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May 3, 2023

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

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)
Docket No. 23-00029

Dear Chairman Hilliard:

Please find enclosed corrections and/or additions to our filing on April 20, 2023 in
Docket No. 23-00029 as described below.

Testimony of Ashley Vette (Revised 5/3/2023)

On page 7 at line 15 in the Testimony of Ashley Vette, the amount should be \$461,688
rather than \$60,342. The number is correct in the ARM Model filed as Exhibit TW-1, at
Schedule 5.1, cell F50.

Testimony of Tiffani Weems (Revised 5/3/2023)

In the Testimony of Tiffani Weems, the chart contained on page 3 at lines 9-10 had
illegible components apparently as a result of formatting conversions. Her testimony is being
refiled with a legible chart and that is the only change in her testimony.

Tiffani Weems Exhibit TW-2 (Revised 5/3/2023) and Schedule 31 – Historic Base Period
FERC FORM II

Exhibit TW-2, which is a list of the ARM Schedules, supporting workpapers, location of
the documents in the Company's 2022 ARM recover filing and sponsor, has been updated to
include Schedule 31. Schedule 31 is being provided in electronic format only due to the size of
the document.

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Butler Snow LLP

A courtesy copy of this filing has been provided to the Consumer Advocate.

Yours truly,

Butler Snow LLP

A handwritten signature in blue ink, appearing to read "J.W. Luna", is positioned above the printed name.

J.W. Luna

JWL/cb
Enclosures

1 **I. WITNESS INTRODUCTION.**

2 **Q. Please state your name, position, and business address.**

3 A. My name is Ashley K. Vette, and I am the Manager of Rates and Tariff
4 Administration for Southern Company Gas. Southern Company Gas is the parent
5 holding company of four natural gas distribution companies including Chattanooga
6 Gas Company (“Company” or “CGC”) as well as companies in Georgia, Illinois,
7 and Virginia. In my role I have rates and tariff responsibilities for Chattanooga Gas
8 Company. My business address is Ten Peachtree Place NE, Atlanta, Georgia 30309.

9 **Q. For whom are you testifying?**

10 A. I am testifying on behalf of Chattanooga Gas Company.

11 **II. BACKGROUND AND EXPERIENCE.**

12 **Q. Please summarize your education background and experience.**

13 A. I assumed my current role as Manager of Rates and Tariff Administration in 2021
14 and I have nearly 11 years of experience with Southern Company Gas. My tenure
15 at Southern Company Gas also includes two years as a Senior Rate Analyst and
16 seven years as a Senior Internal Auditor. Prior to joining Southern Company Gas
17 (formerly AGL Resources, Inc.), I worked as a public accountant auditing financial
18 statements for small to mid-sized utility companies in the Southeast. I received a
19 Bachelor of Science in Business Administration with a focus in Accountancy as
20 well as a Master of Accountancy from Auburn University, and I am a Certified
21 Public Accountant in the state of Georgia.

22 **Q. Have you previously testified before the Tennessee Public Service Commission**
23 **or any other state regulatory commissions?**

1 A. Yes. I testified before the Tennessee Public Utility Commission in Docket 21-
2 00094. I have also provided testimony for the State Corporation Commission of
3 Virginia.

4 **III. PURPOSE OF TESTIMONY.**

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to provide the Commission with an overview of
7 the rate adjustments proposed by CGC in the 2023 Annual Review Mechanism
8 (ARM) filing for the 2022 calendar year Historic Base Period based upon the
9 settlement agreement approved in the 2019 ARM Docket by the Commission's
10 Order dated October 7, 2019 ("ARM Order") and to support the revenue schedules
11 and the related normalization adjustments included in this year's ARM filing. I
12 also provide the various tariff exhibits for CGC's proposed rates.

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

14 A. Yes. The specific exhibits are as follows:

15 Exhibit AV-1 Comparison Current Rates with Proposed Rates

16 Exhibit AV-2 Revised Tariff Sheet

17 Exhibit AV-3 Revised Tariff Sheets - Redlined

18 Exhibit AV-4 ARM Schedules 17 and 17.1 Proof of Revenue

19 **Q. What is the amount of the proposed increase?**

20 A. In Docket 21-00048, CGC agreed to a voluntary four-year cap on the annual
21 increase under the ARM at \$6.8 million. The proposed rates and the revised tariff
22 sheets reflect the voluntary cap.

23 **Q. How is the proposed rate increase allocated to the Rate Schedules.**

1 A. The CGC proposed rate increase is allocated to each Rate Schedule on an equal
2 percentage basis with some differences due to rounding. Consistent with CGC's
3 agreement with Kordsa during the negotiations of its approved Special Contract,
4 the Company has proposed to limit the increase to Kordsa's rates to 5%. In addition,
5 consistent with the terms of CGC's Special Contract with Volkswagen ("VW")
6 approved on March 9, 2015, and extended for an additional five-year term on June
7 1, 2022, CGC is not proposing a rate increase for VW. This Special Contract was
8 not the result of negotiation between CGC and VW, but rather was part of a package
9 of incentives offered by the State of Tennessee and local government officials to
10 have VW locate in Tennessee. Since the reasons for offering VW the incentive
11 package are as valid today as when they were first made to VW, CGC believes it is
12 important to keep the promises made when the incentive package was presented to
13 VW by State and local development officials, which is why CGC does not propose
14 to increase VW's Special Contract Rates.

15 As explained by Ms. Weems, the Company has computed the rate adjustment that
16 is needed to allow CGC to earn its authorized return on equity on a going forward
17 basis using the prescribed ARM procedure. While rates have been computed on
18 Schedule 17 of the ARM model that will produce the revenue increase required for
19 CGC to earn its authorized return on a going forward basis, CGC is not proposing
20 to implement those rates, but has developed rates to produce the \$6.8 million
21 increase in annual revenue. Since the historic base period's deficiency is computed
22 based on the actual rates that are in effect, the reset deficiency in excess of the \$6.8
23 million for this year will be captured in next year's ARM filing. The proposed rates

1 to produce the \$6.8 million increase are presented in comparison with the current
2 rates on my Exhibit AV-1.

3 **Q. What is the proposed percent increase?**

4 A. With the voluntary cap, the average annual base rate increase for customers served
5 at tariff rates is approximately 12.8% as shown on my Exhibit AV-4.

6 **Q. How do the proposed rates impact the bills for customers served under the**
7 **Residential Rate Schedule?**

8 A. The current and proposed Residential (R-1) rates are:

	Current		Proposed	
	Winter	Summer	Winter	Summer
Customer Charge	\$25.90	\$21.40	\$29.20	\$24.10
Volumetric Rate/Therm	\$0.17787		\$0.20090	

9

10 **Q. What is the difference in the average impact on a residential customer's bill?**

11 A. The proposed rates will result in an average monthly increase of \$4.19, or
12 approximately 6.22%, effective September 1, 2023.

13 **Q. How are the commercial (C-1) customers impacted?**

14 A. The impact on customers served under the C-1 Rate Schedule would be an average
15 \$8.89 increase in the monthly bill or approximately 7.03%.

16 **Q. Will you please describe Exhibits AV-2 and AV-3?**

17 A. Exhibit AV-2 includes the CGC tariff sheets with all of the proposed changes,
18 including the rates, incorporated; and Exhibit AV-3 is the redline version of the
19 tariff sheets that identifies the changes.

1 **Q. Will you please describe Exhibits AV-4?**

2 A. Exhibit AV-4 are copies of ARM Schedules 17 and 17.1 assuming the voluntary
3 \$6.8 million cap. Schedule 17.1 summarizes the allocation of the proposed total
4 rate increase to the Rate Schedules. Schedule 17 is the Proof of Revenue that shows
5 the billing determinants (number of winter/summer bill where applicable, the
6 winter/summer volumes, the demand determinant where applicable, the system
7 capacity determinant where applicable), the current rates, revenue under current
8 rates, proposed rate, revenue under proposed rates, the increase in revenue for the
9 Rate Schedules, the total proposed revenue increase, and the computed revenue
10 under proposed rates.

11 **Q. Is CGC proposing to change any of the miscellaneous charges?**

12 A. No.

13 **Q. Is CGC proposing to make changes to its tariff other than the rate adjustments**
14 **as shown on Exhibit AV-1?**

15 A. Yes. CGC has proposed changes to Chattanooga Gas Company Rules and
16 Regulations TPUC No. 2 Tariff Sheet No. 9 to allow the Company to transfer gas
17 service from one customer to another at a premise for a period of time without
18 disconnection of service, often referred to as a “Delayed Match.” Additionally,
19 CGC has proposed wording changes to Chattanooga Gas Company Gas Tariff
20 TPUC No.1 Tariff Sheets No. 34, 35 and 38, and Chattanooga Gas Company Rules
21 & Regulations TPUC No. 2 Tariff Sheets No. 1, 4, 6 and 8. These changes clarify
22 and provide better uniformity of certain responsibilities and obligations of
23 customers and the Company.

1 **Q. Are you responsible for any of the ARM Schedules?**

2 A. Yes.

3 **Q Will you identify those ARM schedules?**

4 A. Yes. I am responsible for the following ARM schedules.

5	‘	Schedule 5.1	Revenues
6		Schedule 6	Revenue Summary
7		Schedule 6.1	Revenue Summary – Reconciliation
8		Schedule 6.1A	Dept 8100 Income Statement
9		Schedule 13	Margin by Rate Schedule
10		Schedule 15	Summary Historical Jurisdictional Revenue
11		Schedule 15.1	Annualization of 9/1/2022 rate increase
12		Schedule 16.1	Weather Normalization Usage, Rate
13			Schedules R-1, R-4, C-1, and C-2
14		Schedule 16.1A	Weather Normalization Usage Rate Schedules R1,
15			R-4, C-1, and C-2, Weather Normalization Use Per
16			Customer Adopted by Commission Docket 18-0017
17		Schedule 16.2	Weather Normalized Revenue Rate
18			Schedules R-1, R-4, C-1, and C-2.
19		Schedule 16.3	Weather Normalized Revenue Adjustments
20			Rate Schedules R-1, R-4, C-1, and C-2
21		Schedule 16.4	Monthly Schedule of Billed Volumes and
22			Revenue by Rate Schedule, Calendar Year 2022
23		Schedule 16.4A	Monthly Schedule of Billed Volumes and Revenue
24			by Rate Schedule, Calendar Year 2022 Adjusted for
25			Special Contract
26		Schedule 17	Proof of Revenue-Proposed Rates
27		Schedule 17.1	Revenue Increase allocated to Rate Schedules
28		Schedule 18	Other Revenues
29		Schedule 28	Normalization Adjustment Other than Weather
30		Schedule 35.14	Special Contract Rate Adjustment (Confidential)
31		Schedule 35.15	Annualization for New Special Contract
32			(Confidential)

33
34 **Q. Please describe these Schedules.**

35 A. ARM Revenue Schedule 5.1 includes the adjustments to the revenues as recorded

36 on the Company’s books to reflect the base revenues for rate-making purposes as

37 adopted in the Amended Order in Docket No. 18-00017 January 15, 2019, in (“Rate

Case Order”) and which are required by the 2019 ARM Order-. There are four revenue adjustments.

1. Reduce revenues \$4,026,965 to remove the Chattanooga and Cleveland Franchise fees that are a direct pass through and not CGC’s revenue. The Franchise Fee Expense is also excluded from operating expense on Schedule 7. This is consistent with the treatment of Franchise Fees in the Rate Case Order.
2. Reduce Other Revenues by \$670,833 to remove the Asset Management Fee that is not base revenue but is handled through the annual Interruptible Margin Credit Rider (“IMCR”) filing.
3. Increase revenue \$4,258 to remove miscellaneous base revenue adjustments that were recorded during calendar year 2020.
4. Increase Other Revenue \$461,688 to reclassify damage billing as revenue instead of credits to operating expense consistent with the treatment in the Rate Case Order. Operating Expense was increased by the same amount on Schedule 7.

In addition to these revenue adjustments, the cost of the odorant is removed from the cost of gas, since it is not recovered through the Purchased Gas Adjustment (“PGA”), but through base rates. The odorant is included in Other Operating Expense on Schedule 7(c). The adjustments on Schedule 5.1 support the adjustments shown in the Rate Making column on ARM Schedule 5.

Schedule 6 is the Revenue Summary of the calendar year 2022 revenue by Rate Schedule and the weather normalization adjustments for Rates Schedules R-

1 1, R-4, C-1, and C-2. The Rate Schedule revenue is from Schedule 15.1, the weather
2 normalization adjustments are from Schedule 16.3 and the normalized Other
3 Revenue is from Schedule 28. The revenues for the remaining Rate Schedules and
4 Special Contracts are not weather normalized.

5 Schedule 6.1A identifies off-system liquid natural gas (“LNG”) sales.
6 There were no off-system sales of LNG during the Historic Bas Period.

7 Schedule 13 shows the proposed margin increase by rate schedule without
8 the \$6.8 million cap.

9 Schedule 15, Summary Historical Jurisdictional Revenue, identifies the
10 number of customers, the volumes, and revenue for each Rate Schedule for each
11 month of 2022. This information is taken from the Company’s accounting records.

12 Schedule 15.1 the annualization of the rates effective September 1, 2022,
13 reflects the sales and transportation revenue that would have occurred if the rates
14 effective September 1, 2022, had been in effect for the entire year.

15 Schedule 16.1 is the calculation of the weather normalized volumes for Rate
16 Schedules R-1, R-4, C-1, and C-2 that are computed by multiplying the number of
17 bills for the 2019 calendar year Historic Base Period by the average normalized use
18 per bill pursuant to the Rate Case Order in Docket 18-00017.

19 Schedule 16.1A is a copy of Attachment 2 from the Rate Case Order in
20 Docket 18-00017 that has been expanded to show the computation of the average
21 weather normalized usage per customer.

1 Schedule 16.2 is the calculation of the weather normalized volumetric
2 revenue for Rate Schedules R-1, R-4, C-1, and C-2 computed by multiplying the
3 normalized volumes from Schedule 16.1 by the current rates.

4 Schedule 16.3 shows the weather normalized revenue, the revenue per
5 books, and the weather normalization adjustments for Rate Schedules R-1, R-4, C-
6 1, and C-2. These weather normalization adjustments are included on ARM
7 Schedule 5.

8 Schedule 16.4 is the monthly summaries of the number of customers and
9 billed volumes by Rate Schedule for 2022.

10 Schedule 16.4A is the monthly summaries of the number of customers and
11 billed volumes by Rate Schedule for 2022 adjusted to reflect Kordsa moving from
12 tariff rates to Special Contract rates in March 2022.

13 Schedule 17 is the proof of revenue under CGC's primary proposal
14 reflecting the voluntary 4-year cap that shows the revenue under current rates, the
15 revenue under proposed rates, and the increase in revenue as a result of the increase
16 in rates. The target revenue increase is \$6,800,000. The proposed rates produce a
17 \$6,790,201 increase.

18 Schedule 17.1 shows the allocation of the revenue deficiency to the
19 individual Rate Schedules. The deficiency is allocated on an equal percentage
20 across all Rate Schedules.

21 Schedule 18, Other Revenue, is the summary of the Other Revenues for
22 each month of 2022.

1 Schedule 28 reflects the non-weather normalization adjustments computed
2 in accordance with the methodology adopted in the Rate Case Order as follows:

- 3 • Other-Revenues, 4-year average;
- 4 • Uncollectible Expense, 5-year average;
- 5 • Materials and Supplies, 3-year average;
- 6 • Prepayments, 3-year average;
- 7 • Gas Inventory, 3-year average;
- 8 • Reserve for Uncollectible, 3-year average;
- 9 • Reserve of Health Insurance, 3-year average; and
- 10 • Other Reserves, 3-year average;
- 11 • Interest on Customer Deposits is the average balance of
12 Customer Deposits held for over 6 months multiplied by
13 the 3.25% interest rate.

14 Schedule 35.14 shows the impact of the Special Contract effective
15 March 11, 2022, on the Special Contract Revenue.

16 Schedule 35.15 is the impact of the rate revision on the Special Contract
17 rates.

18 Ms. Weems addresses expense normalization adjustments in her direct testimony.

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

20 **A.** Yes.

21