

Electronically Filed in TPUC Docket Room on April 4, 2023 at 2:46 p.m.

TESTIMONY OF CHRIS BELLINGER

April 4, 2023

Docket No. 23- 00024

**Petition of Chattanooga Gas Company for Tariff Change to Performance
Based Ratemaking Mechanism RFP Procedures and Removal of Requirement
for RFP Approval**

1 **Q. Please state your name and business address.**

2 A. My name is Chris Bellinger. I am the Gas Supply Manager – Southern Operations
3 for Southern Gas Company, which includes gas supply management for
4 Chattanooga Gas Company (“CGC” or “Company”).

5 **Q. Please state your educational and professional background.**

6 A. I have my Bachelor of Business Administration in Finance from the University of
7 Georgia. I have worked for Southern Company Gas for over 17 years in gas
8 supply for Southern Operations, starting as an analyst and working my way up to
9 my current manager position.

10 **Q. Have you previously submitted testimony before the Tennessee Public Utility**
11 **Commission (“Commission”) or any other state commission?**

12 A. Yes. I provided rebuttal testimony in CGC’s last rate case in Docket No. 18-00017
13 and in CGC’s request for tariff amendments in Docket No. 22-00004.

14 **Q. What is the purpose of your testimony in this Docket?**

15 A. I am testifying on behalf of CGC in support of the petition to remove CGC’s
16 Performance Based Ratemaking Mechanism Request for Proposal (“RFP”)
17 Procedures and requirement for approval of the RFP prior to being placed out to
18 bid.

19 **Q. Are you including any exhibits in connection with your testimony?**

20 A. Yes. I am sponsoring the following exhibits to effect the changes that I am
21 proposing be adopted:

22 Exhibit CB-1, Sheet Nos. 56B and 56C with RFP Language Removed.

Exhibit CB-2. Redline, Sheet Nos. 56B and 56C with proposed deletions.

Q. In your role as the Gas Supply Manager – Southern Operations for Southern Gas Company are you familiar with the RFP Procedures?

A. Yes. As part of my regular duties, I help with the issuance of RFPs and the selection of asset managers for CGC.

Q. Please describe the proposed changes CGC is seeking.

A. The existing “RFP Procedures for Selection of Asset Manager and/or Gas Provider” section in CGC’s Tariff (Third Revised Sheets No. 56B and 56C) imposes numerous requirements on the RFP process, including advertising requirements, timing requirements, the criteria for approval, and RFP retention. The specific RFP process was first ordered in 2006.¹ In addition, since 2005, the Commission has imposed a requirement that CGC obtain approval of the RFP prior to placing it out to bid.²

Q. Please describe your rationale for removing the RFP Procedures and RFP approval requirement.

A. It is my understanding that those requirements were put in place because in the past CGC had an affiliated wholesale natural gas marketing company, Sequent Energy, that served as CGC’s Natural Gas Supplier and Asset Manager. There were concerns about potential conflicts of interest in the acquisition of an asset manager that was an affiliate of CGC. To help deter the risk of potential preferential treatment of an affiliate over a non-affiliate in acquiring an asset manager, the

¹ Order, Docket Nos. 04-00402 and 04-00403 (March 14, 2006).

² Order Adopting, In Part, ACA Audit Report of Tennessee Regulatory Authority’s Energy and Water Division, Docket 03-00516, at 10 (May 6, 2005).

Commission required both an RFP process and the pre-approval of the RFP documents. However, Southern Company Gas sold Sequent Energy on July 1, 2021, and has no plans to re-enter the wholesale natural gas marketing business. Therefore, the concern that led to the imposition of the existing RFP process and pre-approval requirement are no longer present.

Q. When did CGC's affiliate most recently participate in responding to RFPs for Tennessee natural gas supply and asset management?

A. The last RFP process in which Sequent Energy was still an affiliate of CGC was in 2018.³ In the most current RFP process, undertaken last year, we used the RFP process even though Sequent Energy was no longer affiliated with CGC.⁴

Q. If the existing RFP procedures and RFP approval requirements are removed from the tariff, would this impair the Commission's ability to exercise review over the Company's decisions in awarding an asset manager contract?

A. No. First, the Commission will retain jurisdiction to approve any asset manager contract negotiated by CGC prior to its implementation. This is a policy that goes back to 2005.⁵ Second, the Performance Based Ratemaking Mechanism is subject

³ Order Approving Asset Management and Agency Agreement, Docket 17-00137 (February 6, 2018). This contract was extended an extra year because of the COVID-19 pandemic. Order Approving Asset Management and Agency Agreement, Docket 17-00137 (June 17, 2020).

⁴ 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 Order Adopting, In Part, ACA Audit Report of Tennessee Regulatory Authority's Energy and Water Division, Docket 03-00516, at 10 (May 6, 2006).

1 to triennial review by an outside consultant, and the award of natural gas supply
2 and asset management contracts pursuant to RFPs would still be within the scope
3 of that review.

4 **Q. Why should the Commission approve the requested changes?**

5 A. The conditions that necessitated the policy no longer exist. The existing RFP
6 procedures and the RFP document pre-approval requirements necessitate CGC
7 developing RFPs far in advance of the starting dates of the services to be provided
8 because of the need to receive formal Commission approval. Since CGC no longer
9 has an affiliate in the asset manager business, eliminating RFP process will provide
10 the Company with some greater flexibility and avoid the unnecessary step of
11 Commission approval of the RFP. Removal of the administrative burden associated
12 with the RFP procedures and Commission approval of the solicitation documents
13 should make for a more efficient and timely process that can result in lower costs,
14 the benefit of which would flow to the customers. So, my recommendation is for
15 the Commission to remove the “RFP Procedures for Selection of Asset Manager
16 and/or Gas Provider” language in CGC’s Tariff, which appears on Third Revised
17 Sheets No. 56B and 56C.

18 **Q. Please summarize your testimony?**

19 A. The Commission should remove the RFP requirements on CGC for the acquisition
20 of an asset manager by approving the tariff changes I have provided in my Exhibits
21 CB-1 and CB-2.

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

23 A. Yes.

PERFORMANCE-BASED RATE MAKING

(Continued)

Standards of Conduct

The Company must conduct its business to conform to the following standards:

1. All purchases from an affiliated gas supplier of gas for system supply or storage shall be at the price and in accordance with the terms provided in a fully executed contract between the Company and the affiliated gas supplier.
2. The Company and the affiliated gas supplier shall maintain records to show that such purchases are not at a price greater than the market price at the time of the transaction.
3. All sales of gas by the Company to an affiliated gas supplier shall be in accordance with the provisions of the Company's approved tariff or at the price and in accordance with the terms provided in a fully executed contract between the Company and the affiliated gas supplier. Any sale of gas to an affiliate not in accordance with an approved tariff provision shall be at a price that is not less than the greater of the cost as recorded on the Company's books or the market price at the time of the transaction.
4. The Company shall maintain records to show that sales to an affiliated supplier are in accordance with the applicable tariff provision or, if not provided under an approved tariff provision, the price is not less than the greater of the cost as recorded on the Company's books or market price at the time of the transaction.
5. An affiliated gas supplier shall not make sales to any customer's premise that is connected to the Company's distribution facilities.
6. The Company shall not disclose to any affiliated gas supplier any information that the Company receives from a non-affiliated gas supplier that the non-affiliated gas supplier has identified as confidential unless the prior consent of the parties to which the information relates has been voluntarily given.
7. To the maximum extent practicable, the Company's operating employees and the operating employees of an affiliated gas supplier must function independently of each other.
8. The Company must maintain its books of accounts and records separately from those of an affiliated gas supplier.
9. The Company shall maintain sufficiently detailed records of all transactions with any affiliated gas supplier.

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PERFORMANCE-BASED RATE MAKING

(Continued)

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6. The Company shall not disclose to any affiliated gas supplier any information that the Company receives from a non-affiliated gas supplier that the non-affiliated gas supplier has identified as confidential unless the prior consent of the parties to which the information relates has been voluntarily given.
7. To the maximum extent practicable, the Company's operating employees and the operating employees of an affiliated gas supplier must function independently of each other.
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~~RFP PROCEDURES FOR SELECTION OF ASSET MANAGER AND/OR GAS PROVIDER~~

- ~~1. In each instance in which Chattanooga Gas Company (Company) intends to engage the services of an asset manager to provide system gas supply requirements and/or manage its assets regulated by the Tennessee Public Utility Commission (TPUC), the Company shall develop a written request for proposal (RFP) defining the Company's assets to be managed and detailing the Company's minimum service requirements. The RFP shall also describe the content requirements of the bid proposals and shall include procedures for submission and evaluation of the bid proposals.~~
- ~~2. The RFP shall be advertised for a minimum of five (5) days through a systematic notification process that includes, the publication in trade journals as reasonably available.~~
- ~~3. The procedures for submission of bid proposals shall require all initial and follow-up bid proposals to be submitted in writing or submitted by e-mail on or before a designated proposal deadline. The Company shall not accept initial or follow-up bid proposals that are not written or submitted by e-mail, or that are submitted after the designated proposal deadline.~~

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ISSUED: ~~JULY 15, 2021~~ April 4, 2023

ISSUED BY: TIFFANY CALLAWAY-FERRELL, VP

EFFECTIVE: ~~JULY 13, 2021~~ July 1, 2023

~~PERFORMANCE-BASED~~RATEMAKING
(Continued)

~~Following receipt of initial bid proposals, and on a non-discriminatory basis, the Company may solicit follow-up bid proposals from those submitting initial bid proposals in an effort to obtain the most overall value for the transaction.~~

- ~~4. All initial and follow-up bid proposals shall be evaluated as they are received. The criteria for choosing the winning bid proposal shall include, at a minimum, the following: (a) the total value of the bid proposal; (b) the bidder's ability to perform the RFP requirements; (c) the bidder's asset management qualifications and experience; and (d) the bidder's financial stability and strength. The winning bid proposal shall be the one with the best combination of attributes based on the evaluation criteria. If, however, the winning bid proposal is lower in amount than any other initial or follow-up bid proposal(s), the Company shall explain in writing to the TPUC why it rejected each higher bid proposal in favor of the lower winning bid proposal. The Company shall maintain records demonstrating its compliance with the evaluation and selection procedures.~~
- ~~5. An incumbent asset manager shall not be granted an automatic right to match a winning bid proposal.~~
- ~~6. The Company may develop additional procedures for asset management selection as it deems necessary and appropriate so long as such procedures are consistent with the agreed-upon procedures described herein.~~
- ~~7. The Company shall retain all RFP documents and records for at least four (4) years and such documents and records shall be subject to the review and examination of the TPUC Staff. The Asset Manager shall maintain documents and records of all transaction that utilize the Company's gas supply assets. All documents and records of such transactions shall be retained for two years after termination of the agreement and shall be subject to review and examination by the Company and the TPUC Staff.~~

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