

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

IN RE:	)	
	)	
CHATTANOOGA GAS COMPANY	)	
PETITION FOR APPROVAL OF ITS	)	Docket No. 26-00032
2025 ANNUAL RATE REVIEW	)	
FILING PURSUANT TO	)	
TENN. CODE ANN. § 65-5-103(d)(6)	)	

SETTLEMENT AGREEMENT

Chattanooga Gas Company (“Company” or “CGC”) and the Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”) (each individually a “Party” and collectively the “Parties”), in full and complete settlement of the matters at issue in this proceeding, jointly submit to the Tennessee Public Utility Commission (“Commission” or “TPUC”) for approval this Settlement Agreement, together with the supporting schedules, testimony, and exhibits referenced herein, 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 (“SCG”), 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 as the CGC "Annual Review Mechanism" or "ARM." 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 reflecting the Company's prior calendar year, or Historic Base Period.

4. CGC's first six annual reviews under the ARM, covering its 2019 through 2024 expenses and revenues, were conducted in TPUC Docket Nos. 20-00049, 21-00048, 22-00032, 23-00029, 24-00024, and 25-00028. The Commission approved the resulting filings and settlements by orders issued between October 2020 and September 2025. Under the orders addressing the 2020 through 2023 review periods, CGC voluntarily limited its annual rate recovery to \$6.8 million and carried forward unrecovered amounts, with the cap expiring after the 2024 ARM docket. Most recently, in Docket No. 25-00028, the Commission approved a total rate adjustment of \$3,835,191 for CGC's 2024 expenses and revenues.

5. On April 20, 2026, CGC filed a petition initiating this Docket for its seventh annual rate review to consider CGC's 2025 Historic Base Period revenues and expenses pursuant to the ARM orders described above ("Petition"). In support of its Petition, CGC filed the required schedules and workpapers, along with the direct testimony and supporting exhibits of Paul Leath, Ashley Vette, and Tiffani Weems. The Petition and the ARM Model filed as Exhibit TW-1 identified an initial total rate adjustment of \$3,747,890 and requested that revised rates become effective September 1, 2026.

6. On May 8, 2026, the Consumer Advocate filed its Petition to Intervene, which the Administrative Judge granted by order dated May 19, 2026. The Consumer Advocate is the only intervenor of record in this Docket.

7. During discovery, CGC identified and agreed to certain corrections to its filed ARM Model. On June 11, 2026, CGC filed an updated ARM Model identified as Exhibit TW-3 (DRAFT). Those corrections increased the total rate adjustment by \$25,273, from \$3,747,890 to \$3,773,163.

8. On June 15, 2026, the Consumer Advocate filed the Direct Testimony and supporting exhibits and workpapers of William H. Novak. On July 14, 2026, CGC filed the Rebuttal Testimonies of Tiffani Weems, including an updated ARM model TW-3, and Jeff Petrea. On July 17, 2026, the Consumer Advocate filed its Motion to Strike or, in the Alternative, to Reset the Procedural Schedule in this Docket or Sever the Company's Proposed Change in Methodology ("Motion to Strike"). CGC filed its response in opposition on July 20, 2026, and the Consumer Advocate filed a Motion to Hear the Motion to Strike on July 23, 2026 ("Motion to Hear").

9. CGC has responded to formal and informal discovery requests from the Consumer Advocate, and the Parties' witnesses, counsel, and other representatives have conferred concerning

the issues and documentation presented in this Docket. The Parties have engaged in settlement discussions 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 Commission approval, which the Parties jointly request.

II. SETTLEMENT SPECIFIC TERMS

10. Petition Total Rate Adjustment. With its Petition and the Direct Testimony of Tiffani Weems, CGC filed Exhibit TW-1, an Excel workbook reflecting the schedules used to calculate the annual reconciliation balance, rate reset, and total rate adjustment sought in this Docket. The original Exhibit TW-1 identified \$3,747,890 as the total rate adjustment sought by CGC.

11. Agreed Corrections. Exhibit TW-3 incorporates the corrections identified during discovery and accepted by CGC. Those corrections produced a net increase of \$25,273 and resulted in a revised total rate adjustment of \$3,773,163 before application of the settlement adjustment described below.

12. Government Affairs O&M. For settlement purposes only and solely for the 2025 Historic Base Period at issue in this Docket, the Parties agree that fifty percent (50%) of Government Affairs O&M expense recorded to Department 1637 and otherwise included in CGC's ARM Model shall be excluded from recovery. The remaining 50% of such Government Affairs O&M expense may be included in the 2025 Historic Base Period cost of service. This compromise does not constitute an agreement that 50% of the affected expense is lobbying expense, does not modify the requirement to exclude 100% of lobbying expense, and does not establish a methodology or percentage for any future ARM or other proceeding. The parties reserve all rights to assert in a later docket positions differing from this settlement regarding the exclusion

of Government Affairs O&M expense. Furthermore, CGC and the Consumer Advocate have agreed to meet and confer prior to CGC's next ARM filing regarding this issue to discuss testimony and potential documentary support for CGC's future position. Additionally, CGC has agreed to include specific testimony regarding its proposed exclusion of less than 100% of Government Affairs O&M with its initial petition filing.

13. Agreed Total Rate Adjustment and Effective Date. After incorporating the agreed corrections and the Government Affairs O&M settlement adjustment, the Parties stipulate to and request that the Commission approve a total rate adjustment of \$3,613,249. The Parties agree that the amount shall be recovered in rates effective September 1, 2026. The allocation of the approved amount by rate class shall be reflected on Schedule 17 of the final ARM Model, TW-4, and the resulting rates shall be reflected in the revised rate schedules sponsored by Ashley Vette. An itemization of all adjustments agreed to by the parties is provided below, taken from the final ARM model, TW-4, at Schedule 1, lines 28-37:

Adjustment No.	Historic Base Period with Ratemaking Adjustments	Historic Base Period Normalized	Annual True-Up Revenue Requirement Rate Adjustment	Notes of Adjustment
1	12,750	12,750	26,384	CA 1-08 Correction to Lobbying on Schedule 7.1
2	-	(408)	(408)	CA 1-06 Special Contracts Normalized; CA 2-07
3	(1,469)	(1,469)	(3,040)	CA 2-27 Change in ROU Asset - Adj to Schedule 2A1
4	-	(1,788)	(1,788)	CA 2-06 unbilled demand determinants
5	-	8,348	8,348	CA 2-08 Block 1 Volumes correction
6	-	18,941	18,941	CA 2-23 Rate Schedule C-1 A/C
7	-	360	360	CA 2-24 normalization adjustment for Gas Light revenue
8	-	7	7	CA 2-31 Special Contracts

Adjustment No.	Historic Base Period with Ratemaking Adjustments	Historic Base Period Normalized	Annual True-Up Revenue Requirement Rate Adjustment	Notes of Adjustment
9		(23,530)	(23,530)	CA 2-14 Other Revenue Normalization
10	(77,278)	(77,278)	(159,915)	Additional 25% exclusion on External Affairs per Settlement (final total exclusion is 50%)

14. Rate Design. The Parties agree to allocate the rate adjustment to each Rate Schedule on an equal-percentage basis, subject to the treatment of CGC's special-contract customers. The Parties agree and recommend that special-contract customer Kordsa's percentage increase shall equal the percentage increase applied to the non-special-contract rate schedules, but shall not exceed five percent (5%). The Parties agree and recommend that Volkswagen's rates shall not be increased, consistent with prior Commission orders. Subject to Commission approval, the final allocation and resulting rates shall be those reflected in Schedule 17 of the final ARM Model TW-4 and the revised tariff sheets, AV-5 (clean) and AV-6 (redline).

15. Pending Motions. Upon Commission approval of this Settlement Agreement, the Motion to Strike, CGC's response in opposition, and the Motion to Hear shall be deemed moot, and no ruling on their merits shall be necessary.

III. SETTLEMENT GENERAL TERMS

16. 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 witnesses concerning those stipulated materials. In further support of this Settlement Agreement, CGC has filed supplemental testimony of Ms. Tiffani Weems sponsoring the final ARM Model, TW-4, and supplemental testimony of Ms. Ashley Vette sponsoring the revised rates and tariff sheets, including exhibits

AV-4 through AV-6. If the Commission requires witnesses to appear, or if the Commissioners desire to question any witness concerning filed testimony or this Settlement Agreement, any Party may present testimony and exhibits responsive to such questions and may cross-examine witnesses concerning that testimony and those exhibits.

17. 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 solely for purposes of settlement. The provisions do not necessarily reflect the positions asserted by any Party. No Party shall be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle, including any cost-of-service determination, cost allocation, or revenue-related methodology, except to the limited extent necessary to implement this Settlement Agreement.

18. This Settlement Agreement shall not have precedential effect in any future proceeding or be binding on any Party in this or any other jurisdiction, except to the limited extent necessary to implement its provisions, including any schedules or workpapers that must be carried forward under the approved ARM. The Parties are free to take different positions in future proceedings as each Party deems appropriate, including with respect to the treatment of Government Affairs, External Affairs, or lobbying-related costs and the schedules or support to be provided in future ARM proceedings.

19. The Parties agree and request that the Commission 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 state or federal court, except to the limited extent necessary to implement the provisions of this Settlement Agreement.

20. The terms of this Settlement Agreement resulted from negotiations among the signatories, and its terms are interdependent. The Parties jointly recommend that the Commission issue an order adopting this Settlement Agreement in its entirety without modification.

21. The Parties agree that this Settlement Agreement represents a reasonable resolution of all issues in this proceeding and that approval of the Settlement Agreement, taken as a whole, is in the public interest.

22. If the Commission does not accept this Settlement Agreement in whole, the Parties are not bound by any position or term set forth herein. If the Commission does not approve this Settlement Agreement in its entirety, each signatory may terminate this Settlement Agreement by giving notice within ten (10) business days after the date of non-acceptance; provided, however, that the signatories may, by unanimous consent, modify this Settlement Agreement within the same period to address any modification required by, or issue raised by, the Commission. If this Settlement Agreement terminates, it shall be void and have no binding or precedential effect, and the signatories reserve their rights to resume and advocate their prior positions and to participate fully in all relevant proceedings notwithstanding their agreement to the terms stated herein.

23. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter if this Settlement Agreement is rejected by the Commission in whole or in part or otherwise terminates under Paragraph 21.

24. No provision of this Settlement Agreement shall be deemed an admission by any Party, and no provision 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 of this Settlement Agreement.

25. This Settlement Agreement constitutes the complete understanding between the Parties concerning the resolution of issues and matters in TPUC Docket No. 26-00032, and all prior oral

statements, representations, and agreements concerning those issues and matters are merged into this Settlement Agreement.

26. All exhibits and schedules attached to or referenced in this Settlement Agreement are 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 this Docket, which information the Consumer Advocate relied upon in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

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

29. Each signatory represents and warrants that the signatory has informed, advised, and otherwise consulted with the Party for whom the signatory signs regarding the contents and significance of this Settlement Agreement, has obtained authority to sign on behalf of that Party, and is authorized to execute this Settlement Agreement on behalf of that Party.

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

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 Commission approval of this Settlement Agreement shall become effective upon the Commission's oral decision at a noticed public Commission conference meeting.

The foregoing is agreed and stipulated to this 7th day of August, 2026.

CHATTANOOGA GAS COMPANY

HAVE SEEN AND AGREED

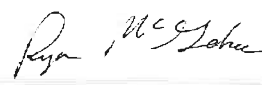
By: 
J. W. LUNA (BPR No. 5780)
JOHN DOLLARHIDE (BPR No. 40041)
Butler Snow LLP
1320 Adams Street, Suite 1400
Nashville, TN 37208
Telephone: (615) 651-6700
Email: JW.Luna@butlersnow.com
Email: John.Dollarhide@butlersnow.com

[signatures continue next page]

**OFFICE OF THE TENNESSEE ATTORNEY GENERAL
CONSUMER ADVOCATE DIVISION**

HAVE SEEN AND AGREED

By: 
JONATHAN SKRMETTI (BPR No. 031551)
Attorney General and Reporter
State of Tennessee

By: 
RYAN MCGEHEE (BPR No. 025559)
Assistant Attorney General
SHILINA BROWN (BPR No. 020687)
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
Phone: (615) 360-4219
Fax: (615) 741-1026
Email: Ryan.McGehee@ag.tn.gov
Email: Shilina.Brown@ag.tn.gov

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