

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

July 31, 2023

IN RE:

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

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DOCKET NO.
23-00024

ORDER GRANTING REMOVAL OF RFP TARIFF REQUIREMENTS

This matter came before Vice Chairman David F. Jones, Commissioner Robin L. Morrison, Commissioner Kenneth C. Hill, Commissioner David Crowell, and Commissioner John Hie of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on June 20, 2023, for consideration of the *Petition for Approval of Tariff Change to Performance Based Ratemaking Mechanism RFP Procedures and Removal of Requirement for RFP Approval* (“*Petition*”) filed by Chattanooga Gas Company (“CGC”, “Company”) on April 4, 2023. In summary, the *Petition* was approved.

BACKGROUND

CGC is a public utility authorized to transport, distribute, and sell natural gas in the Chattanooga area, Cleveland, and other areas within Hamilton and Bradley counties. The Company 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.¹

Similar to other large regulated natural gas public utilities in Tennessee, CGC's asset management practices are subject to the Commission's jurisdiction. This includes triennial reviews of the Company's gas supply planning and asset management. Historically, Sequent Energy, a CGC affiliate, was the Company's asset manager. The Request for Proposal ("RFP") Procedures were originally put in place to ensure that any affiliates of CGC would not be given preferential treatment over non-affiliates.² Subsequently, the Commission voted to require prior approval of RFPs before they were put out for bid for similar reasons.³ The requirements for the RFP process included advertising, timing, approval criteria, and retention of RFP documents.⁴

THE PETITION

The Company filed the *Petition* on April 4, 2023 requesting approval of a change to its Performance Based Ratemaking Mechanism RFP Procedures. CGC's proposal would remove the required RFP procedures in the selection of an asset manager and gas provider from its Performance-Based Ratemaking tariff. In addition, the Company requested removal of the requirement that CGC submit all future asset management RFPs to the Commission for approval before putting them out for bid.⁵

According to the Company, the RFP process is not necessary as CGC no longer has an affiliate that is an asset manager. Southern Company sold Sequent Energy, "on about July 1, 2021," and

¹ *Petition for Approval of Tariff Change to Performance Based Ratemaking Mechanism RFP Procedures and Removal of Requirement for RFP Approval ("Petition")* pp. 1-2 (April 4, 2023).

² *In re: Summary of the Transactions in Chattanooga Gas Company's Deferred Gas Cost Account for the Twelve Months Ended June 30, 2004 and the Computation of the ACA Factor Effective January 1, 2005*, Docket No. 04-00402, *Order Adopting Tariff Revisions*, pp. 1-3 (December 5, 2006).

³ *In re: Docket to Evaluate Chattanooga Gas Company's Gas Purchases and Related Sharing Incentives*, Docket No. 07-00224, *Order*, pp. 5-6 (September 23, 2009).

⁴ Chattanooga Gas Company Gas Tariff No. 1, Third Revised Sheets No. 56 A, B, and C, Effective Date July 13, 2021.

⁵ *Petition*, pp 2-3 (April 4, 2023).

Southern Company does not own or plan to acquire another wholesale marketing entity.⁶ The Company asserts that the removal of the RFP requirements will be more efficient and ultimately lead to cost savings for customers by avoiding related administrative costs.⁷

In support of its *Petition*, CGC submitted the direct testimony of its witness, Chris Bellinger, Gas Supply Manager of Southern Operations for Southern Company Gas. Mr. Bellinger testified that Southern Company Gas sold Sequent Energy in 2021, and therefore Sequent Energy is no longer an affiliate of CGC.⁸ Moreover, Mr. Bellinger stated that Southern Company Gas has no plans to re-enter the wholesale natural gas marketing business.⁹ As a result, the concerns that led to the imposition of the RFP requirements no longer exist. Mr. Bellinger opined that the Commission would continue to retain jurisdiction to approve any asset management contract negotiated by CGC before its implementation, CGC's Performance Based Ratemaking Mechanism is still subject to a triennial review by an outside consultant, and the RFPs will still be within the scope of that review.¹⁰

As CGC no longer has an affiliate marketer, Mr. Bellinger testified there was no longer a need for the RFP procedures. Furthermore, Mr. Bellinger opined that eliminating the RFP process will provide CGC with greater flexibility and avoid unnecessary Commission approval of the RFP. According to Mr. Bellinger, the result is a more efficient and timely process with lower costs, that would ultimately benefit customers.¹¹ Mr. Bellinger proposed approval of the Company's proposed revision to the tariff which deletes the previous RFP requirements.¹²

⁶ *Id.* at 3.

⁷ *Id.* at 4.

⁸ Chris Bellinger, Pre-Filed Direct Testimony, p. 3 (April 4, 2023).

⁹ *Id.*

¹⁰ *Id.* at 3-4.

¹¹ *Id.* at 4.

¹² *Id.* at CGC Exhibit CB-2.

No party sought to intervene in the docket proceedings. Moreover, the Consumer Advocate Division of the Office of the Tennessee Attorney General expressly filed its intention not to refrain from participating as an intervening party in the docket.¹³

JUNE 20, 2023 HEARING AND APPEARANCES

A hearing in this matter was held before the Commission panel during the regularly scheduled Commission Conference on June 20, 2023, as noticed by the Commission on June 9, 2023. The following appearance of counsel was made:

Chattanooga Gas Company – Floyd R. Self, Esq., Berger Singerman, LLP, 313 North Monroe Street, Suite 301, Tallahassee, Florida, 32301

During the course of the hearing, the Company presented the testimony of Mr. Chris Bellinger. Mr. Bellinger was also available for questions from the panel and the Commission Staff. The Commissioners opened the floor for public comment, but no member of the public sought recognition to comment.

FINDINGS AND CONCLUSIONS

Based upon the entire evidentiary record, including the fact that Chattanooga Gas Company no longer has an affiliated natural gas supplier and asset manager, the panel voted unanimously to approve the Company's proposed tariff change to remove the RFP procedures for the selection of an asset manager and/or gas provider from the Performance Based Ratemaking Mechanism Rider.

IT IS THEREFORE ORDERED THAT:

1. The *Petition for Approval of Tariff Change to Performance Based Ratemaking Mechanism RFP Procedures and Removal of Requirement for RFP Approval* filed by Chattanooga Gas Company filed on April 4, 2023 is APPROVED.
2. Chattanooga Gas Company shall file updated tariff pages that comply with this order.

¹³ *Letter of the Consumer Advocate Expressing Intent Not to Intervene* (May 5, 2023).

3. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

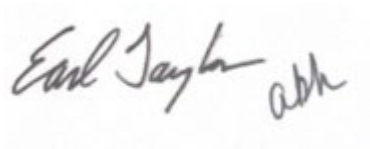
4. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Vice Chair David F. Jones,
Commissioner Robin L. Morrison,
Commissioner Kenneth C. Hill,
Commissioner David Crowell, and
Commissioner John Hie concurring.**

None dissenting.

ATTEST:

A handwritten signature in dark ink, appearing to read "Earl Taylor" followed by a stylized monogram or initials "abh".

Earl R. Taylor, Executive Director