

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

July 14, 2022

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

**JOINT STATUS REPORT AND IDENTIFICATION
OF REMAINING DISPUTED ISSUES**

Chattanooga Gas Company (“CGC” or “Company”), the Consumer Advocate Unit in the Financial Division of the Office of Tennessee Attorney General (“Consumer Advocate”), and the Chattanooga Regional Manufacturers Association (“CRMA”) (herein after, collectively, the “Parties”), in recognition that certain issues in this Docket are no longer in dispute and that the Parties have otherwise informally agreed to a procedure for the resolution of the remaining matters at issue, do hereby jointly submit to the Tennessee Public Utility Commission (“Commission” or “TPUC”) this Joint Status Report and Identification of Remaining Disputed Issues.

I. BACKGROUND

1. CGC is incorporated under the laws of the State of Tennessee and is engaged in the business of transporting, distributing, and selling natural gas in the greater Chattanooga and

Cleveland, Tennessee areas within Hamilton and Bradley Counties. CGC is a wholly owned subsidiary of Southern Company Gas (“SGC”), a natural gas holding company that is the parent company of several regulated natural gas utilities in addition to CGC. CGC’s principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

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

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

4. CGC’s first annual review of rates for its 2019 expenses and revenues was conducted in 2020, with the Consumer Advocate as the only intervenor. The Commission ultimately approved a settlement of all issues by its Order Approving 2019 ARM filing issued on October 27, 2020 (“2020 ARM Order”).

5. CGC’s second annual review of rates for its 2020 expenses and revenues was

conducted in 2021, with the Consumer Advocate as the only intervenor. The Commission ultimately approved a settlement of all issues by its Order Approving 2020 ARM filing issued on November 1, 2021 (“2021 ARM Order”). Based on the 2021 ARM Order, CGC’s rate recovery is voluntarily limited to \$6.8 million annually through the 2024 ARM Docket filing.

6. On April 20, 2022, CGC filed a petition initiating this Docket for its third annual rate review, to consider CGC’s 2021 Historic Base Period revenues and expenses pursuant to the 2019 ARM Order (“Petition”). In support of its Petition, CGC filed the schedules required by the 2019 ARM Order, 2020 ARM Order, and 2021 ARM Order, along with the direct testimony and supporting exhibits of witnesses Archie Hickerson, Paul Leath, and Tiffani Weems.

7. On April 22, 2022, CRMA filed its Petition to Intervene, which was granted by the Commission in an order dated May 5, 2022.

8. On May 6, 2022, the Consumer Advocate filed its Petition to Intervene, which was granted by the Commission in an order dated May 12, 2022.

9. On June 17, 2022, the Consumer Advocate submitted direct testimony and supporting exhibits from William H. Novak and Alex Bradley.

10. On June 17, 2022, CRMA submitted direct testimony and supporting exhibits from James L. Crist and Chance Donahue.

11. CGC has responded to both formal and informal discovery requests from the Consumer Advocate and CRMA, with the Parties’ witnesses and other representatives meeting multiple times by video conference to discuss the issues and documentation presented in the Docket.

12. The Parties have engaged in settlement discussions in this matter and have determined that certain issues in this Docket are no longer in dispute and the Parties have

informally agreed to a procedure for the resolution of the few remaining matters at issue, subject to the approval of the Commission.

II. IDENTIFICATION OF ISSUES NO LONGER IN DISPUTE

A. Annual Reconciliation Revenue Requirement (“ARRR”)

13. With its Petition and the Direct Testimony of Tiffani Weems, CGC provided Exhibit TW-1, which is CGC’s ARM Model, an Excel workbook reflecting the numerous schedules associated with calculating the revenue deficiency and rate reset associated with the total ARRR sought by CGC in this Docket. The original TW-1 ARM Model identified a total ARRR sought to be recovered of \$8,021,257.

14. In response to discovery and adjustments in the ARRR identified by the Consumer Advocate, CGC informally provided a revised ARM Model Exhibit TW-1 to the Parties on June 13, 2022, which incorporated all of the changes and corrections CGC made in response to issues raised by the Consumer Advocate in discovery to CGC. These changes may be summarized as follows:

- a. In response to the Consumer Advocate’s Discovery Request CA 1-2, revisions to Schedules 7 and 28.
- b. In response to the Consumer Advocate’s Discovery Request CA 1-22, revisions to Schedule 24.3.
- c. In response to the Consumer Advocate’s Discovery Request CA 1-25, revisions to Schedule 28.1
- d. In response to the Consumer Advocate’s Discovery Request CA 1-31, revisions to schedules 7 and 28.
- e. In response to the Consumer Advocate’s Discovery Request CA 2-5, revisions to Schedule 28.
- f. In response to the Consumer Advocate’s Discovery Request CA 2-19, revisions to Schedule 14.

- g. In response to the Consumer Advocate's Discovery Request CA 3-2, revisions to Schedule 15.

15. On the basis of the foregoing adjustments identified and agreed to by the Parties as reflected in the updated TW-1 dated June 6, 2022, the 2021 total revised revenue deficiency and rate reset for 2021 is \$7,911,764. The pre-filed testimony of the Consumer Advocate's witnesses confirms these numbers; the CRMA testimony did not address this issue, and the CRMA does not dispute these edits or advocate for further edits. Accordingly, the Parties agree or otherwise do not object to the Commission approving \$7,911,764 as the total authorized recovery for 2021. As for the amount to be recovered in rates, the Parties agree or do not object that the amount to be recovered in rates effective September 1, 2022, be temporarily limited to \$6.8 million, pursuant to the 2021 ARM Order voluntary rate cap.

16. The Parties agree and propose that all schedules, pre-filed testimony and exhibits, discovery responses, and other documents filed with the Commission in this Docket related to ARRR should be introduced into evidence without objection, and the Parties waive their right to cross-examine witnesses with respect to all such pre-filed testimony, exhibits, and schedules. CGC will be filing the testimony of Tiffani Weems in support of these adjustments, along with formally filing the updated ARM Model that was informally provided to the Parties on June 13, 2022, and informally provided to TPUC Staff on June 23, 2022. CGC shall make Ms. Weems available to the Commission at the final hearing in this matter to provide a summary of the proposed final ARM Model, including the agreed adjustments, and to address any questions the Commission may have regarding the revenue deficiency and rate reset; other witnesses on the ARRR issue will be available if the Commissioners desire to question them regarding their testimony. The Parties reserve their rights to present such additional testimony and exhibits as necessary to respond to

any Commission questions, and the Parties may cross-examine any witnesses with respect to such additional testimony and exhibits.

B. Customer Notification Changes

17. The Consumer Advocate, through the testimony of Mr. Bradley, proposed that the Commission require the Company to communicate, through a bill insert and a media release, the estimated increase in the average residential bill for the period of December 2022 through February 2023 compared with the same period from the previous year.

18. After discussion, the Parties agree that CGC will implement improved customer notifications. The specific customer notification requirements to be implemented by CGC are summarized as follows:

- a. CGC will develop a website devoted to information regarding this Docket, including information as to the estimated increase in the average residential bill for the period December 2022 through February 2023 compared with the same period from the previous year.
- b. CGC will include a message on bills – including both paper bills and electronic bills (“eBills”), as appropriate – with information regarding this Docket, including a link to the website developed pursuant to paragraph (a) above.
- c. CGC will include in its press release regarding this Docket information reflecting the estimated increase in the average residential bill for the period December 2022 through February 2023 compared with the same period from the previous year.
- d. CGC will include in its two newspaper advertisements regarding this Docket information reflecting the estimated increase in the average residential bill for the period December 2022 through February 2023 compared with the same period from the previous year.
- e. CGC will include in its newsletter emailed to all customers information as to the estimated increase in the average residential bill for the period December 2022 through February 2023 compared with the same period from the previous year.

19. The Parties agree and propose that all schedules, pre-filed testimony and exhibits, discovery responses, and other documents filed with the Commission in this Docket related to Customer Notification should be introduced into evidence without objection, and the Parties waive their right to cross-examine witnesses with respect to all such pre-filed testimony, exhibits, and schedules. CGC will be filing the testimony of Mr. Paul Leath in support of the new and revised customer notification requirements proposed by the Parties. If the Commission requires the presence of additional witnesses for the final hearing on this customer notification issue and if the Commissioners desire to question any witness regarding their testimony, the Consumer Advocate will make available Mr. Bradley to provide such additional testimony and exhibits, to answer questions, and be subject to cross examination, as appropriate.

III. JOINT STATUS REPORT ON REMAINING DISPUTED ISSUES

A. Rate Design

20. With its Petition, CGC filed the direct testimony of Mr. Hickerson explaining CGC's proposal as to rate design. More specifically, CGC proposed allocation of the rate increase to each Rate Schedule on essentially an equal percentage basis, with two exceptions. First, CGC proposed limiting the increase to Kordsa's rates to 5% consistent with CGC's recommendation in Docket 21-00094. Second, CGC proposed no increase to Volkswagen, again consistent with the recently extended Special Contract, pursuant to the Notice filed in Docket 14-00118.

21. The Consumer Advocate, through the testimony of Mr. Novak, proposed that any rate increases approved in this Docket be applied to all customer classes, including CGC's Special Contract customers.

22. CRMA, through the testimony of Mr. Crist, proposed that any rate increases approved in this Docket be applied to the rate classes that cause the costs to be incurred in

accordance with the Class Cost of Service Study (“CCOSS”) filed by CGC for informational purposes on June 9, 2022 (Schedule 35.8). CRMA supports the CGC proposal to limit any rate increase for Kordsa to 5% of the current rate and to not apply any rate increase for Volkswagen, in accordance with each customer’s approved Special Contract.

23. The Parties have been unable to reach agreement on these issues related to rate design. Therefore, the Parties request that the Commission consider and decide this issue as is set forth in the 2019 ARM Order. The Parties agree and propose that all schedules, pre-filed testimony and exhibits, the as filed Schedule 35.8 CCOSS, discovery responses, and other documents filed with the Commission in this Docket related to rate design should be introduced into evidence without objection, and the Parties waive their right to cross-examine witnesses with respect to all such pre-filed testimony, exhibits, and schedules. At the final hearing, each Party requests that it be provided with the opportunity for a brief 5-minute summary of their respective arguments in support of each’s position on this issue. If the Commission desires the presence of witnesses, either in person or available by video or telephone, for the final hearing as to the rate design issues and if the Commissioners desire to question any witness regarding their testimony, the Parties will present such testimony and exhibits to respond to such questions, with each Party reserving its rights to request the opportunity to provide such appropriate follow up cross-examination for any such witnesses with respect to such testimony and exhibits the Commission may elicit.

B. Incremental Gas

24. CRMA’s position on the incremental gas issue, as stated in the pre-filed testimony of Mr. Crist (at p. 12), is as follows: “Because the Company has significant excess pipeline capacity to manage its winter delivery requirements, even on peak days, the Company should make LNG available to customers that request such incremental gas. In fact, the only time the Company

should deny a customer request for incremental gas is if it cannot meet its delivery requirements with the existing pipeline capacity.” CRMA believes it is appropriate to raise the issue of the Company’s “significant excess pipeline capacity” in this docket based upon Sections 12d and 16 of the 2019 Settlement Agreement approved in the 2019 ARM Order.

25. CGC objects to inclusion of this issue in this Docket and will be filing a Motion to Strike Mr. Donahue’s testimony in its entirety, along with all portions of Mr. Crist’s testimony relating to incremental gas. CGC’s position is that the testimony is irrelevant and immaterial to an ARM proceeding and should be stricken. The incremental gas issue raised by CRMA on the basis of Section 12d has nothing to do with CGC’s rate base, as is addressed in Mr. Hickerson’s rebuttal testimony, since gas sales are addressed through the PGA, which is outside the scope of costs recovered through the ARM. Section 16 is also not relevant since prospective changes to the ARM mechanism must relate to jurisdictional revenues and expenses, and the Settlement Agreement expressly excludes “the Asset Management Agreement revenues, revenue and the related cost of off-system sale of Liquid Natural Gas (‘LNG’), and other non-jurisdictional transactions as determined by the Commission.” 2019 ARM Order, at Exhibit A to Exhibit A, p. 1 of 41 (page 30 of the 2019 ARM Order) (emphasis added). In the alternative, CGC requests that the challenged testimony and issue be transferred to Docket No. 2022-0004, *Chattanooga Gas Company Petition for Approval of Tariff Amendments to its T-1, T-2 and T-3 Tariffs*.

26. In the event that the Commission determines that the incremental gas issue should be decided in this Docket, CGC will be filing the rebuttal testimony of Archie Hickerson, Paul Leath, and the joint testimony of Gregory Becker and Christopher Bellinger to respond to the issues raised in Mr. Crist’s and Mr. Donahue’s testimonies.

27. To the extent the Commission determines that the incremental gas issue should be

decided in this Docket, the Parties submit that this issue merits a full hearing before the Commission, with the presentation of witnesses, testimony, and exhibits by each Party.

IV. GENERAL TERMS

28. The entire Docket file in this matter, including the pleadings, testimony, exhibits, discovery, and other documents in this matter should be moved into the official record without objection except as noted in paragraph 25 if such if such matters are stricken or otherwise moved into Docket 22-00004.

29. In identifying certain issues as no longer in dispute, the Parties agree to support the approval of such matters by the Commission through their testimony, hearing statements, filings, or otherwise advocacy in this proceeding. This identification of non-disputed issues reflects compromises and acceptance of actions, positions, or policies done solely for the purposes of settlement of this matter. These issue positions do not necessarily reflect the positions asserted by any Party. None of the Parties to this shall be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle, including without limitation, any cost-of-service determination or cost allocation or revenue-related methodology, except to the limited extent necessary to implement the provisions hereof.

30. Identifying issues as no longer in dispute shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary to implement the provisions hereof. The Parties are free to take different positions in future proceedings as each Party deems appropriate for that proceeding. The Parties agree and request the Commission that by the Commission finding that an issue is no longer in dispute may not be cited by the Parties or any other entity as a binding precedent in any other proceeding before the Commission or any court, state or federal, except to the limited extent

necessary to implement the provisions hereof.

31. By identifying these issues as no longer in dispute, no Party waives any right to continue litigating this matter should the Commission reject the identified position, in whole or in part.

32. By identifying certain issues as no longer in dispute, such identification shall not be deemed an admission of any Party and this shall not be deemed a waiver of any position asserted by a Party in this Docket, except to the limited extent necessary to implement the provisions thereof.

33. The Parties agree that identifying issues as no longer in dispute constitutes the complete understanding among the Parties concerning the resolution of such issues and matters, and any oral statements representations or agreements concerning such issues and matters made prior to the execution of this Joint Status Report have been merged into this Joint Status Report.

34. The Consumer Advocate's agreement to any issues identified as no longer in dispute is expressly premised upon the truthfulness, accuracy and completeness of the information provided by CGC to the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Partial Settlement Agreement.

35. The acceptance of any issues as no longer in dispute by the Attorney General shall not be deemed approval by the Attorney General of any of CGC's acts or practices.

36. Each signatory to this Joint Status Report represents and warrants that it/he/she has informed, advised, and otherwise consulted with the Party for whom it/he/she signs regarding the contents and significance of this Joint Status Report and has obtained authority to sign on behalf of such Party, and based upon those communications, each signatory represents and warrants that

it/he/she is authorized to execute this Joint Status Report on behalf of its/his/her respective Party.

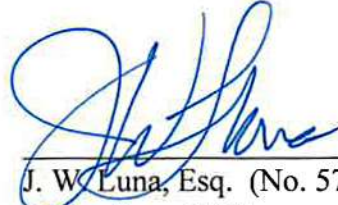
37. For those matters for which there is no agreement of the parties, and which require further administrative proceedings and a resolution by the Commission, the Parties respectfully request that the Hearing Officer convene a prehearing conference so a procedural schedule for the August 8, 2022, Conference can be secured. With respect to the rate design issue, the Parties anticipate that this should only take approximately 15 minutes, if argument only is permitted, and longer if the Commission wishes to hear from any of the three witnesses offering testimony on this issue.

38. Regarding the Incremental Gas issue, if the hearing officer has the authority to dismiss or transfer this matter to Docket 22-00004, then no hearing time is required. If the Commission must decide whether to dismiss or transfer this issue, this threshold legal argument could take 20-30 minutes; if the Commission intends to hear the substance of the issue in this Docket, such witness testimony and cross-examination could take 1-2 hours.

39. Counsel for the Consumer Advocate Unit in the Financial Division of the Office of Tennessee Attorney General and Chattanooga Regional Manufacturers Association have authorized undersigned counsel to submit this Joint Status Report and Identification of Remaining Disputed Issues on their behalf.

[continued next page]

WHEREFORE, this Joint Status Report and Identification of Remaining Disputed Issues of CGC, the Consumer Advocate, and the CRMA is respectfully submitted this 14th day of July, 2022.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and exact copy of the forgoing Joint Status Report and Identification of Remaining Disputed Issues has been forwarded via electronic mail on this the 14th day of July, 2022 to:

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