



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

**DIRECT TESTIMONY OF PAUL LEATH
ON BEHALF OF
CHATTANOOGA GAS COMPANY**

1 **I. WITNESS INTRODUCTION.**

2 **Q.** I am Paul Leath, Regional Director of Operations, Chattanooga Gas (“Company”
3 or “CGC”) and Northeast Georgia. My business address is 2207 Olan Mills Drive,
4 Chattanooga, Tennessee, 37421.

5 **Q. Is Chattanooga Gas a subsidiary of Southern Company Gas?**

6 A. Yes, it is. When Southern Company acquired CGC’s parent company AGL
7 Resources in 2016, the name was changed to Southern Company Gas.

8 **Q. What are your duties and responsibilities for Chattanooga Gas?**

9 I am a resident of Chattanooga, and I am responsible for the day-to-day operation
10 of the utility by the 55 employees we have working in Bradley and Hamilton
11 Counties, including safety, construction and maintenance of the system, and
12 regulatory compliance. Ultimately, it is my responsibility to ensure that
13 Chattanooga Gas meets our commitment to deliver safe, reliable, and affordable
14 natural gas service to over 70,000 customers.

15 **Q. When did you assume responsibility for Chattanooga Gas?**

16 A. I became the Regional Director of Operations in September of 2018.

17 **Q. Please summarize your professional career and education.**

18 A. I have lived and worked in Chattanooga since moving here in July 2012 when I
19 became the Director of External and Regulatory Affairs for CGC, the position I
20 held until assuming my current position. I began my professional career in the
21 United States Army after graduating from Loyola University Maryland in May
22 1989 with a BBA in Finance. During my nine years in the Army, I rose from the

1 rank of second lieutenant to captain, and I served as a logistics officer during my
2 military career. I left the Army in 1998 to go to work with GE in their lighting
3 division, where my primary duties included Manager of Distribution and Logistics.
4 I left GE in 2001 and began my career in the natural gas industry working for
5 Atlanta Gas Light in Macon, GA. While in Macon, I was the Region Operations
6 Manager of South Metro Atlanta and Central Georgia. In 2012, I was asked to move
7 to Chattanooga to serve as the local community and legislative affairs
8 representative for the Company. Later, in 2016, I was given additional
9 responsibilities over regulatory affairs, and I became CGC's community contact
10 person.

11 During my time in Chattanooga, I have become very invested in this
12 community that I love. I serve on the boards of the Tennessee Gas Association and
13 the Chattanooga Area Chamber of Commerce, and I will become the Chamber
14 Chair beginning July 2023.

15 Helping to secure the economic future of my community is a passion of
16 mine and the Company's, which supports me in my work. In furtherance of the
17 economic development of the CGC service area, I have served as the Chairman of
18 the Greater Chattanooga Economic Partnership, Vice-Chairman of Economic
19 Development for the Chattanooga Chamber, and I have been a member of the
20 Economic Development Council for Bradley County. I am also a member of the
21 Chattanooga Downtown Rotary Club and I have served on the United Way of
22 Greater Chattanooga's Funds Allocations Committee.

1 I have been a part of the regional economic development team that worked
2 on multiple expansion projects for our two largest area employers resulting in
3 Volkswagen (“VW”) investing \$1.4 billion and creating 3,000 jobs and McKee
4 Foods investing \$500 million and adding 480 jobs to our community; both of these
5 companies are some of our largest users of gas at CGC. Last year, Volkswagen
6 completed an expansion that includes an additional 1,000 employees as part of its
7 \$800 million electric line expansion. With the addition of the third shift, VW now
8 has over 4,800 employees working in our community. The VW plant is now the
9 fifth largest consumer of natural gas for Chattanooga Gas. I worked with our team
10 on CGC’s expansion of its natural gas system into the Spring Branch Industrial
11 Park so we can serve Cannon Automotive Solutions, which resulted in their
12 investment of \$114 million and adding 200 jobs in Bradley County. SK Foods
13 recently announced a new \$205 million plant to be built in Spring Branch that will
14 create 840 new jobs, and this company will also become a significant CGC
15 customer. I worked to help bring six large automotive part manufacturers to the
16 area resulting in \$375 million in investment and the creation of over 1,625 new
17 jobs. I assisted one of Bradley County’s larger manufacturers, Mars Chocolate
18 N.A., in making the decision to undertake two local expansions worth \$243 million
19 that brought an additional 160 jobs; Mars Chocolate is also a CGC customer. We
20 are proud of our role in providing safe and reliable natural gas to our customers
21 while being able to partner with many local businesses that help to make Hamilton
22 and Bradley counties such an attractive community to live and work.

1 **Q. Have you ever testified before this Commission or any other Commission?**

2 A. Yes, I provided testimony in Dockets 20-00049 and 21-00048, the Company's 2020
3 and 2021 annual review mechanism or "ARM" dockets, which we resolved without
4 a hearing or the need for my oral testimony. I also provided testimony in Docket
5 22-00032, the Company's 2022 ARM Docket, and Docket 20-00131, CGC's
6 pipeline replacement proceeding, which was approved on April 12, 2021. Over the
7 last few years, I have also reported to the Commission or the Commission Staff on
8 CGC's annual construction projects budget, pursuant to law.

9 **II. PURPOSE OF TESTIMONY.**

10 **Q. What is the purpose of your direct testimony?**

11 A. I am testifying today to support the Company's overall ARM recovery for calendar
12 year 2022, or what is referred to as the Historic Base Period. This case is being filed
13 pursuant to the Stipulation and Settlement Agreement reached in Docket No. 19-
14 00047 and approved by the Commission in its *Order Approving Settlement*
15 *Agreement* dated October 7, 2019 ("2019 ARM Order"). Our case also addresses
16 the 2020 ARM Docket, Docket 20-00049, and the Commission order issued on
17 October 27, 2020 ("2020 ARM Order") which requires us to file a new Schedule
18 39, which is also part of this case. My testimony further addresses the 2021 ARM
19 Docket and *Order Approving Settlement Agreement* dated November 1, 2021
20 ("2021 ARM Order"), which included a \$6.8 million voluntary annual rate cap and
21 the carry forward of any unrecovered authorized revenue in ARM Schedule 29. I
22 will provide an overview of the case, some general information regarding the

1 economic growth of our service area in Hamilton and Bradley counties, and a
2 review of the operational activities that underlie the financial numbers that are the
3 subject of the testimonies of our other witnesses.

4 **Q. Are you sponsoring any exhibits with your Direct Testimony?**

5 A. No, I am not providing any exhibits to my Direct Testimony. However, I am the
6 witness supporting Schedule 35.11, the Annual PRP Budget, and I have provided
7 an affidavit in support of our overall case filing that is a part of the Petition being
8 filed.

9 **Q. Please identify the other CGC witnesses who will be supporting the**
10 **Company's case in this docket.**

11 A. CGC is sponsoring two other witnesses in this case.

12 First, we have Ms. Tiffani Weems, who is the Supervisor of Regulatory
13 Reporting, for Southern Company Gas. Ms. Weems will provide the necessary
14 testimony and exhibits regarding the calculation of the Historic Base Period annual
15 reconciliation balance deficiency, the associated carrying charges on the
16 deficiency, and the prospective 2023 rate reset necessary for the Company to earn
17 its rate of return, which results in a total rate adjustment of \$11.9 million, also
18 known as the prescribed ARM recovery amount. Ms. Weems will also discuss how
19 CGC will again be voluntarily capping any rate recovery at \$6.8 million, with any
20 excess revenues not recovered in this year's rates being carried forward to next
21 year's ARM Docket case. Ms. Weems' testimony will address the financial
22 information required through the various predecessor ARM proceedings, including

1 the new accounting system that has been deployed by all of the Southern Company
2 Gas LDCs, which helps to bring our accounting systems more in line with FERC
3 reporting requirements.

4 Second, we have Ms. Ashley Vette, who is the Manager of Rates and Tariff
5 Administration for Southern Company Gas. Ms. Vette's testimony and exhibits
6 support the revenue schedules and normalization adjustments required under the
7 various the 2019, 2020, 2021 and 2022 ARM orders, and she is the principal witness
8 for several of the supporting ARM Schedules. Ms. Vette is also our rate design
9 witness, and her exhibits include the proposed tariffs based on the Company's
10 proposed rate design for recovery of the \$6.8 million to be recovered in rates this
11 year.

12 **III. CASE OVERVIEW.**

13 **Q. Please summarize CGC's ARM case and its impact on customers.**

14 A. As Ms. Weems' testimony supports, CGC has a 2022 prescribed total rate
15 adjustment of \$11,917,087, which reflects the Historic Base Period deficiency, the
16 carryover from the 2022 total rate adjustment in excess of the \$6.8 million cap, and
17 the rate reset.

18 **Q. What are the primary drivers for the total rate adjustment?**

19 A. The largest impacts on 2022 operations are continued significant capital
20 investments to support the substantial growth in our service territory. Additionally,
21 high inflation and uncertain economic conditions have substantially impacted

1 almost every aspect of our business operations resulting in unforeseen cost
2 increases since 2021.

3 **Q. What is the effect of CGC's continued voluntary rate cap for customers?**

4 A. As our team reports in the other testimonies, by again capping our rate increase at
5 \$6.8 million, the total estimated increase to the typical residential customer's bill
6 would be \$4.19 per month (6.22%), and to the average commercial customer's bill
7 would be \$8.89 per month (7.03%). When the proposed rates with the current PGA
8 are compared with the current rates and the September 1, 2022, PGA, the total
9 annual bill for the typical residential customer is \$173.46 less per year or \$14.46
10 monthly less (16.8% less) than under current rates and the PGA in September 2022,
11 when the current rates went into effect.

12 **IV. THE ANNUAL ARM PROCESS.**

13 **Q. Please briefly summarize the ARM process.**

14 A. CGC's ARM is based upon the General Assembly's authorization to the
15 Commission to approve various alternative regulatory mechanisms for utilities.
16 CGC's ARM involves an annual review of rates, which includes an examination of
17 both revenues and expenses from the books and records of the Company for the
18 prior calendar year. From that review, rates are to be adjusted up or down based
19 upon the Company's overall performance and whether we have under earned or
20 over earned based upon our approved rate of return. Based on the 2021 ARM Order,
21 the rate recovery is voluntarily limited to \$6.8 million annually through and
22 including our 2024 ARM Docket filing. Both Ms. Weems and Ms. Vette will use

1 actual data from calendar year 2022 to determine the actual deficiency for the year;
2 they will then calculate a rate reset, that normalizes or excludes certain costs, to get
3 to the total rate adjustment of \$11.9 million. For informational purposes only,
4 CGC's filing includes its 2023 budget, but the total rate adjustment we are seeking
5 is based solely on the 2022 Historic Base Period, 2022, and not the current 2023
6 budget year.

7 **V. CGC's 2022 OPERATIONS.**

8 **Q. Please provide an overview of CGC's service territory and operations for 2022.**

9 A. We are blessed to be serving such a vibrant community that continues to
10 experience phenomenal growth in just about every sector of the economy. Looking
11 back ten years, we have more than doubled the annual number of new residential
12 and commercial customers, adding over 1,200 new customers last year, for over
13 70,000 total customers. This growth shows no sign of slowing down despite other
14 potentially negative things that are occurring in the economy. The Chattanooga
15 Chamber agrees that the Apison-Collegedale-Ooltewah corridor is the fastest
16 growing area of Hamilton County. Hamilton County has grown from a population
17 of 336,463 in 2010 to over 375,000 in 2023, which is a 11.49% increase. These
18 population and business gains throughout our service area have resulted in
19 Chattanooga Gas having the largest percentage growth in customers within all of
20 Southern Company.

21 **Q. What is the Company doing to meet the growth in your service area?**

1 A. To meet the region's ongoing needs, Chattanooga Gas has continued to make
2 significant investments in its infrastructure that strengthen the safety and reliability
3 of the region's pipeline infrastructure. We have also made other reliability
4 improvements that support the increased supply and demand growth from
5 residential, commercial, and industrial customers, especially on the coldest days of
6 the year.

7 **Q. Can you give us an example of how your reliability investments have brought**
8 **specific benefits to the customers?**

9 A. Yes, I can. On December 23, 2022, Chattanooga had a record low of 10 degrees,
10 which was the coldest temperature in over two decades. On this day we had a total
11 customer demand of 130,000 Dth, which was the fifth highest demand in our history
12 and only four percent lower than our all-time record peak. The CGC LNG Plant
13 delivered 28,353 Dth on that day, which was 22% of the total demand. Because we
14 now reserve the LNG facility for days like that, we had gas to provide, and all the
15 while with no pressure issues nor disruption of service to any firm customers.
16 Meanwhile, during this same time the TVA and Chattanooga's Electric Power
17 Board had to mandate rolling black outs to meet their peak electric demands. Our
18 ability to reliably provide our firm customers with the gas they wanted when they
19 needed it without delay or hesitation on the coldest day in decades, I do not believe
20 would have been possible five years ago. We are better equipped to handle days
21 like December 23rd because of the cumulative work of our entire Company in
22 making smart, customer-focused investments, and operational decisions.

1 **Q. How much did the Company spend in 2022 on capital investments?**

2 A. Ms. Weems' documentation shows that we spent \$42 million in 2022 on capital
3 projects.

4 **Q. How does that \$42 million compare with what was budgeted and reported to**
5 **the Commission?**

6 A. The original capital budget for 2022 was \$42 million. The actual capital spend for
7 2022 came in at approximately \$42 million, which was on target and difficult to do
8 in this economy with so many sharp increases in materials and labor.

9 **Q. Please describe the major capital projects completed or started in 2022.**

10 A. CGC continues to address existing pressure and capacity issues and provide for
11 future growth – without these improvements we simply cannot move adequate gas
12 to our customers to meet their demand or to serve new customers. Specifically, we
13 have a large residential growth corridor from Apison to Collegedale, and Ooltewah
14 that we anticipate will add 1,500 to 2,000 new homes in the next three years, which
15 we expect will become our gas customers. In 2022, we completed the Standifer Gap
16 Road-Phase 2 pressure improvement (“PRIM”) to serve this rapidly expanding
17 area. The Standifer Gap PRIMs along with the Apison Pike PRIM were required to
18 provide McKee Bakery (Little Debbie) the gas needed for their current \$500 million
19 expansion, which will add over 480 jobs in Hamilton County, and otherwise benefit
20 nearby residential neighborhoods we serve. McKee is the seventh largest user of
21 natural gas for Chattanooga Gas.

1 **Q. In 2021, the Commission approved CGC’s pipeline replacement program**
2 **(“PRP”) in Docket 20-00131. Are any of those costs included in this case?**

3 A. Yes, consistent with what we told the Commission in that docket, 2022 was the first
4 year that we began to implement the PRP program, and there are approximately
5 \$4.5 million in PRP expenses in the 2022 ARM filing. As the U.S. Department of
6 Transportation’s Pipeline and Hazardous Materials Safety Administration
7 (“PHMSA”) has recognized, “[a]s the United States continues to develop and place
8 more demand on energy transportation, it becomes necessary to invest in upgrading
9 its infrastructure, including aging pipelines.”¹ Pipeline age and material are
10 significant risk factors. Recognizing this, the Company’s PRP continues to strive
11 to improve our infrastructure, with the goal of replacing more than 110 miles of
12 aging pipelines with state-of-the-art plastic and steel pipes over seven years. We
13 completed three PRP projects in 2022 replacing over seven miles of main. In
14 addition to the actual spend in 2022, I am also supporting Schedule 35.11, which
15 reflects the PRP budget for 2023.

16 **Q. In 2021, the Company secured new interstate pipeline capacity that provides**
17 **the Company with significant stability over the coming years in terms of being**
18 **able to move gas to CGC’s local distribution system. Can you discuss how the**
19 **Company has been using this capacity for the benefit of its customers?**

¹ *U.S. Department of Transportation, PHMSA, Pipeline Replacement Background*, <https://www.phmsa.dot.gov/data-and-statistics/pipeline-replacement/pipeline-replacement-background>, (last visited April 19, 2023).

1 A. Yes, the capacity attained from the East Tennessee Pipeline was a once in a
2 generation opportunity for Chattanooga Gas customers. By way of background,
3 originally in early 2022 we were set to lose 25,000 Dth per day in interstate pipeline
4 capacity that we had previously acquired from Oglethorpe Power Corporation
5 (“OPC”) several years earlier. As we reported in the 2018 rate case, the most viable
6 solution we had to replace this lost capacity was to build a \$20 million pipeline
7 from our LNG plant to Signal Mountain that would be used on peak demand days
8 to provide our customers gas from the LNG tank. We moved forward with that plan
9 until OPC announced they were going to release 50,000 Dth per day. After a
10 competitive process, CGC secured the entire 50,000 Dth per day, which will benefit
11 CGC customers for the next 30 years. In simple terms, we replaced the 25,000 Dth
12 per day we were set to lose and added as new, additional capacity another 25,000
13 Dth per day, for 50,000 Dth per day in total. This now gives us approximately
14 117,000 Dth per day in interstate capacity. Our community will receive the benefits
15 of this extra capacity as we continue to grow our existing industries and add new
16 commercial, residential, and industrial customers for decades to come.

17 **Q. Outside of capital projects, where do you stand now on staffing?**

18 A. We have maintained our staffing level at 55 employees, which is the same as the
19 previous year. We have been fortunate to retain our skilled and award-winning
20 team, which enables us to better focus on employee training and retention rather
21 than recruiting.

1 **Q. Can you please discuss any other operational developments that have occurred**
2 **in 2022 that are impacting the Company's 2023 ARM case?**

3 A. We continue to commit significant resources and investments to reduce
4 unintentional damage to our system. In spite of all our efforts, we saw a small
5 increase year over year in our damage ratio (damages per 1,000 locate requests),
6 but a two-year lookback shows a 5.6% reduction from 3.91 per 1,000 in 2020 to
7 3.70 per 1,000 in 2022. We added a damage prevention specialist that works
8 directly with excavators to reduce damages and we intend to keep working at this.

9 In 2022 we started our enhanced leak response efforts for all damages.
10 When we receive a damage report, we automatically notify a field technician and a
11 distribution crew simultaneously. The field technician usually arrives at the damage
12 and can assess if the distribution crew is required for repairs. If the crew is not
13 needed, they are released from the damage. The enhanced leak response reduced
14 our overall leak response time by half a minute from 29.32 minutes in 2021 to
15 28.72, which is outstanding. In addition, we have greatly reduced the amount of
16 time the damage will be releasing natural gas because the distribution crew is
17 immediately notified and will arrive at the damage scene and start repairs much
18 sooner.

19 **VI. CONCLUSION.**

20 **Q. Do you have any concluding remarks?**

21 A. Yes, Chattanooga Gas is very proud of our relationships with our customers.
22 Chattanooga Gas has once again been awarded the 2022 Trusted Business Partner

1 award based on its performance in the Cogent syndicated ***Utility Trusted Brand &***
2 ***Customer Engagement***. We have received the Cogent Award for Trusted Business
3 Partner four years in a row (2019-22).

4 We are very fortunate to live in a community that continues to thrive,
5 recognizing that even during the COVID Pandemic we experienced unprecedented
6 growth. Volkswagen continues to invest in new plant for new lines, such as the
7 new EV SUV line in 2022. McKee Bakery continues to grow, and other new
8 providers like SK Foods are now also moving into our area. We continue to be
9 featured in national publications such as Realtor.com for being the ninth hottest
10 market in the US.

11 Chattanooga Gas works hard to be a responsible and valuable corporate
12 citizen, and we look for situations in our community where we can provide
13 meaningful help and leadership. The COVID-19 pandemic created great financial
14 hardships for many of our customers. In 2022, we donated more than \$800,000 to
15 non-profit organizations serving Hamilton and Bradley Counties, none of which is
16 part of this rate recovery from our customers. Of this total, \$535,000 is designated
17 for energy and basic need assistance for low-income families, with \$500,000
18 donated to the Salvation Army in a gift that will be spread over 10 years, and which
19 is the largest single donation in CGC history. The Chattanooga Gas Foundation
20 Board decided to make this historic donation to assist families that are struggling
21 to pay their bills during a period of record inflation.

1 But with all of this growth, and everything else happening in the world,
2 there are external factors beyond our control that continue to put pressure on our
3 costs. Like many industries today, we are seeing significant price increases for the
4 materials, fuel, contractor labor, and employee salaries and benefits that are
5 necessary to retain and attract talent. To deal with these challenges, we review all
6 expenses and justify any variances during our monthly CEO budget reviews. We
7 work hard to run a very efficient operation and do everything in our control to
8 manage our expenses. Given all these pressures, we are still able to proceed with
9 this case on target for our total rate adjustment, without any new substantive
10 proposals, and we are again following through with our voluntary rate cap. With
11 the approval of this year's ARM, Chattanooga Gas Company will continue to be in
12 the best position to provide safe, reliable, and affordable natural gas service to our
13 community.

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

15 **A. Yes.**