

23-00029

April 20, 2023

Chairman Herb Hilliard
ATTN: Ectory Lawless, Docket Clerk
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Electronically Filed in TPUC Docket
Room on April 20, 2023 at 11:46 a.m.

Re: Chattanooga Gas Company's Petition for Approval of Its 2022 Annual Rate Review Filing Pursuant to T.C.A. § 65-5-103(d)(6)

Dear Chairman Hilliard:

Enclosed is CGC's Petition for Approval of its 2022 Annual Rate Review filing pursuant to T.C.A. § 65-5-103(d)(6).

Attached please find the following documents for filing:

1. Petition (with Verification of Paul Leath as Exhibit A)
2. Proposed Procedural Schedule (Exhibit B to the Petition) and agreed upon by the Consumer Advocate
3. Direct Testimony and exhibits of 3 witnesses:
 - a. Paul Leath (No Exhibits)
 - b. Tiffani Weems (2 Exhibits)
 - c. Ashley Vette (4 Exhibits – including redline and clean versions of Revised Tariff Sheets)
4. Prescribed ARM Schedules, 107 separately numbered, presented electronically on two flash drives, one containing the confidential documents and the other containing the non-confidential public documents (note, some of the Schedules are also part of the ARM Model that is separately filed as Weems Exhibit TW-1)

Numerous supporting documents and work papers are included in the Exhibits and other supporting documents and workpapers are supported by the witnesses and are provided for filing. All documents and workpapers required by the Settlement Agreement Orders in Docket No. 19-00047, 20-00049, 21-00048, and 22-00032 are provided in this filing.

Please note that the PRP Actual Costs for 2022 agreed to be provided in the annual ARM filing pursuant to Docket No. 20-00131 is not included and will be supplemented. These documents have no impact on the ARM Model provided herein.

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Please also note that there are a few documents which contain confidential information provided in accordance with TPUC practice and subject to a pending Protective Order to be issued by the Hearing Officer. CGC requests that the Hearing officer enter the Protective Order issued in last year's Docket No. 22-00032. The confidential documents are clearly marked and found at Schedules 23.2, 27, 32, 34, 34.1, 34.2, 34.3, 34.4, 35.01a, 35.01b, 35.01c, 35.01d, 35.02a, 35.02b, 35.02c, 35.02d, 35.02e, 35.02f, 35.14, 35.15, and 35.17.

In addition to this electronic filing, and pursuant to conversations with Ms. Lawless we will deliver to her an original and 4 hard copies of the petition, testimonies and a check for the filing fee in this matter along with two flash drives containing the electronic documents in PDF and/or Excel format, one flash drive with public documents and one with confidential documents.

A courtesy copy of this filing is being provided to the Consumer Advocate.

Yours truly,

Butler Snow LLP



J.W. Luna

JWL/cb
Enclosures

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

April 20, 2023

IN RE:)
CHATTANOOGA GAS COMPANY)
PETITION FOR APPROVAL OF ITS)
2022 ANNUAL RATE REVIEW)
FILING PURSUANT TO)
TENN. CODE ANN. § 65-5-103(d)(6))

Docket No.

23-00029

**CHATTANOOGA GAS COMPANY
PETITION FOR
APPROVAL OF ITS 2022 ANNUAL RATE REVIEW FILING**

Chattanooga Gas Company (“CGC” or “Company”), pursuant to Tennessee Code Annotated Section 65-5-103(d)(6) and the Rules and Orders of the Tennessee Public Utility Commission (“TPUC” or “Commission”), hereby files its Petition for Approval of its 2022 Annual Rate Review Filing (“Petition”) pursuant to its Annual Review Mechanism (“ARM”) approved in Docket No. 19-00047. In support of this Petition, CGC states as follows:

I. INTRODUCTION

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 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.

2. CGC is a wholly owned subsidiary of Southern Company Gas, a natural gas holding company that is the parent company operating regulated natural gas utilities in Georgia, Illinois, and Virginia in addition to CGC in Tennessee. Southern Company Gas, formerly known as AGL Resources, was acquired by the Southern Company in 2016.

3. CGC's principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

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

J. W. Luna, Esq.
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5. In 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 the docket - the Consumer Advocate, the Chattanooga Regional Manufacturers' Association, 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 20 of each year reflecting the Company's prior calendar year or Historic Base Period

6. CGC's 2019 ARM recovery was processed in Docket 20-00049. By order dated October 27, 2020 ("2020 ARM Order"), the Commission approved CGC's 2019 recovery as modified by certain pleadings in that docket. In approving the modified recovery, the Commission allowed for the accelerated recovery of certain tax credits and benefits, approved CGC's rate design, approved a new Schedule 39 for Outside Legal Services, and acknowledged that the Company and Consumer Advocate reserved their rights to take, and advocate, positions regarding:

COVID-19 impacts, CGC's Allowance for Funds Used During Construction ("AFUDC")/Capital Works in Progress ("CWIP"), and the treatment of CGC's legal expenses.

7. CGC's 2020 ARM recovery was processed in Docket No. 21-00048. Through its *Order Approving Settlement Agreement on Chattanooga Gas Company's 2020 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, dated November 1, 2021 ("2021 ARM Order"), the Commission approved CGC's 2020 recovery, including agreed-upon provisions set forth in a Settlement Agreement with the Consumer Advocate. These provisions included, *inter alia*, a \$6.8 million annual rate cap and associated rate design for four years; the inclusion of any unrecovered revenue in ARM Schedule 29; the use of a 1.4% depreciation rate for Steel Transmission Mains; the restriction of paying interest only on customer deposits held more than six months; the applicability of the prime lending rate to customer deposits; clarification changes made to the T-3 Rate Schedule for Low Volume Transport customers; and exclusion of Special Contract customers from the rate increase. The Commission approved a revenue deficiency of \$11,545,439, subject to an annual rate cap of \$6.8 million due to the voluntary rate cap, with the balance of revenues carried forward to the 2022 CGC ARM Docket.

8. CGC's 2021 ARM recovery was processed in Docket No. 22-00032. Through its *Order Approving Chattanooga Gas Company's Revised 2021 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, dated October 28, 2022 ("2022 ARM Order"), the Commission approved CGC's 2021 recovery, following a hearing on August 8, 2022. The 2022 ARM Order approved a revenue deficiency of \$7,911.764, subject to an annual rate cap of \$6.8 million due to the voluntary rate cap, with the balance of revenues carried forward to the 2023 CGC ARM Docket; approved customer notification improvements agreed upon by the parties; and CGC's proposed rate design.

9. Pursuant to the 2019, 2020, 2021 and 2022 ARM Orders, CGC is requesting that the Commission conduct this annual rate review of CGC's 2022 Historic Base Period revenues and expenses. Pursuant to such review, CGC is requesting that this Commission approve the Company's revenue deficiency and rate rebalancing, approve the proposed normalization for the recovery of the deficiency and rebalancing, and approve new rates and the corresponding tariff sheets effective September 1, 2023, based upon a \$6.8 million voluntary rate cap with any unrecovered revenues above the voluntary rate cap to be carried forward, all as set forth in further detail herein. The Company has also included some non-substantive tariff changes that are proposed for clarification purposes.

II. CGC'S HISTORIC BASE PERIOD REQUEST

10. CGC continues to experience unprecedented growth. Looking back ten years, we have more than doubled the annual number of new residential and commercial customers. This growth is expected to continue for the foreseeable future. Demand for service from CGC increased in 2022, with over 1,200 new residential and commercial customers connecting to the system. In order to continue to safely and reliably meet the region's growing needs and its over 70,000 total customers, Chattanooga Gas made enhancements to its infrastructure that strengthened the safety and reliability of the region's pipeline infrastructure; supported increasing supply and demand growth from residential customers, especially on the coldest days of the year; and provided greater system capacity to high-growth residential, commercial, and industrial areas, supporting the growth and economic prosperity of the area.

11. As will be presented more fully in its case in chief, the total ARM deficiency with adjustment for the 2022 Historic Base Period is \$12,120,940, which when combined with the rate

reset and normalizations, results in a total rate adjustment of \$11,917,087, which is the amount CGC is seeking approval of in this case. See Schedule 1 for the detailed analysis.

12. Capital investments remain the largest single component of this increase. Other significant factors impacting this filing including increases in operations and maintenance expenses including those caused by higher than anticipated inflationary pressures and general changes in economic conditions, regulatory lag, and the carryover from last year's ARM Docket in excess of the \$6.8 million voluntary rate cap.

13. Pursuant to the 2021 ARM Order, CGC is again proposing a rate increase of \$6.8 million, with any unrecovered revenue above the \$6.8 million carried forward for inclusion in next year's ARM Docket filing. CGC's recommended rate design proposes that the rate increase generally be applied on an equal percentage basis to all rate classes as detailed and supported by the testimony and exhibits provided herein, consistent with our past recommendations as approved by the Commission.

14. In support of this Petition and the approval of CGC's ARM filing, CGC has attached the following direct testimony and accompanying exhibits, which are incorporated herein by reference:

- a. **Direct Testimony of Witness Paul Leath, Regional Director of Operations, Chattanooga Gas and Northeast Georgia.** Mr. Leath's testimony provides an overview of the case, important information regarding the economic growth of the service area in Hamilton and Bradley counties and how CGC is meeting those communities' needs, and a review of the operational activities that underlie the financial data provided by our other witnesses, especially capital expenditures. Mr.

Leath will also testify regarding the operational activities supporting the budgeted and projected future expenditures.

- b. **Direct Testimony and Exhibits of Witness Tiffani Weems, Supervisor of Regulatory Reporting, Southern Company Gas.** Ms. Weems will provide the necessary testimony and exhibits regarding the calculation of the Historic Base Period annual reconciliation balance deficiency and rate reset, resulting in a total rate adjustment of \$11,917,087 that is necessary for the Company to earn its rate of return under the prescribed ARM recovery mechanism. Ms. Weems' testimony supports all of the schedules except for those sponsored by Mr. Leath or Ms. Vette.
- c. **Direct Testimony and Exhibits of Witness Ashley Vette, Manager of Rates, Southern Company Gas.** Ms. Vette's testimony and exhibits support the revenue schedules and normalization adjustments required under the 2019, 2020, 2021 and 2022 ARM Orders. She is also the rate design witness. Her exhibits include the proposed tariffs for the ARM recovery of \$6.8 million under the previously approved voluntary annual rate cap. Additionally, CGC is requesting approval of certain tariff revisions proposed for clarification purposes as set out in Ms. Vette's Exhibits AV-2 and AV-3.
- d. **Petition Verification of Paul Leath, Regional Director of Operations, Chattanooga Gas and Northeast Georgia.** Mr. Leath provides in Exhibit A to the Petition a verification of the petition and its supporting testimony, exhibits, and schedules being filed in support of this case.
- e. A request for issuance of a standard protective order such as the one issued in CGC's 2022 ARM Docket to govern the production of confidential information to

the Commission and Commission Staff, the Consumer Advocate, and any other party who may be granted intervention.

- f. A request for the issuance of a scheduling order. CGC and the Consumer Advocate have agreed to a proposed procedural schedule attached hereto as Exhibit B that is premised upon the same approximate due dates used in CGC's 2022 ARM Docket.

III. CONCLUSION

WHEREFORE, CGC respectfully prays that based upon the pleadings and documents submitted by CGC:

1. Notice be issued, and a contested case be set regarding this Petition.
2. The Commission issue its standard protective order as requested herein.
3. The Commission issue a scheduling order based upon the agreed to proposed case hearing schedule attached hereto or as the Hearing Officer otherwise finds necessary and appropriate for this proceeding consistent with the statutory deadline that govern this process.
4. The Commission find that the Company has provided the necessary schedules and other documentation thus complying with the minimum filing requirements and other terms and obligations of the 2019, 2020, 2021, and 2022 ARM Orders that govern this proceeding.
5. The Commission approve CGC's prescribed total ARM recovery of \$11,917,087, as more particularly detailed in the Schedules and testimony being filed.
6. The Commission authorize CGC in this docket to increase rates by a total of \$6.8 million under the annual voluntary rate cap mechanism, with any unrecovered amounts carried over to next year's ARM Docket filing, utilizing a rate design that generally applies the rate increase on an equal percentage basis to all rate classes as detailed and supported by the testimony

and exhibits provided herein, unless the Commission authorizes a different rate design it considers more appropriate in the public interest..

7. The Commission approve the tariff pages for CGC's ARM filing, including those clarifying language changes, all as set forth more particularly in Vette Exhibits AV-2 and AV-3.

8. CGC be granted such other and/or further relief as may be warranted.

Respectfully submitted,



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Attorneys for Chattanooga Gas Company

VERIFICATION

STATE OF TENNESSEE

COUNTY OF HAMILTON

I, Paul Leath, being duly sworn, state that I am the Regional Director of Operations, Chattanooga Gas Company, the Petitioner, in the subject proceeding; that I am authorized to make this verification on behalf of Chattanooga Gas Company; that I have read the foregoing Petition and exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information, and belief.

Sworn and subscribed before me this 14 day of April, 2023.

Paul C Leath

Paul C. Leath

Notary Public: Meghan Breeze Miller (signature)

Meghan Breeze Miller (typed or printed name)

State of Tennessee, at Large

My Commission Expires: July 7, 2024

SEAL:



Petition Exhibit B, CGC 2023 ARM Docket
Agreed Proposed Procedural Schedule

<u>Activity</u>	<u>Proposed 2023</u>
CGC ARM Petition, Testimony, and Exhibits filed at TPUC and served on Consumer Advocate (electronic and paper per order).	Thursday, April 20, 2023
Informal Discovery Meeting, All Parties and Staff invited (attendance optional)	April 26-28, 2023*
Consumer Advocate & other intervenors serve first discovery on CGC	Friday, May 5, 2023
CGC responds to Consumer Advocate/Intervenors first discovery.	Friday, May 19, 2023
Informal Discovery Meeting with all intervenors and staff (attendance optional)	Wednesday, May 24, 2023*
Consumer Advocate/Intervenors serve second discovery on CGC.	Friday, May 26, 2023
CGC responds to Consumer Advocate second discovery.	Friday, June 2, 2022
Informal Discovery Meeting (attendance optional)	Friday, June 9, 2023*
Consumer Advocate & Intervenors Testimony	Friday, June 16, 2023
Case Status Meeting of the Parties (optional for the benefit of the parties)	June 21, 2023, or as applicable*
CGC discovery to Consumer Advocate & Intervenors on their testimony.	Friday, June 23, 2023
Consumer Advocate/Intervenors respond to CGC discovery	Friday, July 7, 2023
CGC Rebuttal to Consumer Advocate and Intervenors (or testimony in support of the settlement if one is reached)	Monday, July 17, 2023
Prehearing Motions	Friday, July 21, 2023*
Prehearing Conference	Friday, July 28, 2023*
Hearing, with closing statements, no briefs (21 days after CGC Rebuttal)	Monday, August 14, 2023

*** Dates with a * can move by agreement of the parties or Hearing Officer can set differently as necessary**