

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

**April 20, 2026**

**IN RE:** )  
**CHATTANOOGA GAS COMPANY'S** )  
**PETITION FOR APPROVAL OF ITS 2025** ) **DOCKET NO. 26- 00032**  
**ANNUAL RATE REVIEW FILING** )  
**PURSUAN TO TENN. CODE ANN.** )  
**§ 65-5-103(D)(6)**

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**DIRECT TESTIMONY  
OF  
PAUL LEATH**

**ON BEHALF OF  
CHATTANOOGA GAS COMPANY**

1 **I. WITNESS INTRODUCTION**

2 **Q. Please state your name, title, and business address.**

3 A. I am Paul Leath, Regional Director of Operations, Chattanooga Gas (“Company”  
4 or “CGC”). My business address is 2207 Olan Mills Drive, Chattanooga,  
5 Tennessee, 37421.

6 **Q. Is Chattanooga Gas a subsidiary of Southern Company Gas?**

7 A. Yes, it is a wholly owned subsidiary of Southern Company Gas, which is a wholly  
8 owned subsidiary of Southern Company. When Southern Company acquired  
9 CGC’s parent company AGL Resources in 2016, the name was changed to  
10 Southern Company Gas.

11 **Q. What are your duties and responsibilities as Regional Director of Operations  
12 for Chattanooga Gas?**

13 I am a resident of Chattanooga, and I am responsible for the day-to-day operation  
14 of the utility by the approximately 53 employees we currently have working in  
15 Bradley and Hamilton counties, including safety, construction and maintenance of  
16 the system, and regulatory compliance. Ultimately, it is my responsibility to help  
17 ensure that Chattanooga Gas meets our commitment to deliver safe, reliable, and  
18 affordable natural gas service to some 72,720 customers.

19 **Q. When did you assume this operational responsibility for Chattanooga Gas?**

20 A. I became the Regional Director of Operations in September of 2018.

21 **Q. Please summarize your professional career and education.**

22 A. I have lived and worked in Chattanooga since moving here in July 2012 when I  
23 became the Director of External and Regulatory Affairs for CGC, the position I

1 held until assuming my current position. I began my professional career in the  
2 United States Army after graduating from Loyola University Maryland in May  
3 1989 with a BBA in Finance. During my nine years in the Army, I rose from the  
4 rank of second lieutenant to captain, and I served as a logistics officer during my  
5 military career. I left the Army in 1998 to go to work with GE in their lighting  
6 division, where my primary duties included Manager of Distribution and Logistics.  
7 I left GE in 2001 and began my career in the natural gas industry working for  
8 Atlanta Gas Light in Macon, GA. While in Macon, I was the Region Operations  
9 Manager of South Metro Atlanta and Central Georgia. In 2012, I was asked to  
10 move to Chattanooga to serve as the Local Community and Legislative Affairs  
11 Representative for the Company. Later, in 2016, I was given additional  
12 responsibilities over regulatory affairs, and I became CGC's community contact  
13 person.

14 During my time in Chattanooga, I have become very invested in this  
15 community that I love. I served on the boards of the Tennessee Chamber,  
16 Tennessee Gas Association, the Chattanooga Area Chamber of Commerce, and the  
17 United Way of Greater Chattanooga, and I am a Past Chairman of the Chattanooga  
18 Chamber. In addition, I am a graduate of Leadership Chattanooga.

19 Helping to secure the economic future of my community is a passion of  
20 mine and the Company's, which supports me in my work. In furtherance of the  
21 economic development of the CGC service area, I have served as the Chairman of  
22 the Greater Chattanooga Economic Partnership, Vice-Chairman of Economic  
23 Development for the Chattanooga Chamber, and I have been a member of the

1 Economic Development Council for Bradley County. I am also a member of the  
2 Chattanooga Downtown Rotary Club.

3 I was part of the regional economic development team that worked on  
4 multiple new and expansion projects for large area employers, many of whom are  
5 also CGC customers. In the last year, we welcomed announcements regarding new  
6 projects for Microtex Composites, Inc. and Valerie Health and expansions by West  
7 Star Aviation and Master Machine LLC, all combining for an expected 431 new  
8 jobs and \$46,000,000 in investment in the community. From 2019-2024, the  
9 Chattanooga area saw \$4.4 billion in new business investments and over 9,800 new  
10 jobs announced. Most recently, the South Broad Development has garnered,  
11 deservedly so, significant investment and attention. This \$1+ billion “live-work-  
12 play” development will include Erlanger Park, the new home of the Chattanooga  
13 Lookouts, and is estimated to produce 347 townhomes, 677 multi-family residential  
14 units, 1.4 million square feet of office space, and more than 2,800 parking spaces.

15 We are proud of our role in providing safe and reliable natural gas to our  
16 customers while being able to partner with many local businesses that help to make  
17 Hamilton and Bradley counties such an attractive community to live and work.

18 **Q. Have you ever testified before this Commission or any other Commission?**

19 A. Yes, I provided testimony in dockets 20-00049, 21-00048, 23-00029, 24-0024, and  
20 25-00028, the Company’s 2020, 2021, 2023, 2024, and 2025 annual review  
21 mechanism or “ARM” dockets, which we resolved without the need for my oral  
22 testimony. I also provided testimony in docket 22-00032, the Company’s 2022  
23 ARM Docket, and docket 20-00131, CGC’s pipeline replacement program (“PRP”)

1 proceeding, which was approved on April 12, 2021. Most recently I submitted  
2 testimony in the Company's PRP extension proceeding, docket 25-00021. Over the  
3 last few years, I have also reported to the Commission or the Commission Staff on  
4 CGC's annual construction projects budget, pursuant to law.

5 **II. PURPOSE OF TESTIMONY**

6 **Q. What is the purpose of your direct testimony?**

7 A. My testimony supports the Company's overall ARM recovery for calendar year  
8 2025, or what is referred to as the Historic Base Period. This case is being filed  
9 pursuant to the Stipulation and Settlement Agreement reached in docket No. 19-  
10 00047 and approved by the Commission in its *Order Approving Settlement*  
11 *Agreement* dated October 7, 2019 ("2019 ARM Order"). I will provide an overview  
12 of the case, some general information regarding the economic growth of our service  
13 area in Hamilton and Bradley counties, and a review of the operational activities  
14 that underlie the financial numbers that are the subject of the testimonies of our  
15 other witnesses.

16 **Q. Are you sponsoring any exhibits with your direct testimony?**

17 A. No, I am not providing any exhibits to my direct testimony. However, I am the  
18 witness supporting Schedule 35.11(a), the Annual PRP Budget, and I have provided  
19 an affidavit in support of our overall case filing that is a part of the Petition being  
20 filed.

21 **Q. Please identify the other CGC witnesses who will be supporting the**  
22 **Company's case in this docket.**

23 A. CGC is presenting two other witnesses in this case.

1 First, we have Ms. Tiffani Weems, who is the Manager, Regulatory  
2 Reporting, for Southern Company Gas. Ms. Weems will provide the necessary  
3 testimony and exhibits regarding the calculation of the Historic Base Period annual  
4 reconciliation balance deficiency, the associated carrying charges on the  
5 deficiency, and the prospective 2026 rate reset necessary for the Company to earn  
6 its rate of return, which results in a total rate adjustment of approximately \$3.75  
7 million, also known as the prescribed ARM recovery amount. Ms. Weems'  
8 testimony will also address the financial information required through the various  
9 predecessor ARM proceedings.

10 Second, we have Ms. Ashley Vette, who is the Manager of Rates and Tariff  
11 Administration for Southern Company Gas. Ms. Vette's testimony and exhibits  
12 support the revenue schedules and normalization adjustments required under the  
13 various predecessor ARM docket orders, and she is the principal witness for several  
14 of the supporting ARM Schedules. Ms. Vette is also our rate design witness, and  
15 her exhibits include the proposed tariffs based upon the Company's proposed rate  
16 design for recovery of the \$3.75 million to be recovered in rates this year.

17 **III. CASE OVERVIEW**

18 **Q. Please summarize CGC's ARM case and its impact on customers.**

19 A. As Ms. Weems' testimony supports, CGC has a 2025 prescribed total rate  
20 adjustment of \$3,747,890 which reflects the Historic Base Period deficiency and  
21 the rate reset.

22 **Q. What are the primary drivers for the total rate adjustment?**

1 A. The largest impacts on 2025 operations were continued significant capital  
2 investments to support approved PRP projects, system-wide pressure  
3 improvements, and significant new business. Additionally, as noted in the  
4 testimony of Tiffani Weems, CGC had a true-up adjustment to its taxes other than  
5 income tax account in 2025, which resulted in a higher tax expense than the  
6 Company normally experiences.

7 Customer growth continues to have a significant impact on the Company's  
8 operations and, in turn, its revenue requirement. CGC experienced the highest  
9 growth among the four Southern Company Gas natural gas utility companies over  
10 the last year with a 1.1% year-over-year increase in total customers. Over the last  
11 five years, CGC's customer count has grown by an average of 1.2% each year and  
12 expectations for continued growth are projected to maintain that incremental  
13 increase.

14 **IV. THE ANNUAL ARM PROCESS**

15 **Q. Please briefly summarize the ARM process.**

16 A. CGC's ARM is based upon the General Assembly's authorization to the  
17 Commission to approve various alternative regulatory mechanisms for utilities.  
18 CGC's ARM involves an annual review of rates, which includes an examination of  
19 both revenues and expenses from the books and records of the Company for the  
20 prior calendar year/Historic Base Period. From that review, rates are to be adjusted  
21 up or down based upon the Company's overall performance and whether we have  
22 under earned or over earned based upon our authorized rate of return. Both Ms.  
23 Weems and Ms. Vette will use actual data from calendar year 2025 to determine

1 the actual deficiency for the year; they will then calculate a rate reset that  
2 normalizes or excludes certain costs to get to the total rate adjustment of  
3 approximately \$3.75 million. For informational purposes only, CGC's filing  
4 includes its 2026 budget, but the total rate adjustment we are seeking is based solely  
5 on the 2025 Historic Base Period and not the current 2026 budget year.

6 **V. CGC's 2025 OPERATIONS**

7 **Q. Please provide an overview of CGC's service territory and operations for 2025.**

8 A. We continue to serve a vibrant community that remains one of the fastest growing  
9 locations in the country. Looking back ten years, we have more than doubled the  
10 annual number of new residential and commercial customers, adding over 1,000  
11 new customers last year, for approximately 72,720 total customers. Hamilton  
12 County is the fourth most populated county in TN with over 390,000 residents. In  
13 2025, Hamilton County experienced a 1.3% population increase, some 2.6 times  
14 the national growth of 0.5%. Likewise, Bradley County, Tennessee's 14<sup>th</sup>-largest  
15 county, now has an estimated population of 117,082. In the last year, Bradley  
16 County experienced population growth of 1.43% according to the most recent  
17 United States census data, nearly three times the national average.

18 **Q. What is the Company doing to meet the growth in your service area?**

19 A. To meet the region's ongoing needs, Chattanooga Gas has continued to make  
20 significant investments in its infrastructure that strengthen the safety and reliability  
21 of the region's pipeline infrastructure. We have also made other reliability  
22 improvements that support the increased supply and demand growth from

1 residential, commercial, and industrial customers, especially on the coldest days of  
2 the year.

3 **Q. How much did the Company spend in 2025 on capital investments?**

4 A. Ms. Weems' documentation shows that we spent \$40.7 million in 2025 on capital  
5 projects.

6 **Q. How does that \$40.7 million compare with what was budgeted and reported to  
7 the Commission?**

8 A. The original 2025 capital budget was \$52.9 million. The actual capital spend came  
9 in about \$12 million below budget. The reduction compared to budget was tied to  
10 projects that did not materialize and lower than anticipated DOT project  
11 expenditures. None of these had a system impact. Additionally, we were able to  
12 accelerate our PRP work and LNG projects, which are system improvements, to the  
13 benefit of all our customers.

14 **Q. Please describe the major capital projects completed or started in 2025.**

15 A. CGC continues to address existing pressure and capacity issues and  
16 provide for future growth. We had nearly \$12 million in PRP projects as well as \$9  
17 million in new business capital investments. We completed approximately \$2  
18 million in pressure improvements as well as a \$3.9 million LNG project. Our  
19 unprecedented growth over the past decade has been meaningful for Hamilton and  
20 Bradley counties and would not have been possible without the partnership and  
21 support of the Commission.

22 **Q. How does CGC ensure that projects designed to serve new growth are cost-  
23 effective?**

1 A. Each project is analyzed from cost-to-serve and allowable-investment perspectives.  
2 This ensures that the new customers contribute the appropriate revenue in rates to  
3 cover the cost to serve them, while mitigating existing customers from subsidizing  
4 the new growth opportunities. Where it appears the new customer growth  
5 opportunity will not cover the project's cost from a revenue standpoint, that  
6 customer is expected to provide a contribution in aid of construction to protect  
7 existing customers.

8 **Q. You mentioned CGC's PRP approved by the Commission in docket 20-00131,**  
9 **which was extended by three years in docket 25-00021. Are any PRP costs**  
10 **included in this case?**

11 A. Yes, there is over \$12.9 million in PRP expense in the Historic Base Period. In  
12 addition to the actual spend in 2025 as reflected in Schedule 35.11(b), I am  
13 supporting Schedule 35.11(a), which reflects the PRP budget for 2026.

14 As we continue with the extended 10-year PRP, we continue to face  
15 increased material and labor costs which are exacerbated by rising interest rates.  
16 Despite facing both anticipated and unanticipated challenges, we replaced 12.9  
17 miles of main in 2025 while maintaining our budget.

18 **Q. Outside of capital projects, where do you stand now on staffing?**

19 A. As of the end of 2025, we stood at 52 employees, which is slightly under our  
20 staffing level over the last few years. We assess staffing levels annually based on  
21 operational needs.

22 **VI. CONCLUSION**

23 **Q. Do you have any concluding remarks?**

1 A. Yes. I will take the opportunity to reiterate that CGC is very proud of our  
2 relationships with our customers. We continue to add customers while maintaining  
3 high customer service metrics, including 28-minute average leak response times,  
4 appointment attainment of 98.26%, and 89.6% of orders offered as four-hour  
5 appointment windows. Each month, we receive approximately 20-30 customer  
6 feedback responses following service orders and have averaged 92.3% satisfaction.  
7 In recognition of the superior results of our dedication to and focus on our  
8 customers, we were named a 2025 Customer Champion by Escalent, garnering an  
9 Engaged Customer Relationship Score in the top third of southern region natural  
10 gas utilities. Escalent also named CGC as a 2025 Business Customer Champion,  
11 earning the highest Engaged Customer Relationship Score among eight natural gas  
12 utilities.

13 We are very fortunate to live in a community that continues to thrive,  
14 including the recently announced growth from Microtex Composites, Valerie  
15 Health, West Star Aviation, Master Machine, and the South Broad Development.

16 At CGC we strive to be a great corporate citizen and seek ways to enrich  
17 our community. Our employees volunteer hundreds of hours each year to give back  
18 to our community that has given us so much. In 2025, CGC donated more than  
19 \$399,000 to non-profit organizations serving Hamilton and Bradley counties, none  
20 of which is part of this rate recovery from our customers.

21 **Q. How does CGC ensure that rates remain affordable for CGC's customers?**

22 A. With all the growth in our service territory, and everything else happening in the  
23 world, there are external factors beyond our control that continue to put pressure on

1           our costs. Like many industries today, we are experiencing significant price  
2           increases for the materials, fuel, contractor labor, and employee salaries and  
3           benefits that are necessary to attract and retain top talent and deliver superior  
4           services. To deal with these challenges, we review all expenses and justify any  
5           variances during our monthly CEO budget reviews. We work diligently to run an  
6           efficient operation and do everything in our control to manage our expenses. Our  
7           work in these areas is evidenced in our rates which are comparable to others in the  
8           region.

9                     In addition, we prioritize capital improvements that are necessary to help  
10           ensure customer reliability on the coldest days and bring economic development to  
11           the area.

12                     With the approval of this year's ARM, Chattanooga Gas Company will  
13           continue to be in the best position to provide safe, reliable, and affordable natural  
14           gas service to our community.

15   **Q.    Does this conclude your direct testimony?**

16   **A.    Yes.**

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VERIFICATION

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STATE OF TENNESSEE )  
COUNTY OF HAMILTON )

I, PAUL LEATH, being duly sworn, state that I am authorized to testify on behalf of Chattanooga Gas Company in the above-referenced docket, that if present before the Commission and duly sworn, my testimony would be as set forth in my pre-filed testimony in this matter, and that my testimony herein is true and correct to the best of my knowledge, information, and belief.

Paul C. Leath  
PAUL LEATH

Sworn to and subscribed before me  
this 16<sup>th</sup> day of April, 2026.

Nichole Chambers  
Notary Public

My Commission Expires: 8-21-29

