent net salvage to 26 percent net salvage at this time.

Account 392.3 Transportation Equipment – Heavy Trucks (23% NS)

This account consists of salvage and removal costs associated with heavy trucks and associated equipment. Currently, 28 percent net salvage is recognized. Prior study used a combined net salvage analysis, but accounts have been segregated and now being tracked separately but there may be some mismatch of prior year transactions across the account. Current analysis indicates 17.95% for most recent 10 year moving average. However, the 2015 moving 10 year average is 14.91 percent. Giving consideration to the historical experience across all the accounts, discussion with Company personnel, additional salvage information provided by CGC fleet indicating a 22.90 percent average, this study recommends moving from the approved 28 percent net salvage to 23 percent net salvage at this time.

Account 393.0 Stores Equipment (0% NS)

This account consists of salvage and removal costs associated with forklifts, shelves and bins. There was salvage recorded in 2014, which is indicating a positive 18.67 percent in the most recent 10 year moving average. However, this is not indicative of future expectations for these assets at the end of a 25 year life. Giving consideration to the analysis, type of assets, and proposed amortization life, this study recommends retaining the 0 percent net salvage.

Account 394.0 Tools, Shop & Garage Equipment (0% NS)

This account consists of salvage and removal costs associated with air compressors, grinders, mixers, hoists, and cranes. The authorized net salvage rate for this account is 0 percent. Based on the type of equipment, data analyzed, past experience and expectations that no salvage or cost of removal will be recorded at time of retirement, this study recommends retaining the 0 percent net salvage.

Account 396.0 Power Operated Equipment (25% NS)

This account includes any salvage and removal cost related to backhoes, forklifts, trenchers, and other power operated equipment that cannot be licensed on roadways. The authorized net salvage rate for this account is 17 percent. The current analysis indicates in the most recent 10 year moving average is 16.70 percent. The 5 year moving average is around 25 percent. Based on the net salvage analysis, type of assets and expectations, this study recommends moving to a 25 percent net salvage for this account.

Account 397.0 Communication Equipment (0% NS)

This account consists of miscellaneous communication equipment used in general utility service. The authorized net salvage rate for this account is 0 percent. No salvage or cost of removal has been recorded and none expected. This study retains 0 percent salvage.

Account 398.0 Miscellaneous Equipment (0% NS)

This account consists of miscellaneous equipment used in general utility service. The authorized net salvage rate for this account is 0 percent. The current analysis in the most recent 10 year moving average is 12.96 percent. This is being driven by one year (2015), which is not typical and unlikely to reoccur. Based on the overall analysis and expectations, this study recommends retaining the 0 percent net salvage for this account.

APPENDIX A - Depreciation Expense Comparison

Appendix A

CHATTANOOGA GAS COMPANY
Book Depreciation Study as of December 31, 2016
Comparison of Existing vs. Proposed Annual Depreciation Expense

Account	Description	Plant In Service Balance at 12/31/2016		Existing Accrual ALG-RL Rate	Existing Accrual Amount	Proposed Accrual ALG-RL Rate	Proposed Accrual Amount	Difference Increase / (Decrease)
STORAGE PLANT								
361.00	Natural Gas Structures & Improvements	$ 10,288,324		2.03%	$ 208,853	1.51%	$ 155,445	$ (53,408)
362.00	Natural Gas Holders	180,457		1.39%	2,508	0.96%	1,739	(769)
362.10	LNG Tanks	7,673,399		1.39%	106,660	0.96%	73,941	(32,719)
363.00	Purification Equipment	528,383		0.33%	1,744	0.21%	1,112	(632)
363.10	Liquefaction Equipment	5,251,707		2.23%	117,113	3.59%	188,692	71,579
363.20	Vaporizing Equipment	2,067,144		1.87%	38,656	1.35%	27,906	(10,750)
363.30	Compressor Equipment	2,731,450		3.81%	104,068	1.73%	47,205	(56,863)
363.40	M&R Equipment	283,077		0.24%	679	3.49%	9,866	9,187
363.50	Other Equipment	2,143,973		6.50%	139,358	7.54%	161,639	22,281
364.20	Structures & Improvements LNG	520,735		2.03%	10,571	1.84%	9,588	(983)
364.50	M&R Equipment LNG	961,554		0.24%	2,308	3.62%	34,789	32,481
364.80	Other Equipment	732,263		6.50%	47,597	7.62%	55,781	8,184
	Total Storage	33,362,466		2.34%	780,116	2.30%	767,703	(12,413)
DISTRIBUTION PLANT								
374.00	Land	0		0.00%	0	0.00%	0	0
374.20	Land Rights	750,752		1.47%	11,036	1.17%	8,798	(2,238)
375.00	Structures and Improvements	72,479		2.73%	1,979	3.80%	2,755	776
376 C	Mains - All	130,726,784		1.96%	2,562,245	1.95%	2,551,706	(10,539)
377.00	Compressor Station Equipment	0	(1)	1.76%	0			
378.00	M&R Equipment	1,653,248		2.36%	39,017	2.34%	38,665	(352)
379.00	City Gate Equipment	1,858,044		1.97%	36,603	1.80%	33,436	(3,168)
380 C	Services - All	61,858,135		2.79%	1,725,842	2.92%	1,808,240	82,398
381.00	Meters	13,529,058		2.19%	296,286	2.97%	401,967	105,681
381.10	Meters - ERTS	3,715,111		2.19%	81,361	6.25%	232,103	150,742
381.30	Metreteks	0	(2)	2.02%	0			
382.00	Meter Installations	3,399,433		2.43%	82,606	1.13%	38,261	(44,345)
383.00	House Regulators	4,715,029		1.98%	93,358	1.73%	81,476	(11,882)
384.00	House Regulator Installations	287,417		2.34%	6,726	1.80%	5,187	(1,539)
385.00	Industrial M&R Equipment	138,554		1.84%	2,549	2.22%	3,074	526
386.00	Other. Prop. on Customers' Premises	16,919		2.92%	494	0.00%	0	(494)
387.00	Other Equipment	386,205		1.87%	7,222	1.86%	7,198	(24)
	Total Distribution	223,107,167		2.22%	4,947,324	2.34%	5,212,866	265,542

Appendix A

CHATTANOOGA GAS COMPANY
Book Depreciation Study as of December 31, 2016
Comparison of Existing vs. Proposed Annual Depreciation Expense

Account	Description	Plant In Service Balance at 12/31/2016	Existing Accrual ALG-RL Rate	Existing Accrual Amount	Proposed Accrual ALG-RL Rate	Proposed Accrual Amount	Difference Increase / (Decrease)
GENERAL PLANT - DEPRECIATED							
392.10	Transportation - Autos & Light Trucks	158,841	12.22%	19,410	16.12%	25,608	6,198
392.20	Transportation - 7 Year Service Trucks	629,561	9.45%	59,494	8.71%	54,838	(4,656)
392.30	Transportation - 10 Year Heavy Trucks	891,527	9.45%	84,249	7.43%	66,200	(18,050)
396.00	Power Operated Equipment	416,398	15.19%	63,251	1.87%	7,766	(55,485)
	Total General - Depreciated	2,096,327	10.80%	226,404	7.37%	154,412	(71,992)
GENERAL PLANT - AMORTIZED							
391.00	Office Furniture and Equipment	9,711	6.16%	598	(3)	399	(199)
391.10	OFE - Computer Equipment and Software	587,348	23.28%	136,735	(3)	153	(136,581)
391.11	CFE - Computer Software	2,233,646	10.38%	231,852	(3)	64,863	(166,989)
391.12	OFE - Computer Hardware	253,669	23.28%	59,054	(3)	37,251	(21,803)
391.20	OFE - Enterprise 10 Year	2,336,491	10.38%	242,528	(3)	105,744	(136,784)
393.00	Stores Equipment	17,547	5.39%	946	(3)	608	(338)
394.00	Tools, Shop & Garage Equipment	367,393	7.91%	29,061	(3)	17,048	(12,013)
397.00	Communication Equipment	408,882	12.35%	50,497	(3)	17,663	(32,834)
398.00	Miscellaneous Equipment	206,995	6.87%	14,221	(3)	14,811	590
	Total General - Amortized	6,421,683	11.92%	765,491	4.03%	258,541	(506,950)
	Total General Plant	8,518,010	11.64%	991,895	4.85%	412,953	(578,942)
	Total Depreciable Plant	$ 264,987,643	2.54%	$ 6,719,335	2.41%	6,393,522	$ (325,813)

(1) Compressor Station Equipment assets will be transferred to Accounts 378 and 379 in 2017. This is a proforma adjustment in the study.
(2) Metretek have been combined with Meters Account 381.
(3) General Plant - Amortized proposed accrual includes ongoing amortization (1/Life) plus fixed (Deficit)/Surplus accrual for 5 years.

APPENDIX B - Depreciation Rate Calculation

CHATTANOOGA GAS COMPANY
Book Depreciation Study as of December 31, 2016
Calculation of Annual Depreciation Expense Accrual and Rate

Account	Description	Plant In Service Balance at 12/31/2016	Book Reserve	Net Salvage %	Net Salvage Amount	Unaccrued Balance	Remaining Life	Annual Accrual	Accrual Rate
STORAGE PLANT									
361.00	Natural Gas Structures & Improvements	$ 10,288,324	$ 3,604,296	0%	$ -	$ 6,684,028	43.00	$ 155,445	1.51%
362.00	Natural Gas Holders	7,853,856	3,165,668	0%	-	4,688,188	61.95	75,680	0.96%
363.00	Purification Equipment	528,383	514,318	0%	-	14,065	12.65	1,112	0.21%
363.10	Liquefaction Equipment	5,251,707	1,845,249	0%	-	3,406,458	18.05	188,692	3.59%
363.20	Vaporizing Equipment	2,067,144	1,865,435	0%	-	201,708	7.23	27,906	1.35%
363.30	Compressor Equipment	2,731,450	1,022,055	0%	-	1,709,394	36.21	47,205	1.73%
363.40	M&R Equipment	283,077	52,304	0%	-	230,773	23.39	9,866	3.49%
363.50	Other Equipment	2,143,973	1,069,927	0%	-	1,074,046	6.64	161,639	7.54%
364.20	Structures & Improvements LNG	520,735	14,931	0%	-	505,804	52.75	9,588	1.84%
364.50	M&R Equipment LNG	961,554	4,865	0%	-	956,690	27.50	34,789	3.62%
364.80	Other Equipment	732,263	215,356	0%	-	516,907	9.27	55,781	7.62%
	TOTAL STORAGE PLANT	33,362,466	13,374,405		-	19,988,061		767,703	2.30%
DISTRIBUTION PLANT									
374.20	Land Rights	750,752	223,092	0%	-	527,660	59.98	8,798	1.17%
375.00	Structures and Improvements	72,479	24,131	0%	-	48,348	17.55	2,755	3.80%
376 C	Mains - All	130,726,784	55,981,731	-34%	(44,447,107)	119,192,160	46.71	2,551,706	1.95%
377	Compressor Station Equipment	(1)							
378.00	M&R Equipment	1,653,248	570,104	0%	-	1,083,144	28.01	38,665	2.34%
379.00	City Gate Equipment	1,858,044	914,123	0%	-	943,921	28.23	33,436	1.80%
380 C	Services - All	61,858,135	32,988,689	-75%	(46,393,601)	75,263,047	41.62	1,808,240	2.92%
381.00	Meters	13,529,058	4,910,024	0%	-	8,619,034	21.44	401,967	2.97%
381.10	Meters - ERTS	3,715,111	215,829	0%	-	3,499,282	15.08	232,103	6.25%
381.30	Metreteks	(2)							
382.00	Meter Installations	3,399,433	2,224,548	0%	-	1,174,885	30.71	38,261	1.13%
383.00	House Regulators	4,715,029	2,344,175	-5%	(235,751)	2,606,606	31.99	81,476	1.73%
384.00	House Regulator Installations	287,417	103,972	0%	-	183,445	35.37	5,187	1.80%
385.00	Industrial M&R Equipment	138,554	88,340	0%	-	50,213	16.33	3,074	2.22%
386.00	Other. Prop. on Customers' Premises	16,919	18,827	0%	-	(1,908)	21.65	(88)	0.00%
387.00	Other Equipment	386,205	107,598	0%	-	278,607	38.71	7,198	1.86%
	TOTAL DISTRIBUTION PLANT	223,107,167	100,715,183		(91,076,459)	213,468,443		5,212,778	2.34%
GENERAL PLANT - DEPRECIATED									
392.10	Transportation - Autos & Light Trucks	158,841	16,091	16%	25,415	117,335	4.58	25,608	16.12%
392.20	Transportation - 7 Year Service Trucks	629,561	199,270	26%	163,686	266,605	4.86	54,838	8.71%
392.30	Transportation - 10 Year Heavy Trucks	891,527	277,273	23%	205,051	409,203	6.18	66,200	7.43%
396.00	Power Operated Equipment	416,398	256,520	25%	104,099	55,778	7.18	7,766	1.87%
	TOTAL GENERAL - DEPRECIATED	2,096,327	749,154		498,251	848,921		154,412	7.37%

CHATTANOOGA GAS COMPANY
Book Depreciation Study as of December 31, 2016
Calculation of Annual Depreciation Expense Accrual and Rate

Account	Description	Plant In Service Balance at 12/31/2016	Book Reserve	Net Salvage %	Net Salvage Amount	Unaccrued Balance	Remaining Life	Annual Accrual		Accrual Rate
GENERAL PLANT - AMORTIZED (after AR 15 Retirements)										
391.00	Office Furniture and Equipment	9,711	9,390	0%	-	321	(3)	399	*	5.00%
391.10	OFE - Comp Equip and So	1,804	1,939	0%	-	(135)	(3)	153	*	20.00%
391.11	CFE - Computer Software	1,473,943	1,112,673	0%	-	361,270	(3)	64,863	*	10.00%
391.12	OFE - Computer Hardware	213,493	112,744	0%	-	100,749	(3)	37,251	*	20.00%
391.20	OFE - Enterprise 10 Year	2,056,446	1,699,831	0%	-	356,615	(3)	105,744	*	8.33%
393.00	Stores Equipment	16,624	16,577	0%	-	48	(3)	608	*	4.00%
394.00	Tools, Shop and Garage Equipment	262,352	131,034	0%	-	131,319	(3)	17,048	*	7.69%
397.00	Communication Equipment	408,882	260,253	0%	-	148,630	(3)	17,663	*	8.33%
398.00	Miscellaneous Equipment	206,995	71,175	0%	-	135,820	(3)	14,811	*	6.67%
	TOTAL GENERAL - AMORTIZED	4,650,251	3,415,615		-	1,234,637		258,541		5.56%
	TOTAL GENERAL PLANT	6,746,578	4,164,769		498,251	2,083,558		412,953		6.12%
	TOTAL DEPRECIATED & AMORTIZED	$ 263,216,211	$ 118,254,356		$ (90,578,208)	235,540,063		$ 6,393,434		2.43%

(1) Compressor Station Equipment will be transferred to Accounts 378 and 379 in 2017. This is a proforma adjustment in the study.
(2) Metreteks have been combined with Meters Account 381.
(3) General Plant - Amortized proposed accrual amount is the total of the ongoing annual amortization (1-NS/ASL) plus the fixed 5 year reserve true up (deficit/surplus) accrual amount.
*Denotes a whole life rate (1-NS/ASL) for amortization.

CHATTANOOGA GAS COMPANY
Computation of Depreciation Accruals and Rate - General Plant Amortized Accounts
Book Depreciation Study as of December 31, 2016

GENERAL PLANT - AMORTIZED Account	Description	Plant in Service Balance at 12/31/2016	Book Reserve 12/31/2016	Theoretical Reserve 12/31/2016	Reserve Deficit/ Surplus	Reserve Recovery Period (Yrs)	Amortize Reserve Deficit/Surplus	Assets to Retire Greater Than ASL
391.00	Office Furniture & Equipment	$ 9,711	$ 9,390	$ 8,957	$ 433	5	$ (87)	$ -
391.10	OFE - Comp. Equip. & Software	587,348	587,483	586,446	1,037	5	(207)	585,544
391.11	CFE - Computer Software	2,233,646	1,872,376	1,459,721	412,655	5	(82,531)	759,703
391.12	OFE - Computer Hardware	253,669	152,920	125,684	27,236	5	(5,447)	40,176
391.20	OFE - Enterprise 10 Year	2,336,491	1,979,876	1,651,744	328,132	5	(65,626)	280,045
393.00	Stores Equipment	17,547	17,500	17,215	285	5	(57)	923
394.00	Tools, Shop, & Garage Equip.	367,393	236,074	220,408	15,666	5	(3,133)	105,040
397.00	Communication Equipment	408,882	260,253	178,201	82,052	5	(16,410)	-
398.00	Miscellaneous Equipment	206,995	71,175	76,230	(5,055)	5	1,011	-
	Total General Amortized	**6,421,683**	**5,187,046**	**4,324,606**	**862,440**		**(172,488)**	**1,771,431**

After Retirements of Assets With Age > Average Service Life

Account	Description	Plant Balance 12/31/2016	Book Reserve 12/31/2016	Proposed Life	Annual Amort.	Accrual For Reserve Deficit Surplus	(1) Total Amortization Amount ($)	(2) Annual Amortization Rate (%)
391.00	Office Furniture & Equipment	9,711	9,390	20	486			5.00%
391.00	Office Furniture & Equipment					(87)		
391.00	Total						399	
391.10	OFE - Comp. Equip. & Software	1,804	1,939	5	361			20.00%
391.10	OFE - Comp. Equip. & Software					(207)		
391.10	Total						153	
391.11	CFE - Computer Software	1,473,943	1,112,673	10	147,394			10.00%
391.11	CFE - Computer Software					(82,531)		
391.11	Total						64,863	
391.12	OFE - Computer Hardware	213,493	112,744	5	42,699			20.00%
391.12	OFE - Computer Hardware					(5,447)		
391.12	Total						37,251	
391.20	OFE - Enterprise 10 Year	2,056,446	1,699,831	12	171,370			8.6
391.20	OFE - Enterprise 10 Year					(65,626)		

CHATTANOOGA GAS COMPANY
Computation of Depreciation Accruals and Rate - General Plant Amortized Accounts
Book Depreciation Study as of December 31, 2016

391.20		Total					105,744	
393.00	Stores Equipment		16,624	16,577	25	665		4.00%
393.00	Stores Equipment						(57)	
393.00		Total					608	
394.00	Tools, Shop, & Garage Equip.		262,352	131,034	13	20,181		7.69%
394.00	Tools, Shop, & Garage Equip.						(3,133)	
394.00		Total					17,048	
397.00	Communication Equipment		408,882	260,253	12	34,074		8.33%
397.00	Communication Equipment						(16,410)	
397.00		Total					17,663	
398.00	Miscellaneous Equipment		206,995	71,175	15	13,800		6.67%
398.00	Miscellaneous Equipment						1,011	
398.00		Total					14,811	
Total General Amortized After Retirements			**$ 4,650,251**	**$ 3,415,615**		**$ 431,029**	**$ (172,488)**	**$ 258,541**
	AR 15 Retirements		**1,771,431**	**1,771,431**				

Note 1= Total Amortization is the annual amortization amount plus the fixed 5 year amount for the reserve true-up (deficit/surplus).
Note 2=Annual Amortization % is the annual amortization rate to be applied (1/ASL).

APPENDIX C - Depreciation Parameter Comparison

Appendix C

CHATTANOOGA GAS COMPANY
Book Depreciation Study as of December 31, 2016
Comparison of Mortality Characteristics

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
		Existing					Study Recommendation				
Account Number	Description	ASL	Iowa Curve	Gross Salvage	Cost of Removal	Net Salvage	ASL	Iowa Curve	Gross Salvage	Cost of Removal	Net Salvage
		yrs.		%	%	%	yrs.		%	%	%
	STORAGE PLANT										
361.00	Natural Gas Structures & Improvements	45	S6	0	0	0	55	S6	0	0	0
362.00	Natural Gas Holders	45	S6	0	0	0	75	S6	0	0	0
362.10	LNG Tanks	45	S6	0	0	0	75	S6	0	0	0
363.00	Purification Equipment	45	S6	0	0	0	45	S6	0	0	0
363.10	Liquefaction Equipment	25	S4	0	0	0	25	S4	0	0	0
363.20	Vaporizing Equipment	25	R4	0	0	0	25	R4	0	0	0
363.30	Compressor Equipment	25	R4	0	0	0	50	R4	0	0	0
363.40	M&R Equipment	30	S6	0	0	0	30	S6	0	0	0
363.50	Other Equipment	14	S6	0	0	0	14	S6	0	0	0
364.20	Structures & Improvements LNG	45	S6	0	0	0	55	S6	0	0	0
364.23	M&R Structures LNG	45	S6	0	0	0	75	S6	0	0	0
364.50	M&R Equipment LNG	30	S6	0	0	0	30	S6	0	0	0
364.80	Other Equipment	14	S6	0	0	0	14	S6	0	0	0
	DISTRIBUTION PLANT										
374.10	Land Rights	60	R4	0	0	0	75	R4	0	0	0
375.00	Structures & Improvements	25	S6	0	0	0	25	S6	0	0	0
376 C	Mains - All	57	R2.5	0	32	(32)	63	S5	0	34	(34)
378.00	M&R Equipment	40	R3	0	0	0	40	R3	0	0	0
379.00	City Gate Equipment	42	R4	0	0	0	45	R4	0	0	0
380 C	Services - All	51	R2	0	60	(60)	56	R2	0	75	(75)
381.00	Meters	30	S5	0	0	0	27	L0	0	0	0
381.10	Meters - ERTS	30	S5	0	0	0	20	L0.5	0	0	0
382.00	Meter Installations	30	S5	0	0	0	45	R2	0	0	0
383.00	House Regulators	37	S6	0	0	0	45	R2	0	5	(5)
384.00	House Regulator Installations	37	S6	0	0	0	45	R2	0	0	0
385.00	Industrial M&R Equipment	35	R3	0	0	0	35	R3	0	0	0
386.00	Other. Prop. on Customers' Premises	40	S1.5	0	60	(60)	40	R1.5	0	0	0
387.00	Other Equipment	50	R4	0	0	N/A	50	R4	0	0	0

Appendix C

CHATTANOOGA GAS COMPANY
Book Depreciation Study as of December 31, 2016
Comparison of Mortality Characteristics

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
		Existing					Study Recommendation				
Account Number	Description	ASL	Iowa Curve	Gross Salvage	Cost of Removal	Net Salvage	ASL	Iowa Curve	Gross Salvage	Cost of Removal	Net Salvage
		yrs.		%	%	%	yrs.		%	%	%
	GENERAL PLANT										
390.00	Structures & Improvements	10	SQ	0	0	0			0	0	0
391.00	Office Furniture and Equipment	20	S6	0	0	0	20	L2	0	0	0
391.10	OFE - Comp Equip and So	5	S6	0	0	0	5	S3	0	0	0
391.11	CFE - Computer Software	10	R1.5	0	0	0	10	S3	0	0	0
391.12	OFE - Computer Hardware	10	R1.5	0	0	0	5	R1.5	0	0	0
391.20	OFE - Enterprise 10 Year	10	R1.5	0	0	0	12	S3	0	0	0
392.10	Transportation - Autos & Light Trucks	7	S6	28	0	28	6	R2.5	16	0	16
392.20	Transportation - 7 Year Service Trucks	7	S6	28	0	28	7	L5	26	0	26
392.30	Transportation - 10 Year Heavy Trucks	10	S3	28	0	28	10	L4	23	0	23
393.00	Stores Equipment	25	R5	0	0	0	25	R5	0	0	0
394.00	Tools, Shop and Garage Equipment	15	R2	0	0	0	13	L0	0	0	0
395.00	Laboratory Equipment	No Balance							0	0	0
396.00	Power Operated Equipment	10	S6	17	0	17	10	L1	25	0	25
397.00	Communication Equipment	10	L3	0	0	0	12	S6	0	0	0
398.00	Miscellaneous Equipment	15	L3	0	0	0	15	L3	0	0	0

*Used rate from 392.20

Proforma Adjustments							
381.30	Metreteks	40	R4	0	0	0	Assets were combined with Account 381.0 Meters
377.00	Compressor Station Equipment	25	R3	0	0	0	Assets transferred to 378 and 379 in 2017

APPENDIX D - Net Salvage Analysis

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
NET SALVAGE ANALYSIS AS OF DECEMBER 31, 2016

	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
Account 361.00														
Structures and Improvements														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	128,838	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	20,910	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2002	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%				
2003	18,087	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	104,296	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	202,219	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	476,263	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
Account 362.0 and 362.10														
Storage Tanks														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	26	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%					
2002	420,929	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
2003	105,382	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	238,781	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2015	0	0	4,726	(4,726)	NA	NA	NA	NA	NA	NA	NA	-1.98%	-1.98%	-1.98%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	-1.98%	-1.98%

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
NET SALVAGE ANALYSIS AS OF DECEMBER 31, 2016

	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
Account 363.1														
Liquefication Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	220,752	0	0	0	0.00%	0.00%	0.00%							
2000	0	0	0	0	NA	0.00%	0.00%	0.00%						
2001	0	0	0	0	NA	NA	0.00%	0.00%	0.00%					
2002	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%				
2003	279,858	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	25,200	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	1,034,236	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	672,269	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
Account 363.2														
Vaporizaing Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	339,644	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%					
2002	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%				
2003	4,949	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	8,269	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	347,913	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
Account 363.3														
Compressor Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 363.4														
Vaporizing Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	62,248	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2002	3,064	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
2003	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2008	65,312	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%

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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
Account 363.5														
Other Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	317,920	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	322,967	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2002	4,465	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
2003	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	3,710	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	649,061	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
Account 364.2 and 364.23														
Strucutres and Improvements LNG														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 364.5														
LNG Measuring Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 364.8														
LNG Other Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 374.2														
Lnad Rights														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 375														
Structures and Improvements														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

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RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 376 - All Distribution Mains														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	280,468	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	162,195	0	18,322	(18,322)	-11.30%	-4.14%	-4.14%	-4.14%	-4.14%					
2002	153,969	0	101,925	(101,925)	-66.20%	-38.03%	-20.15%	-20.15%	-20.15%	-20.15%				
2003	24,923	0	328,159	(328,159)	-1316.71%	-240.42%	-131.46%	-72.14%	-72.14%	-72.14%	-72.14%			
2004	52,570	0	11,287	(11,287)	-21.47%	-438.04%	-190.69%	-116.77%	-68.19%	-68.19%	-68.19%	-68.19%		
2005	4,584	0	1,189	(1,189)	-25.94%	-21.83%	-415.02%	-187.49%	-115.73%	-67.91%	-67.91%	-67.91%	-67.91%	
2006	11,282	0	17,946	(17,946)	-159.06%	-120.60%	-44.45%	-384.09%	-186.19%	-116.92%	-69.40%	-69.40%	-69.40%	-69.40%
2007	57,495	0	9,583	(9,583)	-16.67%	-40.03%	-39.15%	-31.77%	-244.05%	-154.22%	-104.58%	-65.34%	-65.34%	-65.34%
2008	2,102,608	0	1,894	(1,894)	-0.09%	-0.53%	-1.36%	-1.41%	-1.88%	-16.42%	-19.61%	-19.08%	-17.20%	-17.20%
2009	(1,166,088)	0	0	0	0.00%	-0.20%	-1.15%	-2.93%	-3.03%	-3.94%	-34.03%	-38.02%	-34.93%	-29.12%
2010	45	0	0	0	0.00%	0.00%	-0.20%	-1.15%	-2.93%	-3.03%	-3.94%	-34.03%	-38.02%	-34.93%
2011	0	0	0	0	NA	0.00%	0.00%	-0.20%	-1.15%	-2.93%	-3.03%	-3.94%	-34.03%	-38.02%
2012	752,338	0	0	0	0.00%	0.00%	0.00%	0.00%	-0.11%	-0.66%	-1.67%	-1.74%	-2.31%	-20.11%
2013	167	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	-0.11%	-0.66%	-1.67%	-1.74%	-2.31%
2014	619,221	0	772,931	(772,931)	-124.82%	-124.79%	-56.35%	-56.35%	-56.35%	-375.79%	-33.57%	-33.16%	-33.75%	-33.74%
2015	910,815	0	343,979	(343,979)	-37.77%	-73.00%	-72.99%	-48.93%	-48.93%	-48.93%	-100.04%	-34.76%	-34.44%	-34.87%
2016	202,019	0	37,496	(37,496)	-18.56%	-34.28%	-66.65%	-66.64%	-46.46%	-46.46%	-46.46%	-87.55%	-33.80%	-33.52%
Account 377 Compressor Station Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	31,052	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%					
2002	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%				
2003	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%			
2004	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%		
2005	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
2009	897,105	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
NET SALVAGE ANALYSIS AS OF DECEMBER 31, 2016

	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2010	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
Account 378														
M & R Stattion Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	85,375	(85,375)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	6,400	(6,400)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 379														
City Gate Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
NET SALVAGE ANALYSIS AS OF DECEMBER 31, 2016

	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	5,216	(5,216)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 380 - All Services														
1997	68,727	0	0	0	0.00%									
1998	0	0	0	0	NA	0.00%								
1999	2,717	0	0	0	0.00%	0.00%	0.00%							
2000	200,478	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	114,107	0	12,170	(12,170)	-10.67%	-3.87%	-3.84%	-3.84%	-3.15%					
2002	105,700	0	121,524	(121,524)	-114.97%	-60.82%	-31.81%	-31.61%	-31.61%	-27.19%				
2003	78,439	0	69,619	(69,619)	-88.76%	-103.80%	-68.17%	-40.77%	-40.55%	-40.55%	-35.66%			
2004	76,593	0	48,897	(48,897)	-63.84%	-76.45%	-92.06%	-67.28%	-43.84%	-43.63%	-43.63%	-39.00%		
2005	176,561	0	109,550	(109,550)	-62.05%	-62.59%	-68.78%	-79.94%	-65.61%	-48.11%	-47.94%	-47.94%	-43.94%	
2006	97,612	0	86,550	(86,550)	-88.67%	-71.52%	-69.85%	-73.30%	-81.54%	-69.08%	-52.77%	-52.61%	-52.61%	-48.68%
2007	135,927	0	75,280	(75,280)	-55.38%	-69.29%	-66.17%	-65.81%	-68.99%	-76.24%	-66.70%	-53.13%	-52.99%	-52.99%
2008	90,761	0	52,917	(52,917)	-58.30%	-56.55%	-66.22%	-64.75%	-64.63%	-67.51%	-74.10%	-65.83%	-53.57%	-53.43%
2009	150,681	4,073	0	4,073	2.70%	-20.23%	-32.89%	-44.35%	-49.15%	-50.69%	-54.40%	-61.41%	-55.77%	-46.66%
2010	86,327	0	0	0	0.00%	1.72%	-14.90%	-26.77%	-37.53%	-43.40%	-45.32%	-49.14%	-56.10%	-51.45%
2011	155,931	0	0	0	0.00%	0.00%	1.04%	-10.10%	-20.03%	-29.37%	-35.83%	-38.04%	-41.83%	-48.53%
2012	172,636	0	0	0	0.00%	0.00%	0.00%	0.72%	-7.44%	-15.67%	-23.67%	-30.03%	-32.29%	-35.92%
2013	180,001	0	0	0	0.00%	0.00%	0.00%	0.00%	0.55%	-5.84%	-12.77%	-19.69%	-25.69%	-27.90%
2014	670,159	0	916,446	(916,446)	-136.75%	-107.80%	-89.60%	-77.75%	-72.44%	-64.45%	-64.08%	-63.36%	-64.78%	-64.52%
2015	628,496	0	1,106,150	(1,106,150)	-176.00%	-155.75%	-136.79%	-122.49%	-111.92%	-106.82%	-98.74%	-97.02%	-94.53%	-94.29%
2016	282,694	0	229,156	(229,156)	-81.06%	-146.55%	-142.39%	-127.84%	-116.43%	-107.74%	-103.47%	-96.59%	-95.16%	-93.04%
Account 381 Meters														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	3,372	0	0	0	0.00%	0.00%	0.00%							
2000	33,153	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	47,616	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2002	26,783	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
2003	58,269	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	15,376	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	46,027	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	32,498	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	47,639	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CHATTANOOGA GAS COMPANY
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NET SALVAGE ANALYSIS AS OF DECEMBER 31, 2016

	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2008	135,694	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	199,864	1,069	0	1,069	0.53%	0.32%	0.28%	0.26%	0.23%	0.22%	0.20%	0.19%	0.18%	0.17%
2010	184,814	0	0	0	0.00%	0.28%	0.21%	0.19%	0.18%	0.17%	0.16%	0.15%	0.14%	0.13%
2011	279,623	0	0	0	0.00%	0.00%	0.16%	0.13%	0.13%	0.12%	0.12%	0.11%	0.11%	0.10%
2012	333,734	0	0	0	0.00%	0.00%	0.00%	0.11%	0.09%	0.09%	0.09%	0.08%	0.08%	0.08%
2013	85,354	0	0	0	0.00%	0.00%	0.00%	0.00%	0.10%	0.09%	0.08%	0.08%	0.08%	0.08%
2014	543,403	0	8,606	(8,606)	-1.58%	-1.37%	-0.89%	-0.69%	-0.60%	-0.46%	-0.43%	-0.42%	-0.41%	-0.40%
2015	167,726	0	8	(8)	0.00%	-1.21%	-1.08%	-0.76%	-0.61%	-0.54%	-0.42%	-0.39%	-0.38%	-0.38%
2016	158,661	0	0	0	0.00%	0.00%	-0.99%	-0.90%	-0.67%	-0.55%	-0.49%	-0.39%	-0.36%	-0.35%
Account 381.1														
Automated Meters (ERTS)														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	12,626	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	28,687	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	145,637	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	12,575	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	122,672	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2015	91,279	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2016	63,423	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Account 382														
Meter Installations														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	1,371	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	659	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2007	2,186	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	344	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	133	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	3,616	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	830	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	1,705	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2016	23,805	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Account 383														
House Regulators														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	1,324	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	0	0	43	(43)	NA	-3.22%	-3.22%	-3.22%	-3.22%					
2002	0	0	0	0	NA	NA	-3.22%	-3.22%	-3.22%	-3.22%				
2003	3,059	0	2,254	(2,254)	-73.68%	-73.68%	-75.07%	-52.39%	-52.39%	-52.39%	-52.39%			
2004	342	0	0	0	0.00%	-66.26%	-66.26%	-67.52%	-48.60%	-48.60%	-48.60%	-48.60%		
2005	0	0	0	0	NA	0.00%	-66.26%	-66.26%	-67.52%	-48.60%	-48.60%	-48.60%	-48.60%	
2006	102	0	0	0	0.00%	0.00%	0.00%	-64.33%	-64.33%	-65.54%	-47.57%	-47.57%	-47.57%	-47.57%
2007	0	0	0	0	NA	0.00%	0.00%	0.00%	-64.33%	-64.33%	-65.54%	-47.57%	-47.57%	-47.57%
2008	551	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	-55.59%	-55.59%	-56.64%	-42.70%	-42.70%
2009	5,784	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-22.91%	-22.91%	-23.34%	-20.57%
2010	11,035	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-10.80%	-10.80%	-11.00%
2011	11,064	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-7.06%	-7.06%
2012	3,514	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-6.36%
2013	1,990	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	896	0	3,879	(3,879)	-433.14%	-134.43%	-60.62%	-22.21%	-13.61%	-11.32%	-11.14%	-11.14%	-11.10%	-11.10%
2015	453	0	0	0	0.00%	-287.69%	-116.20%	-56.61%	-21.65%	-13.40%	-11.17%	-10.99%	-10.99%	-10.96%
2016	153	0	0	0	0.00%	0.00%	-258.32%	-111.09%	-55.37%	-21.47%	-13.33%	-11.12%	-10.95%	-10.95%
Account 384														
House Regulator Installations														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	

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RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	4	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	2	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	55	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	48	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	8	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Account 381-384														
Meters, Regulators, & Installs														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	3,372	0	0	0	0.00%	0.00%	0.00%							
2000	34,477	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	47,616	0	43	(43)	-0.09%	-0.05%	-0.05%	-0.05%	-0.05%					
2002	26,783	0	0	0	0.00%	-0.06%	-0.04%	-0.04%	-0.04%	-0.04%				
2003	61,327	0	2,254	(2,254)	-3.67%	-2.56%	-1.69%	-1.35%	-1.32%	-1.32%	-1.32%			
2004	15,718	0	0	0	0.00%	-2.93%	-2.17%	-1.52%	-1.24%	-1.21%	-1.21%	-1.21%		
2005	47,398	0	0	0	0.00%	0.00%	-1.81%	-1.49%	-1.15%	-0.98%	-0.97%	-0.97%	-0.97%	
2006	33,259	0	0	0	0.00%	0.00%	0.00%	-1.43%	-1.22%	-0.99%	-0.86%	-0.85%	-0.85%	-0.85%
2007	49,825	0	0	0	0.00%	0.00%	0.00%	0.00%	-1.09%	-0.96%	-0.81%	-0.73%	-0.72%	-0.72%
2008	136,592	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	-0.65%	-0.61%	-0.55%	-0.51%	-0.50%
2009	205,782	1,069	0	1,069	0.52%	0.31%	0.27%	0.25%	0.23%	0.22%	-0.22%	-0.21%	-0.20%	-0.19%
2010	212,145	0	0	0	0.00%	0.26%	0.19%	0.18%	0.17%	0.16%	0.15%	-0.16%	-0.15%	-0.15%
2011	320,252	0	0	0	0.00%	0.00%	0.14%	0.12%	0.12%	0.11%	0.11%	0.10%	-0.11%	-0.11%
2012	484,597	0	0	0	0.00%	0.00%	0.00%	0.09%	0.08%	0.08%	0.07%	0.07%	0.07%	-0.08%
2013	99,919	0	0	0	0.00%	0.00%	0.00%	0.00%	0.08%	0.07%	0.07%	0.07%	0.07%	0.07%
2014	666,970	0	12,485	(12,485)	-1.87%	-1.63%	-1.00%	-0.79%	-0.70%	-0.57%	-0.54%	-0.52%	-0.52%	-0.51%
2015	259,458	0	8	(8)	0.00%	-1.35%	-1.22%	-0.83%	-0.68%	-0.61%	-0.51%	-0.48%	-0.47%	-0.46%
2016	246,043	0	0	0	0.00%	0.00%	-1.07%	-0.98%	-0.71%	-0.60%	-0.55%	-0.46%	-0.43%	-0.43%
Account 385														
Industrial M & R Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
NET SALVAGE ANALYSIS AS OF DECEMBER 31, 2016

	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	82,224	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
Account 386														
Other Property on Customer Premises														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 387														
Other Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
NET SALVAGE ANALYSIS AS OF DECEMBER 31, 2016

	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 390														
Structures and Improvements														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	834,026	499,199	0	499,199	59.85%	59.85%	59.85%	59.85%						
2001	1,008,551	1,008,551	0	1,008,551	100.00%	81.83%	81.83%	81.83%	81.83%					
2002	0	0	0	0	NA	100.00%	81.83%	81.83%	81.83%	81.83%				
2003	0	0	0	0	NA	NA	100.00%	81.83%	81.83%	81.83%	81.83%			
2004	0	0	0	0	NA	NA	NA	100.00%	81.83%	81.83%	81.83%	81.83%		
2005	0	0	0	0	NA	NA	NA	NA	100.00%	81.83%	81.83%	81.83%	81.83%	
2006	0	0	0	0	NA	NA	NA	NA	NA	100.00%	81.83%	81.83%	81.83%	81.83%
2007	255,739	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	79.77%	71.86%	71.86%	71.86%
2008	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	79.77%	71.86%	71.86%
2009	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	79.77%	71.86%
2010	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	79.77%
2011	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%
Account 391														
Office Furniture and Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	65,304	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	10,841	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2002	15,366	349	0	349	2.27%	1.33%	0.38%	0.38%	0.38%	0.38%				

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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2003	201,552	2,046	0	2,046	1.02%	1.10%	1.05%	0.82%	0.82%	0.82%	0.82%			
2004	24,558	0	0	0	0.00%	0.90%	0.99%	0.95%	0.75%	0.75%	0.75%	0.75%		
2005	1,465	0	0	0	0.00%	0.00%	0.90%	0.99%	0.94%	0.75%	0.75%	0.75%	0.75%	
2006	1,224	0	0	0	0.00%	0.00%	0.00%	0.89%	0.98%	0.94%	0.75%	0.75%	0.75%	0.75%
2007	3,469	0	0	0	0.00%	0.00%	0.00%	0.00%	0.88%	0.97%	0.93%	0.74%	0.74%	0.74%
2008	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.88%	0.97%	0.93%	0.74%	0.74%
2009	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.88%	0.97%	0.93%	0.74%
2010	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.88%	0.97%	0.93%
2011	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.88%	0.97%
2012	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.88%
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%
Account 391.1														
Computer Equipment and Software														
1997	0	0	0											
1998	0	0	0	0	NA									
1999	0	0	0	0	NA	NA								
2000	1,325	0	0	0	0.00%	0.00%	0.00%							
2001	10,600	0	0	0	0.00%	0.00%	0.00%	0.00%						
2002	3,538	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2003	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%				
2004	157,801	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2005	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2006	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2007	150,376	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	24,394	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	151,074	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2015	148,796	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2016	117,670	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Account 391.11														
Computer Hardware														
1997	0	0	0											
1998	0	0	0	0	NA									
1999	0	0	0	0	NA	NA								
2000		0	0	0	NA	NA	NA							
2001	0	0	0	0	NA	NA	NA	NA						

CHATTANOOGA GAS COMPANY
RETIREMENTS, GROSS SALVAGE, AND COST OF REMOVAL
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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2002	0	0	0	0	NA	NA	NA	NA	NA					
2003	0	0	0	0	NA	NA	NA	NA	NA	NA				
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	98	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	691	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2015	465	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2016	6,326	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Account 391.12														
Computer Software														
1997	0	0	0											
1998	0	0	0	0	NA									
1999	0	0	0	0	NA	NA								
2000	0	0	0	0	NA	NA	NA							
2001	0	0	0	0	NA	NA	NA	NA						
2002	0	0	0	0	NA	NA	NA	NA	NA					
2003	0	0	0	0	NA	NA	NA	NA	NA	NA				
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2006	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 391.20														
Enterprise Systems														
1997	0	0	0	0	NA									
1998	224,334	0	0	0	0.00%	0.00%								
1999	0	0	0	0	NA	0.00%	0.00%							
2000	0	0	0	0	NA	NA	0.00%	0.00%						

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	Retirements	Gross Salvage		Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2001	0	0		0	0	NA	NA	NA	0.00%	0.00%					
2002	0	0		0	0	NA	NA	NA	NA	0.00%	0.00%				
2003	0	0		0	0	NA	NA	NA	NA	NA	0.00%	0.00%			
2004	0	0		0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%		
2005	0	0		0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	
2006	658,907	0		0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	1,081,169	0		0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	0	0		0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0		0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0		0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0		0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0		0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0		0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2014	0	0		0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2015	20,918	0		0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2016	288,206	0		0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Account 392.1															
Auto and Light Trucks (5 Year)															
1997	0	0	#	0	0	NA									
1998	0	0	#	0	0	NA	NA								
1999	27,559	0	#	0	0	0.00%	0.00%	0.00%							
2000	0	0	#	0	0	NA	0.00%	0.00%	0.00%						
2001	48,554	3,605	#	0	3,605	7.42%	7.42%	4.74%	4.74%	4.74%					
2002	0	349	#	0	349	NA	8.14%	8.14%	5.19%	5.19%	5.19%				
2003	21,746	0	#	0	0	0.00%	1.60%	5.62%	5.62%	4.04%	4.04%	4.04%			
2004	0	0	#	0	0	NA	0.00%	1.60%	5.62%	5.62%	4.04%	4.04%	4.04%		
2005	15,938	2,780	#	0	2,780	17.44%	17.44%	7.38%	8.30%	7.81%	7.81%	5.92%	5.92%	5.92%	
2006	0	0	#	0	0	NA	17.44%	17.44%	7.38%	8.30%	7.81%	7.81%	5.92%	5.92%	5.92%
2007	0	0	#	0	0	NA	NA	17.44%	17.44%	7.38%	8.30%	7.81%	7.81%	5.92%	5.92%
2008	0	0	#	0	0	NA	NA	NA	17.44%	17.44%	7.38%	8.30%	7.81%	7.81%	5.92%
2009	0	0	#	0	0	NA	NA	NA	NA	17.44%	17.44%	7.38%	8.30%	7.81%	7.81%
2010	0	0	#	0	0	NA	NA	NA	NA	NA	17.44%	17.44%	7.38%	8.30%	7.81%
2011	0	0	#	0	0	NA	NA	NA	NA	NA	NA	17.44%	17.44%	7.38%	8.30%
2012	0	0	#	0	0	NA	NA	NA	NA	NA	NA	NA	17.44%	17.44%	7.38%
2013	0	0	#	0	0	NA	NA	NA	NA	NA	NA	NA	NA	17.44%	17.44%
2014	0	0	#	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	17.44%
2015	0	0	#	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	#	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 392.2															
Transportation Service Trucks 7 Year															
1997	0	0		0	0	NA									
1998	0	0		0	0	NA	NA								
1999	207,867	0		0	0	0.00%	0.00%	0.00%							

CHATTANOOGA GAS COMPANY
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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
2000	0	65,500	0	65,500	NA	31.51%	31.51%	31.51%						
2001	66,807	10,395	0	10,395	15.56%	113.60%	27.63%	27.63%	27.63%					
2002	0	0	0	0	NA	15.56%	113.60%	27.63%	27.63%	27.63%				
2003	0	0	0	0	NA	NA	15.56%	113.60%	27.63%	27.63%	27.63%			
2004	0	0	0	0	NA	NA	NA	15.56%	113.60%	27.63%	27.63%	27.63%		
2005	0	0	0	0	NA	NA	NA	NA	15.56%	113.60%	27.63%	27.63%	27.63%	
2006	0	0	0	0	NA	NA	NA	NA	NA	15.56%	113.60%	27.63%	27.63%	27.63%
2007	0	0	0	0	NA	NA	NA	NA	NA	NA	15.56%	113.60%	27.63%	27.63%
2008	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	15.56%	113.60%	27.63%
2009	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	15.56%	113.60%
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	15.56%
2011	54,303	14,005	0	14,005	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%
2012	0	0	0	0	NA	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%	25.79%
2013	29,316	0	0	0	0.00%	0.00%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%
2014	0	0	0	0	NA	0.00%	0.00%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%
2015	0	0	0	0	NA	NA	0.00%	0.00%	16.75%	16.75%	16.75%	16.75%	16.75%	16.75%
2016	37,678	1,165	0	1,165	3.09%	3.09%	3.09%	1.74%	1.74%	12.51%	12.51%	12.51%	12.51%	12.51%
Account 392.3														
Transportation - Heavy Trucks 10 Year														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	51,348	0	0	0	0.00%	0.00%	0.00%							
2000	111,820	51,530	0	51,530	46.08%	31.58%	31.58%	31.58%						
2001	79,833	8,280	0	8,280	10.37%	31.21%	24.61%	24.61%	24.61%					
2002	0	0	0	0	NA	10.37%	31.21%	24.61%	24.61%	24.61%				
2003	285,297	66,185	0	66,185	23.20%	23.20%	20.39%	26.42%	23.85%	23.85%	23.85%			
2004	41,140	0	0	0	0.00%	20.27%	20.27%	18.33%	24.32%	22.13%	22.13%	22.13%		
2005	0	0	0	0	NA	0.00%	20.27%	20.27%	18.33%	24.32%	22.13%	22.13%	22.13%	
2006	0	0	0	0	NA	NA	0.00%	20.27%	20.27%	18.33%	24.32%	22.13%	22.13%	22.13%
2007	0	0	0	0	NA	NA	NA	0.00%	20.27%	20.27%	18.33%	24.32%	22.13%	22.13%
2008	42,951	42,951	0	42,951	100.00%	100.00%	100.00%	100.00%	51.08%	29.55%	29.55%	26.14%	30.11%	27.59%
2009	75,349	3,095	0	3,095	4.11%	38.92%	38.92%	38.92%	38.92%	28.88%	25.24%	25.24%	22.97%	27.03%
2010	0	0	0	0	NA	4.11%	38.92%	38.92%	38.92%	38.92%	28.88%	25.24%	25.24%	22.97%
2011	0	0	0	0	NA	NA	4.11%	38.92%	38.92%	38.92%	38.92%	28.88%	25.24%	25.24%
2012	119,859	12,500	0	12,500	10.43%	10.43%	10.43%	7.99%	24.58%	24.58%	24.58%	24.58%	20.96%	22.09%
2013	157,398	0	0	0	0.00%	4.51%	4.51%	4.51%	4.42%	14.80%	14.80%	14.80%	14.80%	13.41%
2014	9,682	1,895	0	1,895	19.57%	1.13%	5.02%	5.02%	5.02%	4.83%	14.91%	14.91%	14.91%	14.91%
2015	0	0	0	0	NA	19.57%	1.13%	5.02%	5.02%	5.02%	4.83%	14.91%	14.91%	14.91%
2016	0	12,316	0	12,316	NA	NA	146.78%	8.51%	9.31%	9.31%	9.31%	8.23%	17.95%	17.95%
Account 393														
Stores Equipment														
1997	0	0	0	0	NA									
1998	0	720	0	720	NA	NA								

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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
1999	11,510	0	0	0	#REF!	#REF!	NA							
2000	294	0	0	0	#REF!	#REF!	6.10%	6.10%						
2001	0	0	0	0	NA	#REF!	0.00%	6.10%	6.10%					
2002	0	0	0	0	NA	NA	NA	0.00%	6.10%	6.10%				
2003	4,992	266	0	266	5.33%	5.33%	5.33%	5.33%	1.58%	5.87%	5.87%			
2004	411	0	0	0	0.00%	4.92%	4.92%	4.92%	4.92%	1.55%	5.73%	5.73%		
2005	5,305	0	0	0	0.00%	0.00%	2.48%	2.48%	2.48%	2.48%	1.18%	4.38%	4.38%	
2006	10,165	0	0	0	0.00%	0.00%	0.00%	1.27%	1.27%	1.27%	1.27%	0.81%	3.02%	3.02%
2007	0	0	0	0	NA	0.00%	0.00%	0.00%	1.27%	1.27%	1.27%	1.27%	0.81%	3.02%
2008	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	1.27%	1.27%	1.27%	1.27%	0.81%
2009	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	1.27%	1.27%	1.27%	1.27%
2010	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	1.27%	1.27%	1.27%
2011	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	1.27%	1.27%
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	1.27%
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2014	22,341	4,171	0	4,171	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%	12.83%	11.03%
2015	0	0	0	0	NA	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%	12.83%
2016	0	0	0	0	NA	NA	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%	18.67%
Account 394														
Tools Shop and Garage Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	54,176	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2002	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%				
2003	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	36,025	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	2,106	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	5,669	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	159,473	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	41,419	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	20,342	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	3,203	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	6,990	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	5,261	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2015	8,351	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2016	16,333	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Account 395														
Laboratory Equipment														
1997	0	0	0	0	NA									

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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	0	0	0	0	NA	NA	NA	NA	NA					
2002	0	0	0	0	NA	NA	NA	NA	NA	NA				
2003	0	0	0	0	NA	NA	NA	NA	NA	NA	NA			
2004	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA		
2005	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	
2006	21,289	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	590	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%
Account 396														
Power Operated Equipment														
1997	0	0	0	0	NA									
1998	0	2,700	0	2,700	NA	NA								
1999	41,788	0	0	0	0.00%	6.46%	6.46%							
2000	0	7,900	0	7,900	NA	18.90%	25.37%	25.37%						
2001	21,562	1,000	0	1,000	4.64%	41.28%	14.05%	18.31%	18.31%					
2002	0	0	0	0	NA	4.64%	41.28%	14.05%	18.31%	18.31%				
2003	25,315	13,915	0	13,915	54.97%	54.97%	31.82%	48.67%	25.73%	28.78%	28.78%			
2004	10,858	0	0	0	0.00%	38.47%	38.47%	25.83%	39.52%	22.92%	25.64%	25.64%		
2005	0	0	0	0	NA	0.00%	38.47%	38.47%	25.83%	39.52%	22.92%	25.64%	25.64%	
2006	25,315	0	0	0	0.00%	0.00%	0.00%	22.63%	22.63%	17.96%	27.47%	18.28%	20.44%	20.44%
2007	1,635	0	0	0	0.00%	0.00%	0.00%	0.00%	22.04%	22.04%	17.61%	26.94%	18.04%	20.17%
2008	24,354	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	15.91%	15.91%	13.68%	20.92%	15.13%
2009	7,786	3,095	0	3,095	39.75%	9.63%	9.16%	5.24%	5.24%	4.43%	17.86%	17.86%	15.42%	22.18%
2010	0	0	0	0	NA	39.75%	9.63%	9.16%	5.24%	5.24%	4.43%	17.86%	17.86%	15.42%
2011	1,622	0	0	0	0.00%	0.00%	32.90%	9.17%	8.74%	5.10%	5.10%	4.32%	17.56%	17.56%
2012	0	0	0	0	NA	0.00%	0.00%	32.90%	9.17%	8.74%	5.10%	5.10%	4.32%	17.56%
2013	34,887	0	0	0	0.00%	0.00%	0.00%	0.00%	6.99%	4.51%	4.40%	3.24%	3.24%	2.91%
2014	0	8,700	0	8,700	NA	24.94%	24.94%	23.83%	23.83%	26.63%	17.18%	16.78%	12.34%	12.34%
2015	339	0	0	0	0.00%	2566.37%	24.70%	24.70%	23.61%	23.61%	26.43%	17.10%	16.70%	12.29%
2016	0	0	0	0	NA	0.00%	2566.37%	24.70%	24.70%	23.61%	23.61%	26.43%	17.10%	16.70%
Account 397														
Communication Equipment														

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	Retirements	Gross Salvage	Cost of Removal	Net Salvage	Net Salv. %	2- yr Net Salv. %	3- yr Net Salv. %	4- yr Net Salv. %	5- yr Net Salv. %	6- yr Net Salv. %	7- yr Net Salv. %	8- yr Net Salv. %	9- yr Net Salv. %	10- yr Net Salv. %
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	1,909	0	0	0	0.00%	0.00%	0.00%	0.00%						
2001	21,958	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2002	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%				
2003	1,165	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
2004	592,965	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
2005	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2006	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2011	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%
2012	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	0.00%	0.00%
2013	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.00%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2015	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2016	0	0	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Account 398														
Miscellaneous Equipment														
1997	0	0	0	0	NA									
1998	0	0	0	0	NA	NA								
1999	0	0	0	0	NA	NA	NA							
2000	0	0	0	0	NA	NA	NA	NA						
2001	18,039	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%					
2002	3,360	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
2003	3,096	104	0	104	3.34%	1.60%	0.42%	0.42%	0.42%	0.42%	0.42%			
2004	6,587	25	0	25	0.38%	1.33%	0.99%	0.41%	0.41%	0.41%	0.41%	0.41%		
2005	0	0	0	0	NA	0.38%	1.33%	0.99%	0.41%	0.41%	0.41%	0.41%	0.41%	
2006	0	0	0	0	NA	NA	0.38%	1.33%	0.99%	0.41%	0.41%	0.41%	0.41%	0.41%
2007	6,974	0	0	0	0.00%	0.00%	0.00%	0.18%	0.77%	0.64%	0.34%	0.34%	0.34%	0.34%
2008	2,355	0	0	0	0.00%	0.00%	0.00%	0.00%	0.16%	0.68%	0.57%	0.32%	0.32%	0.32%
2009	0	0	0	0	NA	0.00%	0.00%	0.00%	0.00%	0.16%	0.68%	0.57%	0.32%	0.32%
2010	0	0	0	0	NA	NA	0.00%	0.00%	0.00%	0.00%	0.16%	0.68%	0.57%	0.32%
2011	0	0	0	0	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.16%	0.68%	0.57%
2012	0	0	0	0	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.16%	0.68%
2013	0	0	0	0	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%	0.16%
2014	0	0	0	0	NA	NA	NA	NA	NA	NA	0.00%	0.00%	0.00%	0.00%
2015	10,479	2,850	0	2,850	27.20%	27.20%	27.20%	27.20%	27.20%	27.20%	27.20%	22.21%	14.39%	14.39%
2016	2,182	0	0	0	0.00%	22.51%	22.51%	22.51%	22.51%	22.51%	22.51%	22.51%	18.98%	12.96%

STATE OF TENNESSEE

Office of the Attorney General

Electronically Filed in TPUC Docket Room on May 12, 2022 at 10:33 a.m.

HERBERT H. SLATERY III
ATTORNEY GENERAL AND REPORTER

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May 12, 2022

Dr. Kenneth C. Hill, Chairman
c/o Tory Lawless
Docket Manager
Tennessee Public Utility Commission
502 Deaderick Street
Nashville, TN 37243

Re: *Joint Request of Chattanooga Gas Company and Volkswagen Group of America Chattanooga Operations, LLC for Approval of Special Contract*, TRA Docket No. 14-00118

Dear Dr. Hill:

We at the Consumer Advocate were pleased to learn on May 9, 2022, that Volkswagen and Chattanooga Gas Company have renewed their Special Contract for the provision of natural gas service to the Volkswagen plant in Chattanooga. This Special Contract reflects the hard work and cooperative effort of many parties, including Volkswagen, Chattanooga Gas Company, TPUC, the City of Chattanooga, and the Consumer Advocate.

The Consumer Advocate thanks Volkswagen and Chattanooga Gas Company for involving the Consumer Advocate in the discussion. The Volkswagen plant has been a tremendous success for the Chattanooga area, and the Special Contract will help ensure that Volkswagen continues that success.

Sincerely,

James P. Urban
Deputy Attorney General

CC: Kelly Cashman-Grams
J.W. Luna
Fredrick L. Hitchcock
Floyd R. Self
Paul Teague