

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

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

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**DIRECT TESTIMONY**

**OF**

**ALEX BRADLEY**

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**June 18, 2024**

**Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION FOR THE RECORD.**

A1. My name is Alex Bradley. My business address is the Office of the Tennessee Attorney General, John Sevier State Office Building, 500 Dr. Martin L. King Jr. Blvd, Nashville, Tennessee 37243. I am a Financial Analyst employed by the Consumer Advocate Division in the Office of the Tennessee Attorney General (“Consumer Advocate”).

**Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A2. I received a Bachelor of Science in Business Administration with a major in Accountancy along with a Bachelor of Arts with a major in Political Science from Auburn University in 2012. I have been employed by the Consumer Advocate since 2013. My duties include reviewing utility regulatory filings and preparing analysis used to support Consumer Advocate testimony and exhibits. I have completed multiple regulatory trainings sponsored by the National Association of Regulatory Utility Commissions held by Michigan State University.

**Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION (“TPUC” OR THE “COMMISSION”)?**

A3. Yes. I have previously testified in TPUC Docket Nos. 17-00108, 18-00009, 18-00107, 19-00010, 19-00034, 19-00042, 19-00043, 19-00057, 19-00062, 20-00028, 20-00049, 20-00086, 21-00006, 21-00055, 21-000059, 21-00060, 21-00107, 22-00005, 22-00032, 23-00007, 23-00008, 23-00016, 23-00029, 23-00027, and 24-00002.

1   **Q4.    ON WHOSE BEHALF ARE YOU TESTIFYING?**

2    A4.    I am testifying on behalf of the Consumer Advocate Division.

3   **Q5.    WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4    A5.    My testimony will discuss the Consumer Advocate’s review and recommendations with  
5           respect to the Petition filed by Chattanooga Gas Company (“CGC” or the “Company”) to  
6           adjust its rates and charges. Specifically, I will address the following:

- 7           1. The Consumer Advocate’s review of the Company’s Filing;  
8           2. The Consumer Advocate’s regulatory and accounting adjustments; and  
9           3. The Consumer Advocate’s proposed Rate Design for the Annual Rate  
10          Mechanism (“ARM”) revenue deficiency.

11   **Q6.    WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF YOUR**  
12       **TESTIMONY?**

13   A6.    I have reviewed the Company’s Pre-Filed Testimony along with the exhibits and  
14           workpapers filed with the Company’s Petition. Additionally, I have reviewed the  
15           Company’s discovery responses to the Consumer Advocate’s discovery requests issued  
16           and filed in this Docket.

17       **1. THE CONSUMER ADVOCATE’S REVIEW OF THE COMPANY’S FILING**

18   **Q7.    CAN YOU PROVIDE A BRIEF DISCUSSION OF THE OVERALL PURPOSE OF**  
19       **THE ARM AND THE RELIEF THE COMPANY IS REQUESTING FROM THE**  
20       **COMMISSION?**

21   A7.    Yes, the ARM allows the Company to annually adjust its rates outside of a typical rate case  
22           proceeding. The design of the ARM was agreed to in a stipulation and settlement  
23           agreement between the Consumer Advocate, the Company, Commission Staff as a Party,

and the Chattanooga Regional Manufacturers' Association in TPUC Docket No. 19-00047.<sup>1</sup> This stipulation and settlement agreement was subsequently incorporated into the Commission's Order in the same docket.<sup>2</sup> Shown below, in Table 1, are the rate adjustments approved by the Commission since the ARM was instituted in TPUC Docket No. 19-00047.

<b>Table 1 - Prior ARM Approvals</b>		
<b>Docket Number</b>	<b>Approved Increase</b>	<b>Rate Cap Increase</b>
20-00049	\$4,758,576	N/A
21-00048	11,545,439	\$6,800,000
22-00032	7,911,764	6,800,000
23-00029	11,936,563	6,800,000

**Q8. HOW MUCH OF AN ARM ADJUSTMENT HAS THE COMPANY REQUESTED IN THIS DOCKET?**

A8. In the current Docket, the Company has requested a revenue adjustment of \$8,422,852.<sup>3</sup> This revenue adjustment represents the 5<sup>th</sup> ARM filing made by the Company.

**Q9. HOW IS THE COMPANY'S \$8,422,852 RATE ADJUSTMENT CALCULATED?**

A9. The Company's proposed rate adjustment is calculated in accordance with the methodologies and terms from the Commission Order in TPUC Docket No. 19-00047. Below, in Table 2, is a summary of the current ARM proposal along with the revenue deficiencies approved by the Commission in the Company's prior ARM filings.

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<sup>1</sup> *Stipulation and Settlement Agreement by and Among Chattanooga Gas Company, the Consumer Advocate Unit of the Attorney General, the Chattanooga Regional Manufacturer's Association, and Party Staff*, TPUC Docket No. 19-00047 (July 26, 2019).

<sup>2</sup> *Order Approving Settlement Agreement*, TPUC Docket No. 19-00047 (October 7, 2019).

<sup>3</sup> *Direct Testimony of Tiffani Weems, File <2024-04-18z CGC Weems Exhibit TW-1>, Tab "Schedule 1"*, TPUC Docket No. 24-00024 (April 19, 2024).

<b>Table 2 - ARM Revenue Deficiency Calculations</b>					
<b>Item</b>	<b>20-00049 ARM Filing</b>	<b>21-00048 ARM Filing</b>	<b>22-00032 ARM Filing</b>	<b>23-00029 ARM Filing</b>	<b>24-00024 ARM Filing</b>
Rate Base	\$163,379,679	\$190,129,250	\$210,018,272	\$246,518,095	\$275,666,786
Operating Income at Present Rates	8,096,435	4,962,492	9,075,381	8,700,152	13,368,601
Earned Rate of Return	4.96%	2.61%	4.32%	3.53%	4.85%
Fair Rate of Return	7.12%	7.12%	7.12%	7.12%	7.12%
Required Operating Income	11,628,714	13,532,641	14,948,263	17,546,174	19,620,862
Operating Income Deficiency	3,532,279	8,570,149	5,872,882	8,846,022	6,252,261
Gross Revenue Conversion Factor	1.347169	1.347169	1.347169	1.347169	1.347169
<b>Revenue Deficiency</b>	<b>\$4,758,576</b>	<b>\$11,545,439</b>	<b>\$7,911,764</b>	<b>\$11,917,087</b>	<b>\$8,422,852</b>

**Q10. HAVE YOU REVIEWED THE CALCULATIONS SUPPORTING THE REVISED ARM FILING?**

A10. Yes. I reviewed the Company's filing. I also prepared discovery requests for supplemental supporting information that was not contained in the original filing.

**Q11. WHAT WERE THE RESULTS OF YOUR REVIEW?**

A11. Overall, I found that the Company's revised filing appropriately reflected the actual revenues, expenses, and net investment recorded on the Company's books and ledgers. Likewise, I also found that the reconciliation generally reflected the methodologies established in TPUC Docket Nos. 19-00047 and 23-00029. However, I am proposing multiple adjustments to Operations & Maintenance Expense ("O&M Expense") totaling \$45,953.

<b>Table 3 - Consumer Advocate O&amp;M Adjustments</b>			
<b>O&amp;M Expense</b>	<b>Company Request</b>	<b>Adjustment</b>	<b>Consumer Advocate</b>
A&G Salaries	\$ 3,973,520	\$ (7,059)	\$ 3,966,461
Office Admin. & Supply	97,112	\$ 222,892	320,004
Outside Services	2,850,656	\$ (16,727)	2,833,929
Health & Other Benefits	1,021,254	\$ (153,153)	868,101
<b>Total</b>	<b>\$ 7,942,542</b>	<b>\$ 45,953</b>	<b>\$ 7,988,495</b>

Specific detail leading to these adjustments will be discussed later in my testimony.

**Q12. HOW DOES THE \$45,953 INCREASE IN O&M EXPENSES IMPACT THE REVENUE DEFICIENCY CALCULATION?**

A12. The Consumer Advocate's proposed adjustments of \$45,953 to O&M Expenses increases the revenue deficiency to \$8,468,579. Below, in Table 4, is a comparison of the Consumer Advocate's and the Company's proposed revenue deficiencies.

<b>Table 4 - Revenue Deficiency Comparison</b>		
<b>Item</b>	<b>CGC ARM Filing</b>	<b>CA Calculation</b>
Rate Base	\$ 275,666,786	\$ 275,666,786
Operating Income at Present Rates	13,368,601	13,334,658
Earned Rate of Return	4.85%	4.84%
Fair Rate of Return	7.12%	7.12%
Required Operating Income	19,620,862	19,620,862
Operating Income Deficiency	6,252,261	6,286,204
Gross Revenue Conversion Factor	1.3472	1.3472
<b>Revenue Deficiency</b>	<b>\$ 8,422,852</b>	<b>\$ 8,468,579</b>

**Q13. HAS THE COMPANY LIMITED THE REVENUE INCREASE IN THIS DOCKET?**

A13. Yes, as approved in TPUC Docket No. 21-00048 the Commission approved a voluntary four-year annual rate cap of \$6.8 million from the Company's ARM filings.<sup>4</sup> As a result, the Company has limited the revenue increase in this Docket to \$6.8 million instead of the revised \$8,422,852 calculated amount.<sup>5</sup> I will discuss my recommendation regarding the allocation of the revenue deficiency in Section 3 beginning on page 9 of my testimony.

**2. CONSUMER ADVOCATE'S REGULATORY AND ACCOUNTING ADJUSTMENTS**

<sup>4</sup> Order Approving Settlement Agreement on Chattanooga Gas Company's 2020 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6), p. 14, TPUC Docket No. 21-00048 (November 1, 2021).

<sup>5</sup> Direct Testimony of Tiffani Weems at 12:15 – 21, TPUC Docket No. 24-00024 (April 19, 2024).

**Q14. WHAT IS YOUR FIRST RECOMMENDATION REGARDING ACCOUNTING ADJUSTMENTS?**

A14. My first recommendation is regarding removal of Diversity, Equity, and Inclusion (“DEI”) charges identified by the Company in response to Consumer Advocate DR No. 2-5, shown below.

<b>ASC1413 Office Diversity &amp; Inclusion</b>	
<b>Allocated Transaction</b>	
40810020	553
92000000	7,059
92100000	399
92300000	1,434
92600020	15
92600155	367
92600210	247
92600305	761
92600420	(1)
<b>ASC1413 Office Diversity &amp; Inclusion Tot</b>	<b>10,833</b>

The result of this adjustment is \$-10,300 to O&M Expense, this adjustment pertains to multiple accounts.

**Q15. WHAT IS YOUR RATIONALE FOR THIS ADJUSTMENT?**

A15. While the Consumer Advocate is not opposing this particular DEI initiative, it does not believe these costs should be borne by ratepayers. Instead, the Consumer Advocate believes that these costs should be the burden of shareholders as they do not directly relate to the provision of natural gas service.

**Q16. WHAT IS YOUR SECOND RECOMMENDATION REGARDING ACCOUNTING ADJUSTMENTS?**

A16. My second recommendation removes approximately \$5,600 in sponsorship costs recorded to account 921 – Office Supplies.

**Q17. WHAT IS YOUR RATIONALE FOR THIS ADJUSTMENT?**

A17. Generally speaking, sponsorships are considered charitable giving. Costs relating to charitable giving should be borne by the Company's shareholders not the consumers of their services. Additionally, sponsorships generate goodwill for the Company which provide them a benefit from entering into them. Therefore, I recommend removal of these costs from the calculated revenue deficiency.

**Q18. WHAT IS YOUR THIRD RECOMMENDATION REGARDING ACCOUNTING ADJUSTMENTS?**

A18. My third recommendation is regarding allocated charges from other Southern Company entities to the Company. Specifically, my recommendation concerns charges from the Company's affiliates that do not provide natural gas service. As shown below in Table 6 there was \$16,727 charged from electric and nuclear affiliates.

<b>Table 6 - Allocated Charges</b>		
<b>Charging Company</b>	<b>Account</b>	<b>Allocations</b>
Alabama Power Company	923	\$ 16,035
Mississippi Power Company	923	343
Southern Nuclear Operating Company	923	349
<b>Total</b>		<b>\$ 16,727</b>

**Q19. HAS THE COMPANY PROVIDED ANY RATIONALE FOR RECOVERY OF THESE CHARGES?**

A19. Yes, in response to Consumer Advocate DR No. 2-19 the Company stated the following:

“a. Costs originating from Alabama Power Company (APC), Mississippi Power Company (MPC), and Southern Nuclear Operations (SNC) are charged to Southern Company Service (SCS) projects then allocated using allocation methodologies consistent with the service agreement. APC, MPC, and SNC supports the companywide network management and infrastructure services.”



1 Additionally, the Company stated in subsection (d) of this same discovery response that  
2 these costs were allocated from SCS to GAS in accordance with the Company's Cost  
3 Allocation Manual ("CAM") Section III, Part B, subsection (3), Distributed and Allocated.

4 **Q20. WHAT DOES THE COMPANY'S CAM STATE REGARDING THESE**  
5 **ALLOCATIONS?**

6 A20. \*\*Confidential Answer.

7 **Q21. WHY DO YOU BELIEVE THESE CHARGES SHOULD BE REMOVED?**

8 A21. \*\*Confidential Answer. The Company has not supplied sufficient information or  
9 reasoning that these charges directly relate to the provision of natural gas service.

10 \*\*Confidential Answer.

11 **Q22. WHAT IS YOUR FOURTH RECOMMENDED ACCOUNTING ADJUSTMENT?**

12 A22. My fourth recommendation is regarding relocation expenses as shown in Company  
13 schedule < 2024-04-16 Schedule 35.23 Relocation Expenses\_12942935\_1>. As shown in  
14 this schedule, the Company is requesting recovery of \$152,146 of these expenses that were  
15 recorded to account 9260038 – Empl P&B-Ben-Oth Empl.

16 **Q23. WHY DO YOU RECOMMEND REMOVAL OF THESE COSTS?**

17 A23. \*\*Confidential Answer. It is my opinion that such benefits should be incurred prudently  
18 and should be instead borne by the Company's shareholders.

19 **Q24. WHAT IS YOUR FIFTH RECOMMENDED ACCOUNTING ADJUSTMENT?**

20 A24. My fifth recommendation is regarding lobbying costs removed from the cost of service. In  
21 response to Consumer Advocate DR No. 2-1 the Company "determined that the formula  
22 on Schedule 7.1 is incorrectly doubling the adjustment. This correction will result in an

1 increase to the deficiency and rate reset by approximately \$228K.”<sup>6</sup> I am in agreement  
2 with the Company regarding this adjustment.

3 **3. CONSUMER ADVOCATE’S PROPOSED RATE DESIGN FOR THE ARM**  
4 **REVENUE DEFICIENCY**

5 **Q25. HOW HAS THE COMPANY PROPOSED TO ALLOCATE THE \$6.8 MILLION**  
6 **REVENUE DEFICIENCY TO THE DIFFERENT CUSTOMER CLASSES?**

7 A25. As discussed in the Direct Testimony of Ashley Vette, the Company is proposing to  
8 allocate the \$6.8 million revenue deficiency on an equal percentage basis. Additionally,  
9 the Company has proposed to limit the rate increase for its special contract customer,  
10 Kordsa, Inc., to 5%.<sup>7</sup> The Company is proposing no rate increase to special contract  
11 customer, Volkswagen.<sup>8</sup> This is the same approach taken by the Company in its prior ARM  
12 filings in TPUC Docket Nos. 22-00032<sup>9</sup> and 23-00029.<sup>10</sup> The calculation of the  
13 Company’s proposed allocation of the revenue deficiency is presented below.

14  
15  
16  
17  
18  
19  
20 [Intentionally Blank, Table on Next Page]

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6 See Company’s Response to CA DR No. 2-1, TPUC Docket No. 24-00024 (June 4, 2024).

7 Direct Testimony of Ashley Vette at 3:4-7, TPUC Docket No. 24-00024 (April 19, 2024).

8 Id. at 3:7-11.

9 Order Approving Chattanooga Gas Company’s 2021 Annual Rate Review Filing Pursuant to Tenn. Code  
Ann. § 65-5-103(d)(6), p. 14, TPUC Docket No. 22-00032 (October 28, 2022).

<sup>10</sup> Direct Testimony of Ashley Vette at 3:1-7, TPUC Docket No. 23-00029 (April 20, 2023); Direct  
Testimony of Archie Hickerson at 4:12-16, TPUC Docket No. 22-00032 (April 20, 2022).

<b>Table 7 - Company Proposed Revenue Allocation</b>			
<b>Rate Schedule</b>	<b>Normalized Revenue</b>	<b>Percentage Increase</b>	<b>Revenue Increase</b>
Residential R1	\$23,998,970	12.78%	\$3,067,139
Multi-Family R4	44,046	12.78%	5,629
Commercial C1	5,601,427	12.78%	715,879
Commercial C2	14,046,071	12.78%	1,795,130
Industrial F1/T2	4,074,220	12.78%	520,698
Industrial I1	0	12.78%	0
Industrial T1	1,568,118	12.78%	200,410
Industrial F1/T2/T2	2,110,692	12.78%	269,753
Industrial T3	1,686,682	12.78%	215,563
Contract-VW	86,516	0.00%	0
Contract-Kordsa	195,974	5.00%	9,799
<b>Total</b>	<b>\$53,412,716</b>	<b>12.75%</b>	<b>\$6,800,000</b>

I recommend approval of the Company's proposal, as shown above in Table 7, as it is consistent with prior Commission decisions.

**Q26. DO YOU HAVE ANY COMMENTS ON THE FINANCIALS PROVIDED IN THIS YEAR'S FILING?**

A26. Yes, this is the first year of full financials with the new accounting system that was implemented during 2022. The level of detail provided with this change has produced a very large dataset which can prove difficult to audit in the short 120 days that Tenn. Code Ann. §65-5-103(d)(6) allows for. However, it appears that the Company has made strides to increase the detail and visibility of the charges incurred and made multiple efforts to either highlight extraordinary items or to note non-recurring charges.

**Q27. DO YOU HAVE ANY OTHER COMMENTS?**

A27. Yes. While I have not quantified any adjustment, I would like to note concern with the increase in the average cost of installed service lines in 2023. As shown in the table below, installed costs of service lines have increased 170% since 2021. Service lines are a

significant portion of the Company's annual capital expenditures. This cost metric should be examined closely in the Company's next ARM filing to understand what steps have been taken to control costs.

	Services (cost per service line)			
	2020	2021	2022	2023
New Business	\$1,076	\$1,161	\$1,708	\$2,952
Replacement	\$5,394	\$3,670	\$5,236	\$5,146
Total	\$1,255	\$1,210	\$1,865	\$3,274

**Q28. DOES THIS COMPLETE YOUR TESTIMONY?**

A28. Yes. However, I reserve the right to incorporate any new information that may subsequently become available.

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

**IN RE:**

**CHATTANOOGA GAS COMPANY'S  
PETITION FOR APPROVAL OF ITS  
2023 ANNUAL RATE REVIEW FILING  
PURSUANT TO TENN. CODE ANN. §  
65-5-103(d)(6)**

**DOCKET NO. 24-00024**

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**AFFIDAVIT**

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I, Alex Bradley, on behalf of the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

Alex Bradley  
**ALEX BRADLEY**

Sworn to and subscribed before me  
this 17 day of June, 2024.

Jerra Allen

**NOTARY PUBLIC**

My commission expires: 1/31/2027.



**CHATTANOOGA GAS COMPANY**  
**INDEX TO SCHEDULES**  
For the 12 Months Ending December 31, 2023

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**CHATTANOOGA GAS COMPANY**  
Results of Operations  
For the 12 Months Ending December 31, 2023

Line No.		<b>CGC Filing</b>	<b>A/</b>	<b>Adjustments</b>	<b>Consumer Advocate</b>	
1	Rate Base	\$ 275,666,786		\$ 0	\$ 275,666,786	B/
2	Operating Income At Current Rates	13,368,601		-33,943	13,334,658	C/
3	Earned Rate Of Return	4.85%		-0.01%	4.84%	
4	Fair Rate Of Return	7.12%		7.12%	7.12%	D/
5	Required Operating Income	19,620,862		0	19,620,862	
6	Operating Income Deficiency (Surplus)	6,252,261		33,943	6,286,204	
7	Gross Revenue Conversion Factor	<u>1.347169</u>		<u>1.347169</u>	<u>1.347169</u>	E/
8	<b>Revenue Deficiency (Surplus)</b>	<b>\$ <u>8,422,852</u></b>		<b>\$ <u>45,727</u></b>	<b>\$ <u>8,468,579</u></b>	

A/ CGC Weems Exhibit TW-1, Schedule 1.  
B/ Schedule 2.  
C/ Schedule 5.  
D/ Schedule 9.  
E/ Schedule 10.

**CHATTANOOGA GAS COMPANY**  
Average Rate Base  
For the 12 Months Ending December 31, 2023

Line No.		<u>CGC Filing</u>	<u>A/</u>	<u>Adjustments</u>	<u>Consumer Advocate</u>
	<b>Additions:</b>				
1	Utility Plant in Service	\$ 427,320,122		\$ 0	\$ 427,320,122
2	Construction Work in Progress	37,648,877		0	37,648,877
3	Deferred LNG Maintenance (Net of ADIT)	85,661		0	85,661
4	Incremental ARM Reg Asset (Net of ADIT)	0		0	0
5	Materials & Supplies	505,337		0	505,337
6	Prepayments	7,542		0	7,542
7	Gas Inventory	12,625,247		0	12,625,247
8	Deferred Rate Case Expense	110,816		0	110,816
9	Working Capital	1,022,257		0	1,022,257
10	Unamortized ARM Reconciliation Balance	5,742,323		0	5,742,323
11	Deferred Pension Contribution	99,142		0	99,142
12	<b>Total Additions</b>	<b>\$ 485,167,324</b>		<b>\$ 0</b>	<b>\$ 485,167,324</b>
	<b>Deductions:</b>				
13	Removal of Non-Allocable Net AGSC Plant	\$ 1,315,965	\$	0	\$ 1,315,965
14	Accumulated Depreciation	156,442,616		0	156,442,616
15	Accumulated Deferred Income Taxes	30,260,917		0	30,260,917
16	Regulatory Liability - Excess Deferrals	17,431,356		0	17,431,356
17	Deferred Income Tax - ARM Reconciliation Balance	1,500,756		0	1,500,756
18	Customer Advances for Construction	0		0	0
19	Reserve for Uncollectibles	422,819		0	422,819
20	Reserve for Health Insurance	57,166		0	57,166
21	Other Reserves	51,580		0	51,580
22	Customer Deposits	1,977,988		0	1,977,988
23	Accrued Interest on Customer Deposits	39,375		0	39,375
24	<b>Total Deductions</b>	<b>\$ 209,500,538</b>		<b>\$ 0</b>	<b>\$ 209,500,538</b>
25	<b>Rate Base</b>	<b>\$ 275,666,786</b>		<b>\$ 0</b>	<b>\$ 275,666,786</b>

A/ CGC Weems Exhibit TW-1, Schedule 2.

B/ Schedule 3.  
Consumer Advocate Workpapers.



**CHATTANOOGA GAS COMPANY**  
Lead Lag Results  
For the 12 Months Ending December 31, 2023

Line No.		CGC Filing	A/	Adjustments	Consumer Advocate
1	Revenue Lag	43.76		0.00	43.76
2	Expense Lag	36.35		0.00	36.35
3	Net Lag	7.41		0.00	7.41
4	Daily Cost of Service	\$ 260,580		\$ 0	260,580
5	<b>Lead Lag Study</b>	\$ 1,929,988		\$ 0	1,929,988
6	Tax Collections Withheld	-907,732		0	-907,732
8	<b>Net Cash Working Capital Provided</b>	\$ 1,022,256		\$ 0	1,022,256

A/ CGC Weems Exhibit TW-1, Schedule 3.

B/ Schedule 4.

Public Version

**CHATTANOOGA GAS COMPANY**  
Working Capital Expense Lag  
For the 12 Months Ending December 31, 2023

Line No.		Amount	A/	Lag	A/	Dollar Days
	<b>Operating &amp; Maintenance Expenses:</b>					
1	Purchased Gas Expense	\$ 49,112,084		40.94		\$ 2,010,648,719
2	O&M Labor	5,998,073		14.01		84,033,003
3	Pension Expense	22,144		0.00		0
4	Post-Retirement Benefits Other Than Pension	73,068		0.00		0
5	Miscellaneous Employee Benefits	-276,655		4.47		-1,236,648
6	401K Benefits	325,105		12.07		3,924,017
7	Health/Life Insurance Expense	901,929		8.98		8,099,322
8	Allocated Cost	6,746,479		21.94		148,017,749
9	Uncollectible Expense	305,569		43.76		13,371,699
10	Other Operating Expense	6,591,948		31.49		207,580,443
	<b>Taxes:</b>					
11	Taxes Other Than Income Tax	4,135,272		171.16		707,793,156
12	State Income Tax - Current	471,388		37.88		17,856,177
13	State Income Tax Deferred	771,594		0.00		0
14	Federal Income Tax - Current	1,410,753		37.88		53,439,324
15	Federal Income Tax - Deferred	1,903,596		0.00		0
	<b>Other:</b>					
16	Depreciation Expense	11,121,091		0.00		0
17	Interest on Customer Deposits	88,149		0.00		0
18	Interest Expense - Short Term Debt	447,400		-51.36		-22,978,464
19	Interest Expense - Long Term Debt	4,962,686		45.76		227,092,511
20	<b>Total Working Capital Requirement</b>	<b>\$ 95,111,673</b>		<b>36.35</b>		<b>\$ 3,457,641,009</b>
21	<b>Daily Working Capital Requirement</b>	<b>\$ 260,580</b>				
22	Return on Equity	13,588,429				
23	<b>Total Cost of Service</b>	<b>\$ 108,700,102</b>				
24	<b>Consumer Advocate Calculations</b>	<b>\$ 260,580</b>	<b>B/</b>	<b>36.35</b>	<b>B/</b>	

A/ CGC Weems Exhibit TW-1, Schedule 4 (Reset).

**CHATTANOOGA GAS COMPANY**  
Income Statement at Current Rates  
For the 12 Months Ending December 31, 2023

Line No.		CGC Filing	A/	Adjustments	Consumer Advocate
	<b>Operating Revenues:</b>				
1	Gas Sales & Transportation Revenues	\$ 108,987,051		\$ 0	\$ 108,987,051
2	AFUDC - Interest	536,517		0	536,517
3	AFUDC - Equity	801,458		0	801,458
4	Other Revenues	1,202,877		0	1,202,877
5	<b>Total Operating Revenue</b>	<b>\$ 111,527,903</b>		<b>\$ 0</b>	<b>\$ 111,527,903</b>
	<b>Operating &amp; Maintenance Expenses:</b>				
6	Purchased Gas Expense	\$ 49,112,084		\$ 0	\$ 49,112,084
7	Operations & Maintenance - Labor	4,702,311		-735,850	3,966,461 B/
8	Operations & Maintenance - NonLabor	15,985,349		781,803	16,767,152 B/
9	<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$ 69,799,744</b>		<b>\$ 45,953</b>	<b>\$ 69,845,697</b>
	<b>Other Expenses:</b>				
10	Depreciation Expense	\$ 11,121,091		\$ 0	\$ 11,121,091 D/
11	Amortization - ARM Reconciliation Balance	11,484,646		0	11,484,646
12	Interest on Customer Deposits	88,149		0	88,149
13	General Taxes	4,135,272		0	4,135,272
14	State Excise Taxes	490,158		-2,987	487,171
15	Federal Income Taxes	1,040,242		-9,023	1,031,219
16	<b>Total Other Expenses</b>	<b>\$ 28,359,558</b>		<b>\$ -12,010</b>	<b>\$ 28,347,548</b>
17	<b>Total Operating Expenses</b>	<b>\$ 98,159,302</b>		<b>\$ 33,943</b>	<b>\$ 98,193,245</b>
18	<b>Utility Operating Income</b>	<b>\$ 13,368,601</b>		<b>\$ -33,943</b>	<b>\$ 13,334,658</b>

A/ CGC Weems Exhibit TW-1, Schedule 5.

B/ Schedule 6.

**CHATTANOOGA GAS COMPANY**  
Comparative O&M Expense Summary  
For the 12 Months Ending December 31, 2023

Line No.	Expense	CGC Filing	A/ Adjustments	B/ Consumer Advocate
1	LNG Expenses	\$ 1,091,659	\$ 0	\$ 1,091,659
2	Customer Account Expenses	652,452	0	652,452
3	Administrative & General Salaries	3,973,520	-7,059	3,966,461
4	Office Administration & Supply	97,112	222,892	320,004
5	Outside Services	2,850,656	-16,727	2,833,929
6	Property Insurance	240,535	0	240,535
7	Injuries & Damages	67,341	0	67,341
8	Employee Pension & Benefits	-192,231	0	-192,231
9	Health & Other Benefits	1,021,254	-153,153	868,101
10	Franchise & Regulatory	267,427	0	267,427
11	Miscellaneous	244,984	0	244,984
12	Rents	417,139	0	417,139
13	Administrative & General, Maint	574,162	0	574,162
14	Pension & OPEB	303,992	0	303,992
15	Customer Service & Informational	1,249,689	0	1,249,689
16	Sales	116,701	0	116,701
17	Amortization of Cloud Software	126,325	0	126,325
18	Other Power Generation	-22	0	-22
19	Distribution O&M - Electric	126	0	126
20	Transmission O&M - Gas	514,802	0	514,802
21	Distribution O&M - Gas	6,228,576	0	6,228,576
22	Underground Storage	465	0	465
23	Other Storage	840,998	0	840,998
24	Gain/Loss on Disposition, Net	-2	0	-2
25	<b>Total O&amp;M Expense</b>	<b>\$ 20,687,661</b>	<b>\$ 45,953</b>	<b>\$ 20,733,613</b>

**A/** CGC Weems Exhibit TW-1, Schedule 7.

**B/** Consumer Advocate Exhibit AB-1.

**CHATTANOOGA GAS COMPANY**  
Taxes Other than Income Taxes  
For the 12 Months Ending December 31, 2023

Line No.		CGC Filing	A/	Adjustments	C/	Consumer Advocate
1	Property Taxes	\$ 2,504,632		\$ 0		\$ 2,504,632
2	TPUC Inspection Fee	304,032		0		304,032
3	Payroll Taxes	524,832		0		524,832
4	Franchise Tax	105,800		0		105,800
5	Gross Receipts Tax	540,624		0		540,624
6	Allocated & Other Taxes	<u>155,352</u>		<u>0</u>		<u>155,352</u>
7	<b>Total</b>	<u><u>\$ 4,135,272</u></u>		<u><u>\$ 0</u></u>		<u><u>\$ 4,135,272</u></u>

**A/** CGC Weems Exhibit TW-1, Schedule 8.

**CHATTANOOGA GAS COMPANY**  
Excise and Income Taxes  
For the 12 Months Ending December 31, 2023

Line No.		CGC Filing	A/	Adjustments	Consumer Advocate
1	<b>Operating Revenues</b>	\$ <u>111,527,903</u>		\$ <u>0</u>	\$ <u>111,527,903</u>
	<b>Operating Expenses:</b>				
2	Purchased Gas Expense	\$ 49,112,084		\$ 0	\$ 49,112,084
3	O&M Expenses	20,687,660		45,953	20,733,613 B/
4	Depreciation Expense	11,121,091		0	11,121,091
5	Amortization - ARM Reconciliation Balance	11,484,646		0	11,484,646 B/
6	Interest on Customer Deposits	88,149		0	88,149
7	General Taxes	4,135,272		0	4,135,272
8	<b>Total Operating Expenses</b>	\$ <u>96,628,902</u>		\$ <u>45,953</u>	\$ <u>96,674,855</u>
	<b>NOI Before Excise and Income Taxes</b>	\$ <u>14,899,001</u>		\$ <u>-45,953</u>	\$ <u>14,853,048</u>
9	AFUDC - Equity	-801,458		0	-801,458
10	Interest Expense	-6,321,208		0	-6,321,208 C/
11	Permanent Tax Differences	42,722		0	42,722
12	<b>Net Income Before Income Taxes</b>	\$ <u>7,819,057</u>		\$ <u>-45,953</u>	\$ <u>7,773,104</u>
	<b>Tennessee Excise Tax Calculation:</b>				
13	Net Income Before Income Taxes	\$ 7,819,057		\$ -45,953	\$ 7,773,104
14	Excise Tax Rate	6.50%		6.50%	6.50%
15	<b>Excise Tax Expense</b>	\$ <u>508,239</u>		\$ <u>-2,987</u>	\$ <u>505,252</u>
16	Less After-Tax Excess Deferred Tax Liability Amortization	18,081		0	18,081
17	<b>Net Excise Tax Expense</b>	\$ <u>490,158</u>		\$ <u>-2,987</u>	\$ <u>487,171</u>
18	<b>Excise Tax - Current</b>	\$ <u>-281,436</u>		\$ <u>2,987</u>	\$ <u>-284,423</u>
19	<b>Excise Tax - Deferred</b>	\$ <u>771,594</u>		\$ <u>0</u>	\$ <u>771,594</u>
	<b>Federal Income Tax Calculation:</b>				
20	Net Income Before Income Taxes	\$ 7,819,057		\$ -45,953	\$ 7,773,104
21	Net Excise Tax Expense	490,158		-2,987	487,171
22	<b>Net Income Before Federal Income Tax</b>	\$ <u>7,328,899</u>		\$ <u>-42,966</u>	\$ <u>7,285,933</u>
23	FIT Rate	21.00%		21.00%	21.00%
24	<b>Federal Income Tax Expense</b>	\$ <u>1,539,069</u>		\$ <u>-9,023</u>	\$ <u>1,530,046</u>
25	Less After-Tax Excess Deferred Tax Liability Amortization	-498,827		0	-498,827
26	<b>Net Federal Income Tax Expense</b>	\$ <u>1,040,242</u>		\$ <u>-9,023</u>	\$ <u>1,031,219</u>
27	<b>Federal Income Tax - Current</b>	\$ <u>-863,354</u>		\$ <u>-9,023</u>	\$ <u>-872,377</u>
28	<b>Federal Income Tax - Deferred</b>	\$ <u>1,903,596</u>		\$ <u>0</u>	\$ <u>1,903,596</u>

A/ CGC Weems Exhibit TW-1, Schedule 9.

B/ Schedule 5.

C/ Schedule 9.

**CHATTANOOGA GAS COMPANY**  
Rate of Return Summary  
For the 12 Months Ending December 31, 2023

Line No.	Class of Capital	CGC		
		Percent of Total	Cost Rate	Weighted Cost Rate
1	CGC Short-Term Debt	6.30%	3.01%	0.19%
2	CGC Long-Term Debt	44.47%	4.73%	2.10%
3	Common Equity	49.23%	9.80%	4.82%
4	<b>Total</b>	<b>100.00%</b>		<b>7.12%</b>
		<b>CGC Revised Filing</b>	<b>A/</b>	<b>Consumer Advocate</b>
	<b>Interest Expense Short-Term Debt:</b>		<b>Adjustments</b>	
5	Rate Base	\$ 275,666,786	\$ 0	\$ 275,666,786
6	Short-Term Weighted Debt Cost	0.19%	0.19%	0.19%
7	<b>Short-Term Debt Interest Expense</b>	<b>\$ 522,747</b>	<b>\$ 0</b>	<b>\$ 522,747</b>
	<b>Interest Expense Long-Term Debt:</b>			
8	Rate Base	\$ 275,666,786	\$ 0	\$ 275,666,786
9	Long-Term Weighted Debt Cost	2.10%	2.10%	2.10%
10	<b>Long-Term Debt Interest Expense</b>	<b>\$ 5,798,461</b>	<b>\$ 0</b>	<b>\$ 5,798,461</b>
11	<b>Total Interest Expense</b>	<b>\$ 6,321,208</b>	<b>\$ 0</b>	<b>\$ 6,321,208</b>

**A/** CGC Weems Exhibit TW-1, Schedule 11.

**CHATTANOOGA GAS COMPANY**  
Revenue Conversion Factor  
For the 12 Months Ending December 31, 2023

Line No.		<u>Amount</u>	<u>Balance</u>	<u>A/</u>
1	Operating Revenues		1.000000	
2	Add: Forfeited Discounts	0.008796	<u>0.008796</u>	
3	Balance		1.008796	
4	Uncollectible Ratio	0.003825	<u>0.003858</u>	
5	Balance		1.004938	
6	State Excise Tax	0.065000	<u>0.065321</u>	
7	Balance		0.939617	
8	Federal Income Tax	0.210000	<u>0.197320</u>	
9	Balance		<u>0.742297</u>	
10	Revenue Conversion Factor (Line 1 / Line 9)		<u><u>1.347169</u></u>	

A/ CGC Weems Exhibit TW-1 (Updated 6-23-2023), Schedule 12.