BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

November 4, 2026

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. 26-00032**

ORDER APPROVING SETTLEMENT AGREEMENT

This matter came before Chairman David F. Jones, Commissioner Herbert H. Hilliard, Commissioner Robin L. Morrison, Commissioner Kenneth C. Hill, and Commissioner John A. Hie 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 17, 2026. The panel convened to consider the *Settlement Agreement* filed on August 7, 2026, by the Consumer Advocate Division of the Office of the Tennessee Attorney General ("Consumer Advocate") and Chattanooga Gas Company ("CGC" or the "Company"), jointly the ("Parties"), to resolve the *Chattanooga Gas Company's Petition for Approval of its 2025 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)* ("*Petition*").

I. 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).[1] 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.[2] However, on April 8, 2020, in Docket No. 20-00049, CGC filed a request for a modified ARRM filing and to postpone its first annual filing until May 29, 2020, due to the emergency declared by Governor Bill Lee in response to the COVID-19 pandemic.[3] 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; CGC's Capital Works in Progress; and inclusion of CGC's legal expenses.[4]

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.[5] Given the sheer size of the required revenues, the Company voluntarily proposed limiting the total rate increase over the next four years to a maximum of $6.8 million.[6] Ultimately, a settlement was approved authorizing CGC's 2020 ARRM

[1] *In re: Petition of Chattanooga Gas Company to Opt into an Annual Review of Rates Mechanism Pursuant to Tenn. Code Ann.§ 65-5-103(d)(6),* Docket No. 19-00047, *Order Approving Settlement Agreement* (October 7, 2019)("*2019 ARRM Order*").
[2] *Id.* at 11.
[3] *In re: Chattanooga Gas Company Petition for Approval of Its 2019 Annual Rate Review Filing Pursuant to Tenn. Code Ann.§ 65-5-103(d)(6),* Docket No. 20-00049, Chattanooga Gas Company *Request to Establish a Docket and Extend the Due Date for Filing Its Petition for Approval of Its 2019 Annual Rate Review Filing,* p. 3 (April 8, 2020).
[4] *In re: Chattanooga Gas Company Petition for Approval of Its 2019 Annual Rate Review Filing Pursuant to Tenn. Code Ann.§ 65-5-103(d)(6),* Docket No. 20-00049, *Order Approving 2019 ARM Filing*, pp. 5-6 (October 27, 2020).
[5] *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).
[6] *Id.* at 3.

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; (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.[7]

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.[8] In addition, the Consumer Advocate, the Company, and the CRMA agreed to several improvements to customer notifications.[9] 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.[10] 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

[7] *Id*. at 14-15.
[8] *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).
[9] *Id*.
[10] *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).

cap of $6.8 million.[11] In Docket No. 25-00028, the Commission approved a revenue deficiency of $3,835,191 to be recovered through revised fixed and volumetric rates effective September 1, 2025.[12]

II. ***PETITION***

On April 20, 2026, CGC filed its *Petition* and initially asserted that for the 2025 Historic Base Period ("HBP"), the Company had a revenue deficiency of $8,506,471,[13] which included the recovery of Pipeline Replacement Program ("PRP") expenses as authorized in Commission Docket 25-00021.[14] After a rate reset and normalization adjustments, the net requested recovery amount was $3,747,890.[15]

In support of its *Petition*, CGC submitted the pre-filed testimonies of Mr. Paul Leath, Regional Director of Operations for CGC, Ms. Tiffani Weems, a Regulatory Reporting Manager at Southern Company Gas,[16] and Ms. Ashley Vette, the Manager of Rates and Tariff Administration for Southern Company Gas.

Mr. Leath's pre-filed testimony supported the *Petition* and the Annual PRP Budget, Schedule 35.11, filed per Commission Docket 20-00131.[17] He explained that the ARRM process uses actual 2025 data to calculate a net rate adjustment of about $3.75 million, after normalizing certain costs, and noted the Company's 2026 budget is included for informational purposes only.[18] He described CGC as serving roughly 72,720 customers, with over 1,000 added last year, in a growing service area

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[11] *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).
[12] *In re: Chattanooga Gas Company Petition for Approval of Its 2024 Annual Rate Review Filing,* Docket No. 25-00028, *Order Approving Settlement Agreement Revising Chattanooga Gas Company's 2024 Annual Rate Review Filing Pursuant to Tenn. Code Ann. § 65-5-103(d)(6)*, pp. 9-10 (September 29, 2025).
[13] *Petition*, p 6 (April 20, 2026).
[14] *Id.*
[15] *Id.* at 6.
[16] Southern Company Gas acts as the parent energy services holding company, and Chattanooga Gas is one of its four core regulated natural gas distribution utilities.
[17]Paul Leath, Pre-Filed Direct Testimony, p. 9 (April 20, 2026)(citing *In re: Chattanooga Gas Company Petition For Approval of its Pipe Replacement Program*, Docket No. 20-00131, *Order Approving Pipe Replacement Program* (June 2, 2021)).
[18] *Id.* at 6–7.

that includes Hamilton County, Tennessee's fourth most populous county, with over 390,000 residents and annual growth of 1.3%, and Bradley County, with approximately 117,082 residents and annual growth of 1.43%, driving continued infrastructure investment for safety and reliability.[19] On capital spending, Mr. Leath testified the Company spent $40.7 million of its $52.9 million 2025 capital budget, with the shortfall due to projects that didn't materialize and lower than anticipated Department of Transportation expenditures. The completed 2025 work included $12.9 million in PRP projects with 12.9 miles of mains replaced, $9 million in new business investment, $2 million in pressure improvements, and $3.9 million in liquefied natural gas projects.[20] He concluded that CGC provides safe, reliable service and maintains strong customer relationships, citing a 92.3% customer satisfaction rate on service orders and a practice of reviewing all expenses and justifying budget variances to manage inflationary pressures.[21]

Ms. Vette's pre-filed testimony provided an overview of the proposed rate adjustments.[22] She testified that the rate increase is allocated to each rate schedule on an equal percentage basis, with the exception of the special contracts involving Kordsa, Inc. ("Kordsa") and Volkswagen Group of America, Inc. ("Volkswagen").[23] For the special contracts, the Kordsa increase is limited to 5% in accordance with the terms of the agreement, and no increase is proposed for Volkswagen pursuant to the incentives package offered by the State of Tennessee.[24] Ms. Vette provided a comparison of current and proposed rates in Exhibit AV-1.[25] She testified that no changes were being proposed for any of the miscellaneous charges.[26] Ms. Vette explained that the average annual base rate increase for

[19] *Id.* at 7.
[20] *Id.* at 8–9.
[21] *Id.* at 10–11.
[22] Ashley Vette, Pre-Filed Direct Testimony, p. 2 (April 20, 2026).
[23] *Id.* at 2-3.
[24] *Id.*
[25] *Id.*
[26] *Id.* at 4.

residential customers is 5.2%, as shown on Schedule 17.1.[27] Ms. Vette provided adjustments to revenues and expenses in this filing as required by the *2019 ARRM Order*.[28] Included among adjustments are the omission of the Company's franchise fee collections and expenditures, since these are simply pass-throughs; weather normalization of historic-period revenue; and agreed-upon methodologies for computing various rate base balances.[29]

In support of the *Petition*, Ms. Tiffani Weems testified that the Company followed the process set forth in the settlement agreement approved in Commission Docket 19-00047, which included two ARRM components: 1) recovery or refund of a Historic Base Period revenue deficiency or surplus referred to as the annual reconciliation balance and 2) a prospective rate-setting mechanism referred to as the rate reset.[30] Ms. Weems explained that she calculated the ARRM filing using the Company's actual rate of return for the 2025 Historic Base Period and compared it with the authorized rate of return approved by the Commission.[31] This difference, with carrying costs, results in the Company's annual reconciliation balance. She then calculated the rate reset, including normalization adjustments and recovery of the 2025 annual reconciliation balance over one year.[32] These calculations were provided in Exhibit TW-1, which includes the ARRM Model, the calculation of the 2025 annual reconciliation balance and rate reset, and other supporting schedules. She further explained that Exhibit TW-2 lists the supporting schedules with the sponsoring witness and that everything is provided except the Company's Annual Financial and Operating report and Federal Energy Regulatory Commission Form II, which will be filed on or before May 1, 2026.[33] Additionally, the outside legal expenses are provided on Schedule 39and Schedule 35.11 provides the annual PRP

[27] *Id.* at 3.
[28] *Id.* at 5-8.
[29] *Id.*
[30] Tiffani Weems, Pre-Filed Direct Testimony, p. 7-9 (April 20, 2026).
[31] *Id.* at 8-9.
[32] *Id.* at 9.
[33] *Id.* at 2. *See* Chattanooga Gas Company Annual Financial and Operating Report, FERC Form II, Schedule 31 (May 1, 2026).

budget.[34] Ms. Weems calculated the actual rate of return and a revenue shortfall; however, these figures were subsequently modified.[35] According to Ms. Weems, the Company previously excluded 100% of CGC's Government Affairs expenses from the recovery rate. After further investigation into the matter, the Company determined that its Government Affairs functions were not solely lobbying or civic participation.[36]

Ms. Weems discussed the normalization adjustments performed for the rate reset and drew particular attention to: 1) a true-up to the Taxes Other Than Income, which resulted in $638 thousand related to prior period activity being normalized out of the rate reset;[37] 2) the Company's review of the shared service costs composite ratio calculation, where certain historical inputs used were updated for the period of August 2022 through December 2024, resulting in an adjustment in this 2025 ARRM (this has also been updated on a going-forward basis, effective January 1, 2025);[38] and 3) an adjustment related to the accounting impacts of a tenant improvement allowance associated with the lease on Southern Company Gas's new corporate headquarters.[39] The tenant improvement allowance creates a lease liability that exceeds the associated right-of-use asset, thereby creating a net liability; the allocable portion of this net liability and the leasehold improvements are reflected in the 2025 ARRM.[40] Following two rounds of discovery, CGC filed an updated ARRM Model on June 11, 2026.

III. POSITION OF THE CONSUMER ADVOCATE

The Consumer Advocate sought intervention on May 8, 2026, and was the only party to intervene in the docket.[41] In accordance with the procedural schedule, the Consumer Advocate and the Company engaged in discovery. On June 15, 2026, the Consumer Advocate filed the pre-filed

[34] Tiffani Weems, Pre-Filed Direct Testimony, p. 3 (April 20, 2026).
[35] *Id.* at 9-10.
[36] *Id.* at 11-12.
[37] *Id.* at 12.
[38] *Id.* at 13.
[39] *Id.* at 13-14.
[40] *Id.*
[41] *Order Granting The Petition to Intervene Filed by the Consumer Advocate*, pp. 2-4 (May 19, 2026).

direct testimony of Mr. William H. Novak . He testified that the structure of the ARRM was the result of a settlement between the Company, Commission Party Staff, the Chattanooga Regional Manufacturers Association, and the Consumer Advocate.[42] Mr. Novak pointed out that since the inception of the ARRM for CGC, the Commission has approved approximately $48.8 million in rate adjustments.[43] Mr. Novak provided a table that outlines the calculation of the Company's proposed revenue deficiency of $3,747,890, which conformed to the terms of the Commission Order in Docket No. 19-00047.[44] He then presented the Company's revised revenue deficiency of $3,773,163, which reflected the correction of certain errors discovered during the Consumer Advocate's review.[45]

Mr. Novak addressed the Company's revised lobbying expense exclusion, which dropped from 100% of its Government Affairs expenses in past filings to 25% in this filing. Of the Company's $309,834 in Government Affairs expenses, $77,458 represents the Company's proposed 25% lobbying exclusion.[46] As noted earlier, the Company cited its internal study of the Government Affairs functions as support for its revision. Mr. Novak disagreed with the Company's percentage adjustment and argued it violates the intent of the settlement agreement in Commission Docket No. 19-00047.[47] He recommended that the Commission deny this change in methodology.[48] Instead, Mr. Novak asserted that the Company should remove 100% of lobbying expenses, consistent with its last rate case and the Parties' agreement in Commission Docket No. 19-00047, and argued that doing so reduced the revenue deficiency to $3,283,560.[49] The Consumer Advocate recommended that the $3.8 million revenue deficiency be recovered by raising Kordsa's special contract rates by 5%, with the

[42] William H. Novak, Pre-Filed Direct Testimony, p. 4 (June 15, 2026).
[43] *Id.*
[44] *Id*. at 5.
[45] *Id*. at 6.
[46] *Id*. at 8.
[47] *Id*. at 9.
[48] *Id.*
[49] *Id*. at 10.

remainder recovered evenly from all other customers except Volkswagen, a contract customer.[50] Mr. Novak asserted this would result in a 4.52% increase for the non-contract customer classes.[51]

IV. REBUTTAL TESTIMONY OF THE COMPANY

On July 14, 2026, both Ms. Weems and Mr. Jeff Petrea, the Director of External Affairs for CGC, filed rebuttal testimony. Ms. Weems testified that the Company corrected errors identified during discussions with the Consumer Advocate in its *Petition*.[52] The net corrections increased the revenue deficiency by $25,273, for a revised revenue deficiency of $3,773,163.[53] The specific corrections consist of the following:[54]

Item Adjusted	**Amount**
Lobbying	$26,384
Special Contracts Normalized	(408)
Change in ROU Asset	(3,040)
Unbilled demand determinants	(1,788)
Block 1 Volume Corrections	8,348
Rate Schedule C-1 A/C	18,941
Normalization Adj. for Gas-Light revenue	360
Special Contracts	7
Other Revenue Normalization	(23,530)
Net Increase in Revenue Deficiency[55]	$25,273

Ms. Weems explained, based on a 2025 review of the Company's Government Affairs expenses, that the Company excluded 25% of associated costs as lobbying and civic participation and refined its adjustment to reflect the removal of the amounts associated with these activities.[56] She testified that the Company disagreed with Mr. Novak's recommendation to exclude 100% of Government Affairs expenses.[57] Ms. Weems addressed the Consumer Advocate's rate design recommendation to assign a

[50] *Id.* at 10-11.
[51] *Id.*
[52] Tiffany Weems, Pre-Filed Rebuttal Testimony, p. 4 (July 14, 2026).
[53] *Id*.
[54] *Id*. at Ex. TW- 3 at Schedule 1 at 1. (Ms. Weems identifies the Exhibit as TW-3, which is a modification of TW-1, but the Exhibit attached to her testimony still bears the label TW-1).
[55] *Id.* at 4.
[56] *Id*. at 4.
[57] *Id*. at 4.

5% rate increase to special contract customer Kordsa, Inc., while all other non-contract customer classes are proposed to increase by 4.52%.[58] She submitted that, in prior recommendations, the Company proposed capping Kordsa's rate increases at 5.0% when other non-contract customer classes were increasing at higher rates.[59] She pointed out that rate increases for non-contract customer classes are under 5%. Therefore, if the Commission approved the Consumer Advocate's proposed rate design, Kordsa's increase should be capped at the same rate as non-contract customer classes.[60]

Mr. Jeff Petrea testified that, prior to the Company's current ARRM filing, he considered his work activities and identified those that were lobbying or lobbying-related based on the activities' purposes and objectives.[61] Mr. Petrea stated that he was not the only decision-maker in determining what constitutes lobbying or lobbying-related activities or expenditures.[62] He explained that the Company reviewed his activities during 2025 and the associated costs to ensure compliance with Commission requirements.[63] Based upon this review, the Company determined the majority of his activities were not related to lobbying.[64] As a conservative estimate, the Company proposed 25% of the Government Affairs expenses be excluded from customer recovery.[65] Mr. Petrea discussed his job duties and the process he utilized to review his calendar and expenses as a verification check on the Company's 25% calculation, but objected to the inclusion of a new annual timekeeping requirement in future ARRM filings.[66]

As a result of the submission of the pre-filed testimony of Mr. Petrea, on July 17, 2026, the Consumer Advocate filed a *Motion to Strike or in the Alternative to Reset the Procedural Schedule*

[58] *Id.* at 3-4.
[59] *Id.*
[60] *Id.*
[61] Jeff Petrea, Pre-Filed Rebuttal Testimony, pp. 1-2 (July 14, 2026).
[62] *Id.* at 2.
[63] *Id*. at 2-3.
[64] *Id.* at 3.
[65] *Id.*
[66] *Id.* at 3-8.

in this Docket or Sever the Company's Proposed Change in Methodology ("*Motion*"). The Consumer Advocate argued that Mr. Jeff Petrea's testimony was introduced as a brand-new position without supporting documentation, which failed to bridge a gap of nearly $300,000.00 between CGC and the Consumer Advocate.[67] Barring the exclusion, the Consumer Advocate wanted the 120-day clock reset so they could conduct discovery on the new numbers, or, at a minimum, have any legal expenses incurred after June 15 barred from recovery.[68] On July 20, 2026, CGC filed a response opposing the *Motion*, arguing that the Consumer Advocate was reading the ARRM methodology too broadly[69] and opposing the Consumer Advocate's request to reset the case's 120-day clock.[70] On July 23, 2026, the Consumer Advocate requested that the Administrative Judge schedule a hearing date for the *Motion* rather than rule on it from the filings alone.[71]

On July 27, 2026, however, the Company notified the Commission that the Parties had resolved all outstanding issues and that a settlement agreement would be forthcoming. The Company states that the agreement resolved all outstanding motions and requested that the Commission approve the positions set forth in the supplemental testimonies of Company witnesses Ms. Weems and Ms. Vette.[72]

V. SUPPLEMENTAL TESTIMONY OF THE COMPANY

On July 27, 2026, Ms. Weems provided Exhibit TW-4, which revised her previous exhibits, TW-1 and TW-3.[73] Schedule 1 of Exhibit TW-4 identified the net corrections and adjustments, which

[67] *Motion*, p. 2 (July 17, 2026).
[68] *Id.* at 5.
[69] *Chattanooga Gas Company's Response in Opposition to the Consumer Advocate Division's Motion to Strike or, in the Alternative, to Reset the Procedural Schedule or Sever the Company's Proposed Change in Methodology*, pp. 6-7 (July 20, 2026).
[70] *Id.* at 14-15.
[71] *Motion to Hear the Consumer Advocate's Motion to Strike or in the Alternative to Reset the Procedural Schedule in this Docket or Sever the Company's Proposed Change in Methodology,* p. 3 (July 23, 2026).
[72] *Letter from Chattanooga Gas Company Informing the Commission That Chattanooga Gas Company and The Consumer Advocate Division in the Office of the Tennessee Attorney General Have Resolved All Outstanding Contested Issues and That a Settlement Agreement Will Be Filed Upon Execution By the Parties, p. 1* (July 27, 2026).
[73] Tiffani Weems, Pre-Filed Supplemental Testimony, p. 1 (July 27, 2026).

reduced the Company's pre-corrected proposed deficiency by $134,642.[74] As a result, the Parties requested that the Commission approve a revenue deficiency of $3,613,249 to be recovered through revised base rates effective September 1, 2026.[75] According to Ms. Weems, the Company continues to maintain that only 25% of Government Affairs expenses are attributable to lobbying, and that Commission rules require these costs to be excluded from customer recovery. However, the Company agreed to exclude 50% of its Government Affairs expenses as a proxy for lobbying expenses to amicably and expeditiously settle this docket. Ms. Weems further testified that the Parties have agreed to meet prior to the Company's next ARRM filing in an effort to evaluate and determine proper treatment of External Affairs costs in future ARRM filings.[76]

On July 27, 2026, Ms. Vette explained that the average annual base rate increase for customers served at tariff rates is approximately 5.0%, as adjusted based on the *Settlement Agreement,* and was demonstrated in Ms. Weems' Exhibit TW-4.[77] She also stated that the proposed increase will apply to special contract customer Kordsa, but not to special contract customer Volkswagen.[78] For illustration purposes, she outlined the existing and proposed residential base rates as follows:[79]

	Current		**Proposed**	
	Winter	**Summer**	**Winter**	**Summer**
Customer Charge	$34.30	$28.30	$36.01	$29.71
Volumetric Rate/Therm	$.23775		$0.24950	

[74] *Id*. at 2.
[75] *Id*. at 3.
[76] *Id*. at 2.
[77] Ashley Vette, Pre-Filed Supplemental Testimony, p. 1 (July 27, 2026).
[78] *Id*. at 2.
[79] *Id.*

For residential (R1) and small commercial (C-1) customers, Ms. Vette estimated the average monthly increases for customers will be $2.17 and $4.58, respectively.[80]

VI. ***SETTLEMENT AGREEMENT***

On August 7, 2026, the Parties filed the *Settlement Agreement*, which set forth the terms resolving all outstanding issues between them. The Parties entered into a one-time agreement to exclude 50% of the Government Affairs expenses, with the other 50% remaining in the cost of service. The Parties also agreed to meet and confer before CGC's next ARRM filing on this issue, and CGC agreed to include supporting testimony the next time it proposes to exclude less than 100% of the Government Affairs expenses.[81] Additionally, the Parties agreed to a final total rate adjustment of $3,613,249, effective September 1, 2026, incorporating the corrections reflected in Exhibit TW-3, and spread across the rate schedules on an equal-percentage basis.[82] The Parties agreed to exceptions to the equal-percentage rate schedule application related to CGC's special contract customers. Kordsa will receive the same percentage increase as non-contract customer classes, capped at 5%. Volkswagen will receive no increase.[83] The Parties agreed that any pending motions shall be deemed moot upon approval of the *Settlement Agreement*.[84] The *Settlement Agreement* has no precedential effect and shall not be cited as binding precedent in any future proceeding.[85]

VII. HEARING

A Hearing on the *Settlement Agreement* was held before the panel assigned to this docket on August 17, 2026, as noticed by the Commission on August 7, 2026. Participating in the Hearing were:

> Chattanooga Gas Company – John Dollarhide, Esq., Butler Snow LLP, Neuhoff Building 1320 Adams Street, Suite 1400 Nashville, Tennessee 37208.

[80] *Id.*
[81] *Settlement Agreement*, pp. 4-5 (August 7, 2026).
[82] *Id.* at 4-6.
[83] *Id.* at 6.
[84] *Id*.
[85] *Id*. at 7.

Consumer Advocate Division, Office of the Tennessee Attorney General – Ryan McGehee, Esq., Post Office Box 20207, Nashville, Tennessee 37202-0207.

Ms. Weems testified in support of the *Settlement Agreement*. Also present for the Company were Ms. Vette and Mr. Leath. During the hearing, members of the public were given an opportunity to offer comments, but none requested recognition to speak.

VIII. FINDINGS AND CONCLUSIONS

The panel noted that while a letter advising the Commission of settlement and supporting testimony was timely filed in accordance with the Procedural Schedule, the executed *Settlement Agreement* itself was filed 10 days after the settlement deadline established in the Procedural Schedule. The Commission appreciates the efforts of the Parties to work together toward a settlement, but recognizes that the filing of an agreement after the deadline creates an undue burden on Commission Staff to review, analyze, and evaluate the agreement within a very short timeframe. Therefore, the panel considered the *Settlement Agreement* but advised the Parties that future agreements should be filed in accordance with established deadlines.

Upon review of the record in its entirety, the panel made findings and conclusions consistent with the provisions of the *Settlement Agreement* and voted unanimously to approve the *Settlement Agreement* as filed by the Parties on August 7, 2026. While the Parties generally agreed on most calculations following the corrections presented by Mr. Novak, CGC and the Consumer Advocate presented vastly differing positions on the Company's lobbying expense adjustment. CGC proposed excluding 25% of its External Affairs-related expenses as a more accurate reflection of its lobbying-related activities, while the Consumer Advocate supported continuing the practice of excluding 100% of the Company's External Affairs Department expenses as a proxy for its lobbying and lobbying-related costs. The panel found that the *Settlement Agreement* proposal to exclude 50% of CGC's External Affairs Department expense is a practical and fair method to resolve the dispute without

requiring the Commission to adopt a new methodology or establish a precedent. The panel further found that the resulting agreed-upon revenue deficiency of $3,613,249 is supported by the evidence, allows for timely rate updates, and falls within a reasonable range under the ARRM framework. The panel directed the Parties to meet prior to the filing of the next ARRM to address the appropriate approach for computing the amount of lobbying and lobbying related expenses to exclude from the Company's proposal, and to determine what will constitute necessary supporting documentation and testimony.

The Parties both testified concerning the implementation of a rate design approach that assigned an equal percentage increase to non-contract customers. Neither Party assigned a rate increase to Volkswagen. While both CGC and the Consumer Advocate proposed a 5% increase to Kordsa, CGC reached the rate through application of the rate increase cap to the proposed 5.2% increase to customers. The Consumer Advocate applied the 5% rate increase despite its 4.52% proposed customer rate increase to non-contract customers. The panel found that the Parties' agreed rate design, which collects the revenue increase through both fixed and volumetric charges, to be just and reasonable. In addition, while the panel noted that future ARRM filings may need to incorporate rate increases larger than 5% for Kordsa and rate increases for Volkswagen, the panel found that the contract customer rates reflected in the *Settlement Agreement* are just and reasonable under the attendant circumstances.

The panel concluded that the ARRM continues to provide CGC with timely recovery of prudent expenses incurred for the provision of safe and reliable natural gas services. Customers of CGC benefit from not having to pay for more expensive rate cases that the Company might otherwise have to pursue. Therefore, the panel found that the CGC ARRM remains in the public interest and voted unanimously to approve the Parties' *Settlement Agreement*.

IT IS THEREFORE ORDERED THAT:

1. The *Settlement Agreement* filed on August 7, 2026, by Chattanooga Gas Company and the Consumer Advocate Division of the Office of the Attorney General is approved.

2. Chattanooga Gas Company and the Consumer Advocate Division of the Office of the Attorney General are directed to meet prior to the next annual rate review filing to address the appropriate approach for computing the amount of lobbying and lobbying-related expenses for exclusion and to determine what constitutes the necessary supporting documentation and testimony.

3. Chattanooga Gas Company shall file revised tariff sheets consistent with the terms of the *Settlement Agreement*.

4. Any person aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within 15 days from the date of this Order.

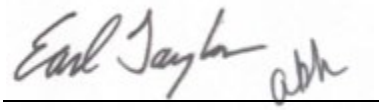
5. Any person aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within 60 days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

The Commission panel has adopted the foregoing Order.
All members present and voting concurred; none dissented.

David F. Jones**,** Chairman
Herbert H. Hilliard**,** Commissioner
Robin L. Morrison**,** Commissioner
Kenneth C. Hill, Commissioner
John A. Hie, Commissioner

Order Issued and Attested By:



Earl R. Taylor, Executive Director