

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

IN RE:

**CHATTANOOGA GAS COMPANY
PETITION FOR APPROVAL OF ITS
2025 ANNUAL RATE REVIEW
FILING PURSUANT TO
TENN. CODE ANN. § 65-5-103(d)(6)**

Docket No. 25-00028

SETTLEMENT AGREEMENT

Chattanooga Gas Company (“Company” or “CGC”) and the Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”) (hereinafter, individually “Party” and collectively “Parties”) and in full and complete settlement of the matters at issue in this proceeding, do hereby jointly submit to the Tennessee Public Utility Commission (“Commission” or “TPUC”) for its approval this Settlement Agreement, along with its supporting exhibits, reflecting the following stipulations and agreement of the Parties:

I. BACKGROUND

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 wholly owned subsidiary of Southern Company Gas (“SGC”), a natural gas holding company that is the parent company of several regulated natural gas utilities in addition to CGC. CGC’s principal office and place of business is located at 2207 Olan Mills Drive, Chattanooga, Tennessee 37421.

2. 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.

3. In TPUC Docket No. 19-00047, the Company requested approval to opt into an alternative regulatory method as authorized by Tennessee Code Annotated Section 65-5-103(d)(1)(a). Specifically, CGC sought an annual review of rates process as authorized by Tennessee Code Annotated Section 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 that docket – the Consumer Advocate, the Chattanooga Regional Manufacturers' Association ("CRMA"), Party Staff, and CGC – ultimately negotiated a Settlement Agreement that modified CGC's originally proposed 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.

4. CGC's first annual review of rates for 2019 expenses and revenues was conducted in 2020 in TPUC Docket No. 20-00049, with the Consumer Advocate as the only intervenor. The Commission ultimately approved a settlement of all issues by its *Order Approving 2019 ARM Filing* issued on October 27, 2020 ("2020 ARM Order").

5. CGC's second annual review of rates for its 2020 expenses and revenues was conducted in 2021 in TPUC Docket No. 21-00048, with the Consumer Advocate as the only intervenor. The Commission ultimately approved a settlement of all issues by 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)*, issued on November 1, 2021 ("2021 ARM Order"). Based

on the 2021 ARM Order, CGC's revised recovery was approved with the rate recovery voluntarily limited to \$6.8 million annually through the 2024 ARM Docket filing, with the unrecovered recovery carried forward to the next ARM proceeding.

6. CGC's third annual review of rates for its 2021 expenses and revenues was conducted in 2022 in TPUC Docket No. 22-00032, with the Consumer Advocate and CRMA as the only intervenors. The Commission ultimately approved CGC's *Petition for Approval of Its 2021 Annual Rate Review Filing*, as revised, and certain other agreements reached by the parties by its *Order Approving Chattanooga Gas Company's 2021 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, issued on October 28, 2022 ("2022 ARM Order"). Based on the 2021 and 2022 ARM Orders, CGC's rate recovery was voluntarily limited to \$6.8 million, with the unrecovered recovery carried forward to the next ARM proceeding.

7. CGC's fourth annual review of rates for its 2022 expenses and revenues was conducted in 2023 in TPUC Docket No. 23-00029, with the Consumer Advocate as the only intervenor. 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 revised recovery pursuant to the settlement. Based on the 2021 through 2023 ARM Orders, CGC's rate recovery was voluntarily limited to \$6.8 million, with the unrecovered recovery carried forward to the next ARM proceeding.

8. CGC's fifth annual review of rates for its 2023 expenses and revenues was conducted in 2024 in TPUC Docket No. 24-00024, with the Consumer Advocate as the only intervenor. Through its *Order Approving Settlement Agreement Revising Chattanooga Gas Company's 2023 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, dated

January 16, 2025 (“2024 ARM Order”), the Commission approved CGC’s revised 2023 recovery. Based on the 2021 through 2024 ARM Orders, CGC’s rate recovery was voluntarily limited to \$6.8 million under the final year of the voluntary rate cap, with the unrecovered recovery carried forward to the next ARM proceeding.

9. On April 21, 2025, CGC filed a petition initiating this Docket for its sixth annual rate review rates to consider CGC’s 2024 Historic Base Period revenues and expenses pursuant to the 2019 ARM Order (“Petition”), which is the first year without the voluntary rate cap. In support of its Petition, CGC filed the schedules required by the 2019 ARM Order, 2020 ARM Order, 2021 ARM Order, 2022 ARM Order, 2023 ARM Order, and 2024 ARM Order, along with the direct testimony and supporting exhibits of its witnesses Paul Leath, Ashley Vette, and Tiffani Weems.

10. On May 7, 2025, the Consumer Advocate filed its *Petition to Intervene*, which was granted by the TPUC in an order dated June 2, 2025. The Consumer Advocate is the only intervenor of record in the Docket.

11. On June 16, 2025, the Consumer Advocate submitted direct expert testimony and supporting exhibits/workpapers from its expert witnesses, Clark D. Kaml and David N. Dittmore. Based upon the status of this Docket at that date, the Consumer Advocate testimony focused on its review and recommended adjustments to the ARM proposed in CGC’s filing.

12. CGC has responded to both formal and informal discovery requests from the Consumer Advocate, with the Parties’ witnesses and other representatives meeting multiple times by video conference to discuss the issues and documentation presented in the Docket. The Parties have also engaged in extensive settlement discussions in this matter and have resolved all issues raised by the Parties in this Docket. For the purpose of avoiding further litigation and resolving this proceeding upon acceptable terms, the Parties have agreed to the settlement terms set forth

below, subject to TPUC Approval, which the Parties jointly request.

II. SETTLEMENT SPECIFIC TERMS

13. Annual Reconciliation Revenue Requirement ("ARRR"). With its Petition and the Direct Testimony of Tiffani Weems, CGC provided Exhibit TW-1, which is CGC's ARM Model, an Excel workbook reflecting the numerous schedules associated with calculating the revenue deficiency and rate reset associated with the total annual reconciliation revenue requirement sought by CGC in this Docket. The original TW-1 ARM Model identified \$3,976,804 as the total ARRR sought to be recovered in this docket.

14. In response to discovery and adjustments in the ARRR identified by the Consumer Advocate, CGC informally provided a revised ARM Model Exhibit TW-1, identified as TW-3, to the Consumer Advocate on or about June 25, 2025, with the intent that it will be attached to the supplemental testimony of Tiffani Weems to be filed on July 15, 2025. Exhibit TW-3 incorporates the adjustments CGC and the Consumer Advocate have agreed to in response to matters raised by the Consumer Advocate through discovery and testimony. As set forth on Schedule 1, lines 20 through 24, the adjustment agreed to by the parties may be summarized as follows:

Adjustment #	Historic Base Period with Ratemaking Adjustments	Historic Base Period Normalized	Annual True-Up Revenue Requirement Rate Adjustment	Notes of Adjustments
1	(\$7,242)	(\$7,242)	(\$14,987)	Correction to data request CA 2-06 Adjustment to ADIT/Rate Base Sch 2A1 row 79 - Schedule 37.07b (updated)
2	(\$41,290)	(\$41,290)	(\$85,442)	Proforma ADIT/NOL Rate Base Adjustment to Sch 2A1 row 81
3	(\$19,902)	(\$19,902)	(\$41,184)	Agreed to Settlement Adjustments

15. The total of the agreed to adjustments is (\$141,613), which reduces the requested revenue rate adjustment, making a total agreed to ARRR of \$3,835,191, which the Parties stipulate

to and request that the Commission approve. The Parties agree that the amount to be recovered in rates effective September 1, 2025, is \$3,835,191; the actual rate recovery by rate class is presented on Schedule 17 of TW-3, with new rates presented in the revised rate schedules to be supported by Ashley Vette's supplemental testimony to be filed July 15, 2025.

16. Rate Design. The Parties have agreed to adopt the rate design proposed by CGC's witness, Ms. Ashley Vette, to implement new rates, which is to essentially allocate the rate increase to each Rate Schedule on an equal percentage basis, with exceptions for CGC's special contract customers, Kordsa and Volkswagen. Kordsa's rate increase is limited to five percent (5%). Volkswagen's rates will not be increased consistent with prior orders of the Commission. This is the same methodology approved in CGC's 2018 rate case in TPUC Docket No. 18-00017, by the *Amended Order* issued January 15, 2019, and the methodology used in each of the CGC ARM dockets thereafter.

III. SETTLEMENT GENERAL TERMS

17. All schedules, pre-filed testimony and exhibits, discovery responses, and other documents filed with the Commission in this Docket are requested to be admitted into evidence without objection, and the Parties waive their right to cross-examine all witnesses with respect to all such pre-filed testimony, exhibits, and schedules. In support of this Settlement Agreement, on July 15, 2025, CGC will file the supplemental testimony of Ms. Weems in support of the settlement and the final numbers reflected in TW-3, and the supplemental testimony of Ms. Vette reflecting the revised tariffs that reflect the rates necessary to recover the revenues by rate class that are presented in Schedule 17 of TW-3. If the Commission requires the presence of witnesses for the final hearing, and if the Commissioners desire to question any witness regarding their testimony or this settlement, any Party may present testimony and exhibits to respond to such questions and

may cross-examine any witnesses with respect to such testimony and exhibits.

18. The Parties agree to support this Settlement Agreement before the Commission and in any testimony, hearing, proposed order, or brief conducted or filed in this proceeding. The provisions of this Settlement Agreement reflect compromises and acceptance of actions, positions, or policies done solely for the purposes of settlement of this matter. The provisions in this Settlement Agreement do not necessarily reflect the positions asserted by any Party. None of the Parties to this Settlement Agreement shall be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle, including without limitation, any cost-of-service determination or cost-allocation or revenue-related methodology, except to the limited extent necessary to implement the provisions hereof.

19. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary to implement the provisions hereof, such as any new or updated schedules to be filed in future CGC ARM Docket proceedings. The Parties are free to take different positions in future proceedings as each Party deems appropriate for that proceeding, including the ability to advocate for new or revised schedules for future ARM Docket cases.

20. The Parties agree and request the Commission to order that the settlement of any issue pursuant to this Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the Commission or any court, state or federal except to the limited extent necessary to implement the provisions hereof.

21. The terms of this Settlement Agreement have resulted from extensive negotiations between the signatories, and the terms hereof are interdependent. The Parties jointly recommend that the Commission issue an order adopting this Settlement Agreement in its entirety without

modification.

22. If the Commission does not accept the settlement in whole, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that the Commission does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement will retain the right to terminate this Settlement Agreement by giving notice of the exercise of such right within ten (10) business days of the date of such non-approval; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised by, the Commission within the same time frame. Should this Settlement Agreement terminate, it would be considered void and have no binding precedential effect, and the signatories to this Settlement Agreement would reserve their rights to resume and advocate for their prior positions and to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

23. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should this Settlement Agreement be rejected by the Commission in whole or in part.

24. No provision of this Settlement Agreement shall be deemed an admission of any Party, and no provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this docket, except to the limited extent necessary to implement the provisions thereof.

25. The Parties agree that this Settlement Agreement constitutes the complete understanding between the Parties concerning the resolution of issues and matters under this TPUC Docket No. 25-00028, and any oral statements, representations, or agreements concerning such

issues and matters made prior to the execution of this Settlement Agreement have been merged into this Settlement Agreement.

26. All exhibits and schedules attached to or referenced in this Settlement Agreement are hereby incorporated by reference into this Settlement Agreement.

27. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy, and completeness of the information provided by CGC to the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

28. The acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of CGC's acts or practices.

29. Each signatory to this Settlement Agreement represents and warrants that it/he/she has informed, advised, and otherwise consulted with the Party for whom it/he/she signs regarding the contents and significance of this Settlement Agreement and has obtained authority to sign on behalf of such Party, and based upon those communications, each signatory represents and warrants that it/he/she is authorized to execute this Settlement Agreement on behalf of its/his/her respecting Party.

30. This Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, Tennessee choice of law rules notwithstanding.

31. Nothing herein limits or alters the sovereign immunity of the State of Tennessee or any of its entities or subdivisions.

32. The Parties agree that approval of the Settlement Agreement will become effective upon the oral decision of the Commission at a noticed, public Commission conference meeting.

The foregoing is agreed and stipulated to this 23rd day of July, 2025.

CHATTANOOGA GAS COMPANY

HAVE SEEN AND AGREED

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Joint Stipulation & Settlement Agreement