



April 19, 2024

24-00024

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 19, 2024 at 12:57 p.m.

Re: Chattanooga Gas Company's Petition for Approval of Its 2023 Annual Rate
Review Filing Pursuant to T.C.A. § 65-5-103(d)(6)

Dear Chairman Hilliard:

Enclosed is Chattanooga Gas Company's Petition for Approval of its 2023 Annual Rate
Review filing pursuant to T.C.A. § 65-5-103(d)(6).

Attached please find the following documents for filing:

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

All documents and workpapers required by the Settlement Agreement Orders in Docket
Nos. 19-0047, 20-00049, 21-00048, 22-00032, and 23-00029 are provided in this filing.

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

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Chairman Herb Hillard

April 19, 2024

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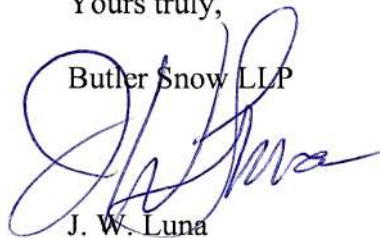
issued by the Hearing Office. CGC requests that the Hearing office enter the Protective Order issued in last year's Docket No. 23-00029. The confidential documents are clearly marked and found at Schedules 23, 23.1, 27, 32, 34, 34.1, 35.1, 35.2a, 35.2b, 35.3a, 35.4a, 35.4b, 35.10b, 35.14, 35.15, 35.16.

In addition to this electronic filing, we will deliver an original and four 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

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

J. W. Luna

Enclosures

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

April 19, 2024

IN RE:)	
CHATTANOOGA GAS COMPANY)	Docket No.
PETITION FOR APPROVAL OF ITS)	
2023 ANNUAL RATE REVIEW)	24- <u>00024</u>
FILING PURSUANT TO)	
TENN. CODE ANN. § 65-5-103(d)(6))	

**CHATTANOOGA GAS COMPANY
PETITION FOR
APPROVAL OF ITS 2023 ANNUAL RATE REVIEW FILING**

Chattanooga Gas Company (“CGC” or “Company”), pursuant to Tennessee Code Annotated § 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 2023 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.
Butler Snow LLP
150 3rd Avenue South, Suite 1600
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Director, External Affairs
Chattanooga Gas Company
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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 § 65-5-103(d)(1)(a). Specifically, CGC sought an annual review of rates process as authorized by Tennessee Code Annotated § 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. CGC's 2022 ARM recovery was processed in Docket No. 23-00029. Through its *Order Approving Settlement Agreement Revising Chattanooga Gas Company's 2022 Annual Rate*

Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6), dated October 6, 2023 (“2023 ARM Order”), the Commission approved CGC’s 2022 recovery, following a hearing on August 14, 2023. The 2023 ARM Order approved a revenue deficiency of \$11,936,563, 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 2024 CGC ARM Docket; and directed the parties to collaborate and evaluate the exhibits, schedules, workpapers, and other documentation to be provided by CGC in support of its annual filing.

10. Pursuant to the 2019, 2020, 2021, 2022, and 2023 ARM Orders, CGC is requesting that the Commission conduct this annual rate review of CGC’s 2023 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, 2024, 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.

II. CGC’S HISTORIC BASE PERIOD REQUEST

11. 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 2023, with over 1,100 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 approximately 71,500 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.

12. As will be presented more fully in its case in chief, the total ARM deficiency with adjustment for the 2023 Historic Base Period is \$11,035,484, which when combined with the rate reset and normalizations, results in a total rate adjustment of \$8,422,852, which is the amount CGC is seeking approval of in this case. See Schedule 1 for the detailed analysis.

13. 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.

14. 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.

15. 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.** 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 \$8,422,852 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, 2022 and 2023 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 as well as revisions to reflect previously approved changes, corrections, and clarifications.
- d. **Petition Verification of Paul Leath, Regional Director of Operations, Chattanooga Gas.** 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 2023 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 2023 ARM Docket.

III. CONCLUSION

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

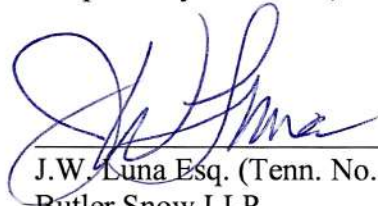
- 1. Notice be issued, and a contested case be set regarding this Petition.
- 2. The Commission issue its standard protective order as requested herein.
- 3. The Commission issue a scheduling order based upon the agreed to proposed case hearing schedule attached hereto or as the Hearing Officer otherwise 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, 2022, and 2023 ARM Orders that govern this proceeding.
- 5. The Commission approve CGC's prescribed total ARM recovery of \$8,422,852, 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 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 11th day of April, 2024.

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 07, 2024

SEAL:

Exhibit B, CGC 2024 ARM Docket
Proposed Procedural Schedule

<u>Activity</u>	<u>Proposed 2024 Dates</u>
CGC ARM Petition, Testimony, and Exhibits filed at TPUC and served on Consumer Advocate (electronic and paper per order).	Friday, April 19, 2024
Informal Discovery Meeting, All Parties and Staff invited (attendance optional)	April 24-26, 2024*
Consumer Advocate & other intervenors serve first discovery on CGC	Friday, May 3, 2024
CGC responds to Consumer Advocate/Intervenors first discovery.	Friday, May 17, 2024
Informal Discovery Meeting with all intervenors and staff (attendance optional)	Wednesday, May 22, 2024*
Consumer Advocate/Intervenors serve second discovery on CGC.	Friday, May 24, 2024
CGC responds to Consumer Advocate second discovery.	Friday, May 31, 2024
Informal Discovery Meeting (attendance optional)	Friday, June 10, 2024*
Consumer Advocate & Intervenors Testimony	Friday, June 14, 2024
Potential Settlement Meeting (attendance optional)	June 19, 2024, or as applicable*
CGC discovery to Consumer Advocate & Intervenors on their testimony.	Friday, June 21, 2024
Consumer Advocate/Intervenors respond to CGC discovery	Friday, July 5, 2024
CGC Rebuttal to Consumer Advocate and Intervenors (or testimony in support of the settlement if one is reached)	Monday, July 15, 2024
Prehearing Motions	Friday, July 19, 2024*
Prehearing Conference	Friday, July 24, 2024*
Hearing, with closing statements, no briefs (21 days after CGC Rebuttal)	Monday, August 12, 2024

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