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BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

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

RESPONSES OF
THE CHATTANOOGA REGIONAL MANUFACTURERS ASSOCIATION
TO THE FIRST DISCOVERY REQUESTS OF
CHATTANOOGA GAS COMPANY

The Chattanooga Regional Manufacturers Association ("CRMA"), submits the following responses to the "First Discovery Requests" of Chattanooga Gas Company ("CGC").

1. On page 6 of his direct testimony beginning at line 6, Mr. Crist states: "In my experience, using the results from an COSS to develop class revenue requirements, utilities and regulatory authorities usually have a goal of moving the revenue recovered from each class as close as possible to the costs allocated to that class. That is, in each proceeding, regulators try to move class revenues more into line with cost-based rates."

   a. Identify all Dockets in which Mr. Crist has participated where the Regulatory Agency adopted a Class Cost of Service Study and a rate design based on that Class Cost of Service Study. Provide copies of the Order in each proceeding.

RESPONSE:

The most recent dockets from the past five years are listed in Attachment A.

   b. Identify any Docket in which Mr. Crist has participated where the Regulatory Agency adopted a rate design that was not based on a Class Cost of Service Study.

RESPONSE:

There are none, except in cases where the revenue allocation positions based on Cost of Service were determined by settlement.

c. Is it Mr. Crist's position that the Commission can consider only the cost of service by rate class when adopting a rate design? If not, please identify each other factor that the Commission can or should consider.

RESPONSE:

No. Other factors that should be considered are gradualism, economic development, pipeline bypass risk, alternative fuel competition, energy conservation and environmental policies.

d. Please identify Dockets in which the Tennessee Public Utility Commission, the Tennessee Regulatory Authority, or the Tennessee Public Service Commission stated that the goal was to move class revenues from each class as close as possible to the costs allocated to that class.

RESPONSE:

At this time, Mr. Crist is not familiar with any Tennessee Public Utility Commission orders that approved rate design based on the Class Cost of Service Study.

e. Identify any Dockets in which the Tennessee Public Utility Commission, the Tennessee Regulatory Authority, or the Tennessee Public Service Commission adopted a Class Cost of Service Study and approved a rate design based on the Class Cost of Service Study. Provide copies of the applicable orders.

RESPONSE:

2. On page 5 of his direct testimony beginning at line 17 Mr. Crist state: "Classes whose return is greater than the system average (all classes except residential) are providing subsidies to the residential class. This is blatantly unfair, and does not conform to fundamental ratemaking principles and must be corrected. In this current ARM the Company choose to not correct this unfair allocation and distributed its requested increase to all classes by increasing each rate by 14.7%. This allocation must be rejected."

a. Is it Mr. Crist's and the CRMA's position that the Commission can't legally adopt a rate design that increased all rates a uniform percentage, but must adopt a rate design based on the Class Cost of Service Study?

RESPONSE:

No

b. Is it Mr. Crist's and the CRMA's position that the Commission has no option but to increase Residential (Rates Schedule R-1) rates by a greater percentage than it increases the Interruptible rates (Rate Schedule T-1)?

RESPONSE:

No

c. Is it Mr. Crist's and the CRMA's position that the rate design approved in Docket 21-00048 is unfair and unjust because it results in CGC's return from service provided under the Residential Rate Schedule R-1 being less that the return from other service provided under other Rate Schedules?

RESPONSE:

Yes. The discriminatory revenue allocation resulted in increases the cross-class subsidization of residential customers by the non-residential customer classes.

d. Is it Mr. Crist's and the CRMA's position that the Commission failed to conform to fundamental ratemaking principles when it approved the current rates in Docket 21-00048?

RESPONSE:

Yes.

3. On page 7 of his direct testimony beginning at line 8, Mr. Crist states: "Therefore, Mr. Hickerson should be directed to redo his cost allocation so that each class rate of return is equal to the Company's rate of return. Such leveling of rates will eliminate the cross-subsidization currently experienced."

a. Is it Mr. Crist's and the CRMA's position that it would be illegal for the Commission to adopt the rate design proposed by CGC in this proceeding? Please explain.

RESPONSE:

No. Counsel advises that Tennessee has no statutory mandate to base rates on cost of service.

b. Is it Mr. Crist's and the CRMA's position that a rate design that does not result the return from service provided under all Rate Schedules being equal is unfair, unjust, or illegal?

RESPONSE:

Rate design that does not result in the case rates of return being equal may be unfair and unjust, depending upon other considerations. In Tennessee such a rate design would not be illegal, per the response to section a.

4. On page 13 of his direct testimony beginning at line 18, Mr. Crist states: "Should the Commission wish to gradually move to the correct cost allocations that are based fully on cost causation, in the alternative, at the very least the averaging of the two studies should be adopted."

    a. Please identify the "two studies" that should be averaged.

RESPONSE:

The even allocation proposed by Mr. Hickerson (Exhibit ARH-4 page 3 of 3) should be averaged with a revenue allocation that would produce the same class rates of return such as the study performed by Mr. Yardley at Docket 18-00017 on behalf of the Company.

    b. Please identify other approaches that could be adopted if the Commission wishes to gradually move to rates based fully on cost causation.

RESPONSE:

Parties could reach a negotiated settlement that moves each class rate of return closer to the unified rate of return of the Company.

5. On page 9 of his testimony Mr. Crist states: "During the relatively cold January 2021, CGC actually used 129,000 mcf of LNG to supplement gas it flowed on the interstate pipeline. The reason it needed to use LNG was because the asset manager, its affiliate Sequent Energy Services ("Sequent"), was diverting some of CGC's capacity for sale off-system. The created revenues for Sequent and CGC and under the current sharing mechanism, Sequent retained 50% of those revenues."
   Provide all documents in Mr. Crist's or CRMA's position that supports the statement: "The reason it needed to use LNG was because the asset manager, its affiliate Sequent Energy Services ("Sequent"), was diverting some of CGC's capacity for sale off-system."

   RESPONSE:

Please correct the date stated to January 2022.
Per the Company's response in Docket 22-0004 CRMA Set I-08, Chattanooga Gas Company withdrew a total of **CONFIDENTIAL** from the its LNG inventory in January 2022.

However, based on the metered volumes of Chattanooga Gas Company provided in Docket 22-0004 CRMA Set II-14 A, and assuming interstate capacity entitlements of 91,917 Mcf/day and approximately 8,000 Mcf/day delivered via third party for interruptible customers, only 7,600 Mcf of LNG would have been needed for January 2022. Instead, Chattanooga Gas Company used 121,901 Mcf of LNG instead of taking deliveries using its interstate capacity.

A review of the Company's interstate deliveries for the month of January 2022, See Docket 22-0004 CRMA Set II-14 Attachment C., shows that Chattanooga Gas Company's asset manager was not sourcing the full firm entitlements of 28,326 Dth/day on Southern Natural

Gas Pipeline. Starting on 1/11/22 the pipeline deliveries dropped from 28,236 Dth to 13,585 Dth and continued in the range of 10,481 Dth to 15,355 Dth through 1/31/22, indicating approximately 12,000 to 15,000 dekatherms per day was potentially being diverted to another market.

During this period Chattanooga Gas Company permitted the asset manager to divert interstate pipeline gas supply from Chattanooga Gas Company which required CGC to use more LNG, which was not made available to its on-system customers.

6. On page 4 of his testimony, Mr. Donahue States: "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 had saved as much as $25,000-$30,000 per day. Without any benefits from incremental gas, we estimated that that our additional gas costs were $350,000 for the month of January alone."
   Provide in an Excel spreadsheet format with formulas the calculation of the $25,000 to $30,000 per day that Kordsa could have saved, and the computation of the estimated additional gas costs of $350,000. Identify and explain all assumptions used in calculating these amounts.

RESPONSE:

See Attachment I-6

7. In his testimony, Mr. Crist identifies utilities where he was previously employed.

   a. Identify each of the utilities where Mr. Crist was previously employed that had Liquefied Natural Gas (LNG) facilities.

RESPONSE:

None

   b. Identify each of the utilities identified in A that offered incremental gas service to interruptible transportation customers.

RESPONSE:

Not applicable

   c. Provide copies of the applicable tariff sections that address incremental gas service for each utility identified in B.

RESPONSE:

Not applicable

d. Identify any utility identified in A that provided firm back up service to interruptible customers using the LNG facility.

RESPONSE:

Not applicable

e. Provide copies of the applicable tariff sections that address incremental gas service for each utility identified in D.

RESPONSE:

Not applicable

Attachment A

(See Response 1.a.)

PARTIAL LIST OF REGULATORY EXPERIENCE OF JAMES L. CRIST

1. Columbia of PA General Base Rate Increase, Docket R-2020-3018835, Representing the Pennsylvania State University
2. Peoples Natural Gas General Base Rate Increase, Docket R-2018-3006818, Representing Peoples Industrial Intervenors
3. Duquesne Light Company General Base Rate Increase, Docket R-2018-3000124, Representing the Duquesne Industrial Intervenors
4. Columbia of PA General Base Rate Increase, Docket R-2018-2647577, Representing the Pennsylvania State University
5. Columbia of PA Gas Cost Increase, Docket R-2017-2591326, Representing the Pennsylvania State University

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Attachment B

(See Response 6)