

Before the
Tennessee Regulatory Authority
Docket No. 22-00032

Chattanooga Gas Company

Direct Testimony of
Chance Donahue

On Behalf of
Chattanooga Regional Manufacturers Association

June 2022

Direct Testimony of Chance Donahue

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

A. I am Chance Donahue, Utilities Manager for KordSA, Inc. ("Kordsa"), a chemical manufacturing plant served by Chattanooga Gas Company. My business address is 4501 North Access Road, Chattanooga, Tennessee, 37415.

Q. What are your principal responsibilities as Utilities Manager for Kordsa?

A. I am primarily responsible for managing the day-to-day operations and maintenance of the utilities area at our Chattanooga plant, including sourcing the natural gas requirements for this facility.

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

A. I have worked in utilities engineering, maintenance, and operations since 2012. I was first employed by INVISTA S.à r.l. in 2012, and the facility and operations were later purchased by Kordsa. I have been employed by Kordsa since 2017. I have a Master of Science degree in Mechanical Engineering from the University of Tennessee.

Q. Have you previously submitted testimony for the Chattanooga Regional Manufacturers' Association ("CRMA") to this Authority?

A. No

Q. What is the subject of your testimony?

A. I will present information addressing concerns that Kordsa has regarding Chattanooga Gas Company's incremental gas practices and how the availability of incremental gas reduces natural gas costs for Kordsa and other T-1 Interruptible transportation customers.

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

A. No.

Q. Please address the use of natural gas at your facility and the Chattanooga gas rate currently served under?

A. Yes. Kordsa is one of Chattanooga Gas Company's largest customers. We use a sizable amount of natural gas in our process boilers and Dowtherm vaporizers that support our manufacturing process. Kordsa entered a special contract with Chattanooga Gas Company in March 2022, that included a bypass avoidance rate that allows us to continue to be a customer of Chattanooga Gas Company. Kordsa values the service we receive from Chattanooga Gas Company appreciates their help in negotiating and getting approval of the Special Contract. The terms and conditions of the Special Contract are consistent with Chattanooga Gas Company's T-1 Transportation Interruptible Rate Tariff. Kordsa contracts with a third-party supplier that delivers recallable/interruptible supply to Chattanooga Gas Company. During peak days when gas demand is high, Kordsa can switch over to # 2 Fuel oil in its boilers and vaporizers. However, during peak times,

Chattanooga Gas may offer alternative incremental supply based on their costs of pipeline supply or their costs of LNG (liquefied natural gas) in inventory.

Q. Please explain how the availability of incremental gas reduces natural gas costs for Kordsa Inc?

A. In recent years, natural gas supply availability has become more limited on peak days, creating higher pricing and volatility. For example, during January of 2022, Kordsa's natural gas supply was restricted on 25 out of 31 days. On those days, our plant had to buy repriced natural gas at a higher market rate or switch over to #2 Fuel Oil. On many of those days, the cost of natural gas was as much as a \$10-\$15 premium per dekatherm over our regular contract pricing. However, if Chattanooga Gas Company would have offered incremental gas on many of those days, Kordsa could have saved as much as \$25,000-\$30,000 per day. Without any benefits from incremental gas, we estimated that our additional gas costs were \$350,000 for the month of January alone.

Q. Why do you feel that Kordsa and other T-1 Interruptible Transportation Customers should have access to incremental gas/LNG?

A. Chattanooga Gas Company built the LNG plant back in the 1970s when there was a perceived shortage of natural gas. The Chattanooga LNG plant was built to provide peaking on cold days and as a supply supplement for all rate classes. The Chattanooga manufacturers helped pay for this plant, and the costs of this asset is allocated to all rate classes. Furthermore, in the current and recent ARM adjustments, Chattanooga Gas has spent millions on LNG improvements and the

additional costs of these improvements is being evenly allocated to all rate classes including the T-1 Transportation customers.

Q. When is the last time Chattanooga Gas Company offered Incremental Supply?

A. Chattanooga Gas Company offered incremental gas on 2 days in January of 2019. Those are the only days since the last rate case in 2018.

Q. Do you believe that Chattanooga Gas Company has fulfilled its agreement with the CRMA to begin offering incremental gas when available?

A. We are disappointed in Chattanooga Gas Company. This could be a very valuable asset that could provide tremendous costs benefits to Kordsa and other Chattanooga area manufacturers.

Q. What is your recommendation to the TPSC regarding the allocation of rates and oversight of Chattanooga Gas Company.

A. Kordsa doesn't mind paying our fair share of rate increases, and we agreed to rate increases under the terms of our special contract; however, how can the TPSC justify allocating an across the board increase to the T-1 interruptible transportation customers when Chattanooga Gas Company denies us the potential benefits from the improvements? We believe a thorough review by the TPSC will reveal that there is plenty of LNG capacity to benefit all rate classes. We urge the TPSC to perform an extensive review of Chattanooga's incremental gas practices to ensure the interests of all ratepayers are protected.

Q. **Does this conclude your testimony?**

A. Yes