

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

April 4, 2023

IN RE:)	
)	
PETITION OF CHATTANOOGA)	
GAS COMPANY FOR TARIFF)	Docket No. 23- 00024
CHANGE TO PERFORMANCE BASED)	
RATEMAKING MECHANISM)	
RFP PROCEDURES AND REMOVAL)	
OF REQUIREMENT FOR RFP APPROVAL)	

**PETITION FOR APPROVAL OF TARIFF CHANGE TO PERFORMANCE BASED
RATEMAKING MECHANISM RFP PROCEDURES AND REMOVAL OF
REQUIREMENT FOR RFP APPROVAL**

Pursuant to Tenn. Comp. R. & Regs. 1220-04-01-.04 & .06, Chattanooga Gas Company ("CGC" or "Company") respectfully requests that the Tennessee Public Utility Commission ("Commission") approve a tariff change to CGC's Performance Based Ratemaking Mechanism Request for Proposal ("RFP") Procedures.

I. INTRODUCTION

1. CGC is incorporated under the laws of the State of Tennessee and has been engaged in the business of transporting, distributing, and selling natural gas in the greater Chattanooga and Cleveland, Tennessee areas within Hamilton and Bradley Counties for over one hundred years. 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 the

Commission. CGC is a wholly owned subsidiary of Southern Company Gas, a natural gas holding company that is the parent company of regulated natural gas utilities in Georgia, Illinois, and Virginia in addition to CGC in Tennessee. CGC's principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

2. All correspondence and communications with respect to this Petition should be sent to the following on behalf of CGC:

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II. PROPOSED CHANGES

3. CGC seeks to remove from its Performance Based Ratemaking Tariff (Third Revised Sheet Nos. 56 B and 56C) the section that requires "RFP Procedures for Selection of Asset

Manager and/or Gas Provider.” CGC also seeks removal of the corresponding requirement that CGC “submit future asset management Request for Proposals for approval prior to placing them out for bid.”¹

4. The requirements that CGC is seeking to remove, “RFP Procedures for Selection of Asset Manager and/or Gas Provider,” was originally imposed to “ensure an affiliate is not given preferential treatment over a non-affiliate.”² The Commission imposed the related requirement for prior approval of the RFP document based on similar concerns.³ Since these orders, CGC has utilized the RFP bid process with prior Commission approval of the RFP documents for selecting its asset managers.⁴

5. On or about July 1, 2021, Southern Company, CGC’s parent corporation, closed on its sale of Sequent Energy, CGC’s affiliated natural gas marketing entity.⁵ Southern Company and its various corporate subsidiaries do not currently have any wholesale marketing entities and there are no current plans to form or acquire another wholesale marketing entity. Accordingly, the only responses to RFPs for asset management services now come from unaffiliated third parties and there is no need for the protections afforded by the RFP process or the approval of the RFP by the Commission.

¹ *Order*, Docket No. 07-00224 (Sept. 23, 2009).

² *Order Adopting Tariff Revisions*, Docket Nos. 04-00402, 04-00403 (Dec. 5, 2006).

³ *Order*, Docket No. 07-00224 (Sept. 23, 2009).

⁴ The most recent bid process was accomplished in Docket 21-00067, Chattanooga Gas Company Petition for Approval of Tariff Amendments to its Asset Manager Tariff; Docket 21-00069, Petition of Chattanooga Gas Company for Approval of its Asset Manager Requests for Proposals; and Docket 21-00134, Chattanooga Gas Company Petition for Approval of Asset Management and Agency Agreement and Gas Purchase and Sale Agreement.

⁵ “Williams Completes Acquisition of Sequent Energy Management,” Business Wire (July 1, 2021), available at, <https://www.businesswire.com/news/home/20210701005581/en/>, last accessed March 26, 2023.

6. The requested changes will simplify CGC's RFP process for selecting asset managers and allow for RFPs to be issued with less lead time, and should result in a more efficient process with lower administrative costs, the benefit of which would flow through to consumers. It would also free up Commission resources currently required to review the Company's RFP process.

7. The removal of the RFP Procedures for Selection of Asset Manager and/or Gas Provider tariff language would not alter the review of asset manager selections under the triennial audit review process. Moreover, each proposed asset manager contract would continue to be submitted to the Commission for approval prior to the commencement of the agreement.⁶

8. The Commission has approved a similar request for another natural gas utility where the RFP Procedures for Selection of Asset Manager and/or Gas Provider, including review of the RFP itself, were no longer necessary given the sale of that natural gas utility's affiliated natural gas marketing entity.⁷ Similar treatment is appropriate for CGC.

III. CONCLUSION

9. The public policy underlying the requirement to utilize an RFP process, and prior approval of the RFP documents, helped to deter the risk of preferential treatment for an affiliate over a non-affiliate as CGC acquired the services of an asset manager. However, with the sale of CGC's only affiliate in the asset manager business, the opportunity for preferential treatment has been removed. Given the time and effort expended in the process, and the very few responding entities to the RFPs that CGC has issued, there are no public benefits to continuing an RFP process

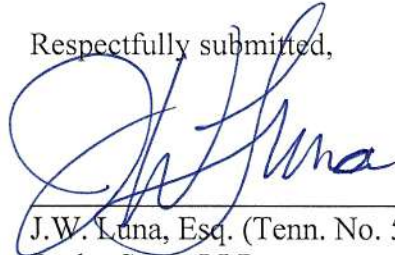
⁶ *Order Adopting, In Part, ACA Audit Report of Tennessee Regulatory Authority's Energy and Water Division*, Docket 03-00516, at 10 (May 6, 2005).

⁷ *Order Granting Approval of Tariff Change to Performance Based Ratemaking Mechanism Rider*, Docket No. 21-00104 (December 2, 2021).

for CGC's solicitation of an asset manager. However, the Commission shall still retain authority to approve any asset manager contract CGC may negotiate as a final check to ensure a fair and reasonable asset manager contract that is in the public interest.

WHEREFORE, Chattanooga Gas Company respectfully requests that the Commission approve the tariff change to the Company's Performance Based Ratemaking tariff attached hereto as Exhibit 1 and remove the requirement for approval of the RFP prior to being placed out to bid.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'J.W. Luna', is written over a horizontal line.

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