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March 14, 2025

VIA ELECTRONIC MAIL AND FEDEX

Electronically Filed in TPUC Docket
Room on March 14, 2025 at 10:51 a.m.

Chairman David Jones
ATTN: Ectory Lawless, Docket and Records Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

25-00021

Re: Chattanooga Gas Company's Petition for Extension of its Pipe Replacement
Program

Dear Chairman Jones:

Enclosed is the Chattanooga Gas Company Petition for Extension of its Pipe Replacement
Program

Attached please find the following documents for filing:

1. Petition.
2. Direct Testimony of Ashley K. Vette.
3. Direct Testimony of Paul Leath.

In addition to this electronic filing, we will deliver by overnight carrier for delivery Monday
two hard copies of the Petition, testimonies and a check for the filing fee in this matter.

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

Sincerely,

Berger Singerman LLP



Floyd Self
Counsel for Chattanooga Gas Company

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

March 14, 2025

IN RE:)	
)	
CHATTANOOGA GAS COMPANY)	Docket No.
PETITION FOR EXTENSION OF)	
ITS PIPE REPLACEMENT)	<u>25-00021</u>
PROGRAM)	

**CHATTANOOGA GAS COMPANY
PETITION FOR EXTENSION OF ITS
PIPE REPLACEMENT PROGRAM**

Chattanooga Gas Company (“CGC” or “Company”), pursuant to Tennessee Code Annotated Section 65-5-103, Rules 1220-04-01-.01, 1220.04-01-.09, 1220-04-05-.47 and 1220-04-05-.48, and the Orders of the Tennessee Public Utility Commission (“TPUC” or “Commission”), hereby files its Petition for Extension of its natural gas Pipe Replacement Program (“PRP”). Specifically, CGC is seeking approval to extend the PRP approved by this Commission on June 2, 2021, by its *Order Approving Pipe Replacement Program* (“PRP Order”) in Docket No. 20-00131, by three additional years and continue to recover actual costs as they are incurred as part of the Company’s Annual Rate Review Mechanism¹ (“ARM”). To be clear, CGC by this Petition is ***not*** seeking an increase in the overall budget for the PRP or in the cost recovery method,

¹ CGC’s annual review mechanism was approved in Docket No. 19-00047 and the Commission’s *Order Approving Settlement Agreement*, issued October 7, 2019.

nor is this Petition seeking any cost recovery. Rather, external factors, including continued pressure on CGC's other capital investments that are necessary to support growth and reliability in its service territory, make extending the PRP by three additional years in the best interests of the Company's ratepayers. This extension will best ensure a balance between long-term safety and reliability with customer affordability. 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:

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II. PIPELINE REPLACEMENT PROGRAM BACKGROUND

5. The pipeline system used in the distribution of natural gas by CGC to its customers is the culmination of an extensive national pipeline network owned and operated by multiple entities that begins at the well head and ends at the customer's meter. This natural gas pipeline infrastructure is engineered to last for decades, and the long useful lives of this infrastructure are reflected in long depreciation schedules for most pipeline assets. This is especially important from a customer standpoint since most of the natural gas system is buried underground, and the cost of initially trenching or directionally boring to build out the system can be expensive, especially in established commercial and residential communities. Moreover, replacing aging pipeline systems can be more costly and complicated undertakings, especially since replacements should not unnecessarily interrupt service to customers or otherwise interfere with roadways and other utility infrastructure.

6. As pipeline networks have grown over the decades, the manufacturing processes and materials used for those pipelines have also evolved. Over time, this has meant a progression in pipeline materials. CGC's system reflects the use of different pipeline materials over time, from cast iron pipe that was utilized for much of the twentieth century, to various forms of uncoated steel pipe and later coated and cathodically protected steel, to different types of plastic pipe. CGC over the years has generally sought to use cost-effective and appropriate materials and technologies for the construction of its natural gas system.

7. At some point natural gas pipeline infrastructure must be replaced. The materials used in the pipe can naturally break down or decline with age. The interaction of the pipe with moisture and other underground elements, along with the effects of seasonal weather freezing and contractions, can have negative effects over time. Above ground impacts such as vibration caused by roadway or building construction, vehicle weight loading, and trenching or boring by other utilities installing or repairing underground facilities can also impose inadvertent stress or damage to pipes or their coatings. Modern materials and construction practices can prevent or mitigate many of these problems. Further, CGC participates in the Tennessee811 locate program, utilizes various public awareness programs to "call before you dig," and employs an extensive leak detection program all for the purpose of helping to protect and maintain the integrity of its natural gas pipe system.

8. Over the last 20 years, CGC has undertaken a significant effort to remove aging infrastructure from its system. Initially, CGC implemented a Bare Steel and Cast-Iron Replacement Program that removed and replaced the most at risk pipe in its system. Subsequently, in 2020, CGC in Docket 20-00131 filed a Petition for Approval of its Pipeline Replacement Program, seeking approval of its targeted plan to continue replacement of aging steel and plastic

pipeline infrastructure. More specifically, CGC sought approval to replace seventy-three miles of mains over seven years at an estimated cost of \$118 million, with the actual costs incurred each year to be recovered through the Company's ARM process. The Commission approved the request in the PRP Order on June 2, 2021.

III. REQUEST FOR EXTENSION

9. CGC began implementing the PRP in 2022. Unfortunately, some early year program investments were delayed due to numerous external factors, including supply chain issues, permitting issues, higher than anticipated relocation projects required by the Tennessee Department of Transportation and local authorities, and additional capital expenditures required to serve new growth and maintain system stability. As a result, CGC completed replacement of 24.8 miles of the total 73 miles from 2022-2024, with a total investment of approximately \$25.9 million of the \$118 million. CGC currently has budgeted to complete 7.6 miles in 2025 at an estimated cost of \$11 million.

10. To now complete the entire 73 miles within the original seven-year timeframe, CGC would need to accelerate the number of miles replaced each year, and concomitantly, its PRP investment. Without the requested extension, this accelerated construction schedule in 2026, 2027, and 2028 will place more than half of the new pipe in service in the next three years, at a cumulative estimated cost in excess of \$80 million (which is still within the original budget).

11. For customers, such a rapid pace of replacement would result in significantly higher rate impacts through 2028 versus what are projected if the PRP is extended for three additional years. Specifically, for the typical residential customer, when factoring in completion of the PRP in 2028 with other necessary capital projects, residential customer projected monthly bills would be higher by an additional \$0.75 in 2026, \$2.19 in 2027, and \$2.01 in 2028 than if the project is

extended the requested three additional years, through 2031.

12. It is imperative to state that while the pipe CGC proposed and intends to replace via the PRP may be more susceptible to premature leaking issues, this does not mean that CGC's system currently is in imminent danger or that the system is unsafe to operate. Customer safety always remains paramount. Rather, the replacement needs to continue to be done in a reasonable and responsible manner to help ensure the overall operational integrity of the system while ensuring safety, reliability, and affordability. CGC believes that extending the PRP the requested three additional years can be done consistent with operating a safe and reliable system. In the interim, CGC's leak detection program will continue surveying and, as always, CGC will timely address identified leaks as circumstances require and the Company will timely address any problematic pipe sections that require more immediate replacement.

13. It is also important to recognize that, despite serious inflationary pressures, CGC is not at this time anticipating an increase in the overall \$118 million cost budget of the PRP over the proposed 10-year life of the Program. While there have been significant supply chain and inflationary challenges these last five years, it is a testament to diligence and hard work of the entire CGC team that the Company estimates that the budget for this work will remain the same even as other projects have seen their costs rise.

14. Finally, in seeking authority to extend the PRP three additional years, CGC is not seeking approval for the recovery of any costs in this Petition. As is currently authorized, CGC shall address recovery of its actual costs each year in the annual ARM Docket proceeding.

15. In support of this Petition and the approval of CGC's PRP schedule and cost recovery, CGC is including as a part of its case the following direct testimony which is incorporated herein by reference:

- a. **Direct Testimony Witness Paul Leath, Regional Director of Operations, Chattanooga Gas.** Mr. Leath's testimony provides an overview of the case, the background on CGC's PRP, information regarding CGC's implementation of the PRP and associated early year investment challenges, and why CGC believes an extension is appropriate.
- b. **Direct Testimony and Exhibits Witness Ashley Vette, Manager-Rates and Tariff Administration, Southern Company Gas.** Ms. Vette's testimony addresses the projected rate impact of the PRP under the current seven-year implementation schedule and the proposed extension.

16. The information provided by CGC's witnesses through their testimony establishes the appropriateness of extending the seven-year PRP schedule by three additional years.

IV. CONCLUSION

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

1. The Commission approve a three-year extension of the PRP, through 2031; and
2. CGC be granted such other and/or further relief as may be warranted.

Respectfully submitted,



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