

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

**September 29, 2025**

**IN RE:** )  
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**CHATTANOOGA GAS COMPANY PETITION FOR** ) **DOCKET NO.**  
**APPROVAL OF ITS 2024 ANNUAL RATE REVIEW** ) **25-00028**  
**FILING PURSUANT TO ITS 2024 ANNUAL RATE** )  
**REVIEW FILING PURSUANT TO TENN. CODE** )  
**ANN. § 65-5-103 (d)(6)** )

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**ORDER APPROVING SETTLEMENT AGREEMENT REVISING  
CHATTANOOGA GAS COMPANY'S 2024 ANNUAL RATE REVIEW FILING  
UNDER TENN. CODE ANN. § 65-5-103 (d)(6)**

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This matter came before Chairman David F. Jones, Vice Chairman John Hie, Commissioner Herbert H. Hilliard, Commissioner Robin L. Morrison, and Commissioner David Crowell of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on August 18, 2025. The panel convened to consider the *Settlement Agreement* filed on July 23, 2025, by Chattanooga Gas Company (“CGC” or the “Company”) and the Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”) to resolve the *Chattanooga Gas Company’s Petition for Approval of its 2024 Annual Rate Review Filing* (“*Petition*”). In summary, the *Settlement Agreement* was approved.

**BACKGROUND**

In Docket No. 19-00047, the Commission approved a settlement agreement between CGC, the Consumer Advocate, the Chattanooga Regional Manufacturers Association (“CRMA”), and members of the Commission Staff participating as a Party, which established an annual rate review

mechanism (“ARRM”) for CGC, as authorized under Tenn. Code Ann. § 65-5-103(d)(6). The ARRM provides for annual rate reviews by the Commission instead of a full rate case. The first ARRM effective date was September 1, 2020; however, on April 8, 2020, CGC filed a request to establish a docket for the modified ARRM filing and to postpone its first annual filing until May 20, 2020, due to the emergency declared by Governor Bill Lee for the COVID-19 pandemic.

In Docket No. 20-00049, the Commission accepted the joint agreement correspondence of CGC and the Consumer Advocate concurring with the modified CGC rebuttal testimony and exhibits and the testimony of the Consumer Advocate. The Commission further acknowledged that the parties reserved their rights to take and advocate positions in CGC’s 2021 ARRM filing regarding: COVID-19 impacts on revenues and expenses; CGC’s Allowance for Funds Used During Construction (“AFUDC”); CGC’s Capital Works in Progress (“CWIP”); and inclusion of CGC’s legal expenses.<sup>1</sup>

On April 20, 2021, in Docket No. 21-00048, CGC filed the *Chattanooga Gas Company Petition for Approval of Its 2020 Annual Rate Review Filing*, in which the Company calculated a total revenue deficiency of \$11.8 million for the Historic Base Period of 2020 while adhering to the approved methodologies from Docket No. 19-00047.<sup>2</sup> Based on the sheer size of the needed revenues, the Company voluntarily proposed to limit the total rate increase in any of the next four years to a maximum amount of \$6.8 million.<sup>3</sup> Ultimately, a settlement was approved authorizing CGC’s 2020 ARRM with the following provisions: (1) a \$6.8 million voluntary annual rate cap; (2) the inclusion of any unrecovered revenue above the voluntary rate cap in ARRM Schedule 29;

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<sup>1</sup> *Id.* at 5-6.

<sup>2</sup> *In re: Chattanooga Gas Company Petition for Approval of Its 2020 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, Docket No. 21-00048, *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. 2 (November 1, 2021).

<sup>3</sup> *Id.* at 3.

(3) the use of a 1.4% depreciation rate for Steel Transmission Mains; (4) the restriction of applying interest only on customer deposits held more than six months; (5) the applicability of the prime lending rate to customer deposits; (6) clarification changes made to the T-3 Rate Schedule for Low Volume Transport customers; (7) a rate design that applied the rate increase on an equal percentage basis to all rate classes; and (8) the exclusion of Special Contract customers from the rate increase. The Commission approved a total rate adjustment of \$11,545,439, with CGC recovering \$6.8 million under a voluntary rate cap with an additional \$4,745,439 carried forward.<sup>4</sup>

In Docket No. 22-00032, the Commission approved a revised calculation of a revenue deficiency of \$7,911,764 for the calendar year 2021, subject to the Company's voluntary annual rate cap of \$6.8 million.<sup>5</sup> In addition, the Consumer Advocate, the Company, and the CRMA agreed to several customer notification improvements.<sup>6</sup> In Docket No. 23-00029, the Commission approved a revised calculation of a revenue deficiency of \$11,936,563, subject to the annual rate cap of \$6.8 million.<sup>7</sup> In Docket No. 24-00024, the Commission approved a settlement between the Consumer Advocate and the Company that agreed to a revenue deficiency of \$8,777,776, subject to the annual cap of \$6.8 million.<sup>8</sup>

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<sup>4</sup> *Id.* at 14-15.

<sup>5</sup> *In re: Chattanooga Gas Company Petition for Approval of Its 2021 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, Docket No. 22-00032, *Order Approving Chattanooga Gas Company's Revised 2021 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, pp. 16-17 (November 28, 2022).

<sup>6</sup> *Id.*

<sup>7</sup> *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, *Order Approving Settlement Agreement Revising Chattanooga Gas Company's 2022 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, p. 11 (October 6, 2023).

<sup>8</sup> *In re: Chattanooga Gas Company Petition for Approval of Its 2023 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, Docket No. 24-00024, *Order Approving Settlement Agreement Revising Chattanooga Gas Company's 2023 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, pp. 9-10 (January 16, 2025).

## PETITION

On April 19, 2025, CGC filed its *Petition*, asserting that for the 2024 Historic Base Period, the Company had a revenue deficiency of \$9,727,452, partially offset by the normalized forward-looking period's revenue surplus of \$6,425,143, as calculated according to the Commission-approved methodologies. The net of these revenue differences resulted in a total proposed rate adjustment of \$3,976,804.<sup>9</sup> For Special Contract customers, the Company proposed a 5% increase for Kordsa and no increase for Volkswagen.<sup>10</sup> The Company also indicated that it would no longer apply the voluntary rate cap of \$6.8 million on annual rate increases.<sup>11</sup>

In support of the *Petition*, Mr. Paul Leath submitted pre-filed direct testimony and provided an overview of the Company's filing, information on the economic growth in Hamilton and Bradley counties, and CGC's operational activities. The Company used actual data from calendar year 2024 to determine its actual revenue deficiency for the historical year. This historical deficiency, coupled with the CGC's rate reset, which normalizes and/or excludes certain costs, resulted in the Company's proposed net revenue deficiency of approximately \$4.0 million.<sup>12</sup>

Mr. Leath described the major capital projects completed or started in 2024. In addition to the Pipeline Replacement Program ("PRP"), the Company completed its liquid natural gas ("LNG") station replacement project in 2024 and completed the I-24 and I-75 interchange project.<sup>13</sup> According to Mr. Leath, there is approximately \$12.2 million in PRP expenditures in the 2025 ARRM filing.<sup>14</sup> The Company incurred costs of approximately \$3.1 million in 2023 related to nine Department of Transportation ("DOT") Projects. Mr. Leath testified that CGC's typical

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<sup>9</sup> *Petition*, p. 6 (April 21, 2025).

<sup>10</sup> Ashley K. Vette, Pre-Filed Direct Testimony, pp. 2-3 (April 21, 2025).

<sup>11</sup> Tiffini Weems, Pre-Filed Direct Testimony, p. 8 (April 21, 2025).

<sup>12</sup> Paul Leath, Pre-Filed Direct Testimony, p. 6 (April 21, 2025).

<sup>13</sup> *Id.* at 8.

<sup>14</sup> *Id.* at 9.

budget for DOT projects has been \$1 million annually. Because of the relatively high requirement in 2023, the Company budgeted \$1.7 million for 2024. However, during 2024, the Company again incurred DOT-related costs of \$3.1 million. According to Mr. Leath, since 2018, the Company has incurred DOT-related capital expenditures that have exceeded budget by \$5.1 million and have become a more significant component of the Company's annual capital expenditures.<sup>15</sup>

Ms. Tiffani Weems testified that the annual historic period reconciliation revenue deficiency was \$9,727,452 with a rate reset revenue surplus of \$6,425,143, resulting in a proposed net revenue deficiency of \$3,976,804.<sup>16</sup> Ms. Weems testified that the Company was no longer under the voluntary rate cap, which was effective for the 2020 through 2024 ARRM filings.<sup>17</sup>

Based on Ms. Weems' calculations, the Company's actual rate of return ("ROR") for its Historic Base Period was 4.8%. The difference between the authorized ROR of 7.12% and the actual ROR resulted in the aforementioned annual reconciliation shortfall of \$9,727,452. After applying carrying costs, the total deficiency was \$10,123,374. Ms. Weems testified that the rate reset ROR of 8.7% was higher than that authorized and resulted in a revenue sufficiency of \$6,425,143. After incorporating the 2024 Historic Base Period annual reconciliation balance, including the balance not recovered in the 2023 ARRM in excess of the \$6,800,000 cap and the rate reset, results in the proposed net revenue shortfall of \$3,976,804.

CGC included the federal income tax provisions of the Natural Gas Safe Harbor ("NGSH") rules that the Company adopted effective January 1, 2024.<sup>18</sup> The adoption of the NGSH rules resulted in a recharacterization of \$273,000 from protected excess deferred income tax ("EDIT") to unprotected EDIT on December 31, 2024. Ms. Weems testified that the Company has the

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<sup>15</sup> *Id.* at 10.

<sup>16</sup> Tiffani Weems, Pre-Filed Direct Testimony, p. 2 (April 21, 2025).

<sup>17</sup> *Id.* at 8.

<sup>18</sup> *Id.* at 11-12.

expectation it will be subject to the corporate alternative minimum tax (“AMT”) for its 2024 tax year.<sup>19</sup>

Ms. Weems stated that the Company discovered an oversight in the calculation of one of its allocation factors, which impacted the period from August 2022 through December 2022, as well as filings for 2023 and 2024. She testified that the impact on CGC for those periods was being evaluated, and any needed ratemaking adjustments would be included in CGC’s 2025 ARRM.<sup>20</sup>

Ms. Ashley K. Vette testified that other than CGC’s two contract customers, the proposed rate increase was allocated to each rate schedule on an equal percentage basis, which was approximately 5.9%. Ms. Vette calculated that the average monthly increase for a residential customer and a small commercial customer would be \$2.43 and \$5.15, respectively.<sup>21</sup>

### **POSITION OF THE CONSUMER ADVOCATE**

The Consumer Advocate sought intervention on May 7, 2025, and was the only party to intervene in the docket.<sup>22</sup> Pursuant to a procedural schedule, the Consumer Advocate and the Company engaged in discovery. On June 16, 2025, Mr. David Dittmore filed pre-filed testimony on behalf of the Consumer Advocate. Mr. Dittmore proposed four operating and maintenance (“O&M”) expense adjustments. The first adjustment removed \$6,958 of diversity, equity, and inclusion-related costs, which Mr. Dittmore testified were not required for the provision of natural gas services to customers.<sup>23</sup> The second adjustment removed expenses in the amount of \$8,573, related to initiatives the Company deemed confidential for purposes of this docket.<sup>24</sup> The third adjustment eliminated \$3,251 for undocumented membership costs and dues.<sup>25</sup> A fourth

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<sup>19</sup> *Id.* at 13.

<sup>20</sup> *Id.* at 14.

<sup>21</sup> Ashley K. Vette, Pre-Filed Direct Testimony, p. 4 (April 21, 2025).

<sup>22</sup> *Order Granting Petition to Intervene by the Consumer Advocate*, pp. 2-4 (June 2, 2025).

<sup>23</sup> David N. Dittmore, Pre-Filed Direct Testimony, p. 8 (June 16, 2025).

<sup>24</sup> *Id.* at 8-10.

<sup>25</sup> *Id.* at 12.

adjustment removed an amount designated confidential by the Company for additional dues and membership costs.<sup>26</sup>

Mr. Dittmore proposed two adjustments to rate base which, in his opinion, were necessary to properly identify the appropriate level of accumulated deferred income tax (“ADIT”). The first adjustment of \$82,453 was to reflect the elimination of components associated with long-term incentive compensation, which Mr. Dittmore stated was necessary to be consistent with operating expense adjustments.<sup>27</sup> The second adjustment reflected a normalization adjustment to the Company’s balance of its Net Operating Loss (“NOL”) asset included in rate base.<sup>28</sup> According to Mr. Dittmore, the Company was working on quantifying the NOL- related adjustment at the time of the filing of his pre-filed testimony.<sup>29</sup>

Mr. Clark D. Kaml filed testimony on behalf of the Consumer Advocate, which provided an overview of the results of previous CGC ARRM filings and rate increases. Mr. Kaml recommended that CGC provide the associated impacts by customer class regarding each class’s relative revenue contribution changes in each new ARRM filing.<sup>30</sup>

### **SUPPLEMENTAL TESTIMONY OF THE COMPANY**

On July 15, 2025, Ms. Weems filed supplemental testimony to support revisions in the Company’s calculations and a settlement agreement, which was expected to be filed on or before July 25, 2025.<sup>31</sup> In total, the agreed-upon settlement adjustments reduced the Company’s initially proposed revenue shortfall (\$3,976,804) by \$141,613 and resulted in a revised 2025 ARRM revenue deficiency of \$3,835,19 to be recovered from rates effective September 1, 2025.<sup>32</sup>

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<sup>26</sup> *Id.* at 13.

<sup>27</sup> *Id.* at 4.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at 7.

<sup>30</sup> Clark D. Kaml, Pre-Filed Direct Testimony, p. 14 (June 16, 2025).

<sup>31</sup> Tiffani Weems, Pre-Filed Supplemental Testimony, p. 1 (July 15, 2024).

<sup>32</sup> *Id.* at 3.

After making the three adjustments noted above, Ms. Vette testified that the revised average base rate increase for customers would be 5.7%. This resulted in an average monthly increase of \$2.34 for residential customers and \$4.96 for small commercial customers.<sup>33</sup>

### **SETTLEMENT AGREEMENT**

On July 23, 2025, the Parties filed the *Settlement Agreement* setting forth the terms that resolved all outstanding issues between them with updated exhibits. The Company made adjustments to ADIT of \$14,987; an adjustment to the NOL-related portion of ADIT of \$85,442; and an expenses reduction of \$41,184.<sup>34</sup> The *Settlement Agreement* outlined corrections and adjustments resulting in a total revenue rate adjustment of \$3,835,191.<sup>35</sup> With the exception of the Company's two special contract customers, Kordsa and Volkswagen, the \$3,835,191 million revenue shortfall will be recovered from each scheduled rate class on an equal percentage basis of approximately 5.7%.<sup>36</sup> Under the terms of the proposed rate design, special contract customer Kordsa will receive a 5.00% increase, while special contract customer Volkswagen will receive no increase.<sup>37</sup>

### **HEARING**

The Hearing on the *Settlement Agreement* was held before the panel assigned to this docket on August 18, 2025, as noticed by the Commission on August 8, 2025. Participating in the Hearing were:

Chattanooga Gas Company – Floyd R. Self, Esq., Berger Singerman, LLP, 313 North Monroe Street, Suite 301, Tallahassee, Florida, 32301; J.W. Luna, Esq., Butler Snow LLP, 150 3<sup>rd</sup> Ave. South, Suite 1600, Nashville, Tennessee 37201.

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<sup>33</sup> Ashley K. Vette, Pre-Filed Supplemental Testimony, p. 2 (July 15, 2025).

<sup>34</sup> *Settlement Agreement*, p. 5 (July 23, 2025).

<sup>35</sup> *Id.* at 5-6.

<sup>36</sup> Ashley K. Vette, Pre-Filed Supplemental Testimony, p. 1 (July 15, 2025).

<sup>37</sup> *Id.*

Ms. Tiffani Weems testified in support of the *Settlement Agreement*. During the hearing, members of the public were given an opportunity to offer comments, but none requested recognition to speak.

### **FINDINGS AND CONCLUSIONS**

Upon review of the evidentiary record, the panel voted unanimously to approve the *Settlement Agreement* filed by CGC and the Consumer Advocate on July 23, 2025, including the Parties' agreed-upon \$3,835,191 net revenue deficiency to be recovered through revised fixed and volumetric rates effective September 1, 2025. Further, the panel unanimously approved the rate design supported by both Parties and shown in the Company's Exhibit AV-4 and Schedules 17 and 17.1 of TW-3, all filed in support of the *Settlement Agreement* on July 15, 2025. The panel directed the Company to file revised tariff sheets that are consistent with the Commission's approval of the *Settlement Agreement*.

Finally, the panel found that CGC's ARRM allows for timely recovery of reasonable and prudent expenses while limiting more costly rate cases, which the Company might otherwise have to pursue to recover such expenditures. Further, the panel found that the Company's ARRM continues to be in the public interest.

### **IT IS THEREFORE ORDERED THAT:**

1. The *Settlement Agreement* filed on July 23, 2025, by Chattanooga Gas Company and the Consumer Advocate Division of the Office of the Attorney General is approved.

2. The revenue deficiency of \$3,835,191 shall be recovered in the rate design proposed in Chattanooga Gas Company's Supplemental Testimony filed by Tiffani Weems on July 15, 2025, including Exhibits AV-4 and TW-3.

3. Chattanooga Gas Company shall file revised tariffs reflecting the Commission's decision.

4. Any person aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen days from the date of this Order.

5. Any person aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty days from the date of this Order.

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

**Chairman David F. Jones,**

**Vice Chairman John Hie,**

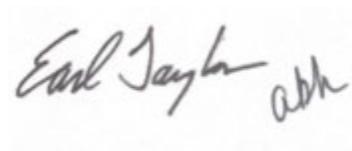
**Commissioner Herbert H. Hilliard,**

**Commissioner Robin L. Morrison, and**

**Commissioner David Crowell concurred.**

None dissented.

**ATTEST:**



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**Earl R. Taylor, Executive Director**