

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE: )  
)  
CHATTANOOGA GAS COMPANY )  
PETITION FOR APPROVAL OF ITS ) DOCKET NO. 20-00049  
2019 ANNUAL RATE REVIEW )  
FILING PURSUANT TO )  
TENN. CODE ANN. § 65-5-103(d)(6) )

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CONSUMER ADVOCATE'S SECOND SET OF DISCOVERY REQUESTS  
TO CHATTANOOGA GAS COMPANY

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This Second Discovery Request is hereby served upon Chattanooga Gas Company, Inc. (“CGC” or “Company”), pursuant to Rules 26, 33, 34, and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (“Consumer Advocate” or “CA”) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Financial Division, Consumer Advocate Unit, War Memorial Building, 301 6<sup>th</sup> Avenue North, Nashville, Tennessee 37243, c/o Daniel P. Whitaker, III on or before Wednesday, July 15, 2020, at 2:00 p.m. CDT.

### **PRELIMINARY MATTERS AND DEFINITIONS**

These Additional Discovery Requests incorporate by reference the same Preliminary Matters and Definitions as set forth in the *Consumer Advocate’s First Discovery Request to Chattanooga Gas Company* sent to the Company on June 12, 2020, are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

### **SECOND DISCOVERY REQUESTS**

- 2-1. Regarding the response to CA Request No. 1-5:
  - a. Provide the allocated premiums recorded on CGC’s books related to i) business interruption insurance and ii) property damage insurance for 2019;

- b. Identify the deductibles associated with the policy(ies) associated with i) business interruption or lost revenue and ii) property damage applicable for the 2019 policy year; and
- c. Identify the corresponding 2019 deductibles for i) business interruption insurance and ii) property damage insurance for each of the retail natural gas utility affiliates of CGC.

**RESPONSE:**

- 2-2. Exhibits ARH-8 and ARH-9 identify 58,218 R-1 Residential customers. The bill count in the winter months suggests a winter average of 58,670 customers. This compares with 66,803 actual services lines reflected on the books of CGC, for a difference of approximately 8,000 service lines. For any portion of the difference in service line counts which are unrelated to abandoned services, quantify the difference, identify the reason for the difference, and provide a description of how the reconciliation amount was determined.

**RESPONSE:**

- 2-3. Provide all contracts or similar documents between Pivitol Home Solutions and CGC.

**RESPONSE:**

- 2-4. Provide a comprehensive explanation of a) the specific services and b) the specific assets, whether tangible or intangible, that Pivitol Home Solutions provides to CGC.

**RESPONSE:**

- 2-5. Provide a comprehensive explanation of a) the specific services and b) the specific assets, whether tangible or intangible, that CGC provides to Pivitol Home Solutions.

**RESPONSE:**

2-6. Regarding the response to CA No. 1-15 indicating that CGC has no contracts with C-1 customers except for line extension agreements, provide the rationale for retaining the tariff language requiring a year-to-year contract for customers in excess of 1,000 therms per day. To the extent this language is related in any way to concerns over ability to serve due to capacity constraints, address the continuing need for this language in light of recent capital expenditures included in Rate Base to expand capacity. Further address the applicability of the tariff language related to the availability of gas supply.

**RESPONSE:**

- 2-7. Regarding the response to CA No. 1-31, provide the following:
- a. Indicate whether the Legacy Cross Bore program is performed by internal labor or contractors; and
  - b. Indicate whether CGC performed a “root-cause” analysis or similar study to determine how Cross Bore situations occur. If so, provide the results of the study.

**RESPONSE:**

- 2-8. Regarding the response and attachment to CA No. 1-32 and referencing Schedule 19.1, provide the following information:
- a. CGC incurred charges of \$159,712 to Maycreate LLC in 2019. Provide copies of each public messaging piece created by Maycreate LLC along with the associated cost of each piece inclusive of the advertisement medium costs. If Maycreate LLC did not create the actual customer messaging pieces, identify the vendor(s) who created the graphics/messaging, and provide such documents along with their associated costs;

- b. CGC incurred costs of \$83,750 from the vendor Urbint associated with the provision of Damage Prevention predictive Analytics. Provide a description of damage prevention analytics, including an explanation of how the adoption of such analytics will reduce damages;
- c. CGC incurred costs associated with Pivitol Home Solutions (PHS). Describe the conditions under which calls are transferred or switched to PHS; and
- d. Describe the compensation flowing from CGC to PHC for taking calls, and provide a thorough discussion of how such compensation is determined.

**RESPONSE:**

- 2-9. Identify the SGC or AGSC group which provides strategic analysis and evaluation of potential acquisition opportunities for SGC or any other CGC affiliate. Identify such costs in total and provide an explanation, inclusive of amounts, of how such amounts are allocated to CGC.

**RESPONSE:**

- 2-10. Provide the actual tax payments made in 2019 for Property Taxes, Gross Receipts Taxes, and Net Worth Taxes that correspond to the accruals recorded in accounts 427550, 427101, and 427130 respectively as shown on Schedules 8 and 19.

**RESPONSE:**

- 2-11. Refer to Account 670530 Retirement Savings Plus Plans as reflected in Account 670530 within Schedule 19. Provide a comprehensive explanation of this expense including, but not limited to the following:
  - a. Identify the employee(s) to which it pertains;

- b. Describe how this retirement benefit differs from the traditional defined benefit pension plan;
- c. Describe how this expense is determined;
- d. Describe why this expense is not rolled into the overall pension payment adjustment calculation; and
- e. Provide the justification for recovery of this cost within the revenue requirement.

**RESPONSE:**

2-12. Regarding Account 600047, Pay-No Gas AGLC Work, provide a comprehensive explanation of this account along with the support for the charges totaling \$39,320 for the YE 2019.

**RESPONSE:**

2-13. Regarding Account 625930, Outside Svc- LNG Storage Maint, provide a comprehensive explanation for the 124% increase in the charges from the year ending 2018 to 2019. Additionally, provide the General Ledger support for the charges making up the \$115,611 2019 account balance.

**RESPONSE:**

2-14. Regarding Account 671419 Allocated Executive – Corp., provide a comprehensive explanation of this account and describe in detail why it increased by 79% between 2018 and 2019.

**RESPONSE:**

2-15. Refer to the Company's Response to CA No. 1-71, specifically Account 670594 – Other Sales and Bonuses:

- a. Provide the job titles and amount of related incentive compensation for each employee who comprises the 2019 charges to this account;
- b. Provide the job descriptions for each employee receiving such awards comprising the 2019 expenses within this account;
- c. For each employee earning such incentive compensation in 2019, provide the underlying calculation supporting the costs resulting in the 2019 balance; and
- d. Provide the rationale for inclusion of these costs in the CGC revenue requirement.

**RESPONSE:**

- 2-16. Regarding Account 671004, Allocated Ext Relations-Dis Ops, provide a comprehensive explanation for this account along with the 1,211% increase from 2018 to 2019 (Year ending amounts of \$24,049 and \$315,366 respectively).

**RESPONSE:**

- 2-17. On July 5, 2020, Dominion announced the cancellation of the Atlantic Coast Pipeline project (“ACP project”). Please confirm that the cancellation of this project will not have a material direct or indirect impact on the ability of CGC to acquire necessary capacity to serve its customers. If this cannot be confirmed, discuss how the project cancellation will impact the future interstate pipeline capacity markets accessed by CGC.

**RESPONSE:**

- 2-18. Refer to the response to CA No. 1-35 (page 67) and Schedule 5.1:
- a. Please confirm that the surcharges listed applicable to the ICMR tariff are currently in effect despite the reference to cancellation at June 30, 2019;
  - b. Please confirm that such credits are designed to refund the \$600,000 reflected as an adjustment related to AMA fees as identified within Schedule 5.1;

- c. Discuss how any excess or deficiency between amounts actually returned to customers through the IMCR and the \$600,000 in fees are treated on the books and records of CGC;
- d. Provide the underlying billing determinants supporting the rates developed within the IMCR tariff on page 67; and
- e. Please confirm that CGC does not intend to modify the IMCR tariff as a result of this docket.

**RESPONSE:**

- 2-19. Provide the monthly calculation, support, and all rationale, accounting or otherwise, relied upon for the calculation of AFUDC (debt and equity) for the months of April, September, and October 2019.

**RESPONSE:**

- 2-20. Reconcile the 2019 Reconciliation Balance of \$4,160,209 within Exhibit GT-3 with the corresponding balances on Schedule 29 of GT-1.

**RESPONSE:**

- 2-21. Refer to the ADIT balances within accounts 279100 Accelerated Federal Tax Depreciation - Property and 279150 Accelerated State Tax Depreciation - Property reflected in Schedule 2A1 within Exhibit GT-1. Indicate whether the balances in these two accounts are synchronized with monthly changes to book depreciation which is tied to the growing balance of gross plant-in-service. If so, explain how these estimated entries are made. If these two accounts are not synchronized monthly with book depreciation associated with gross plant-in-service, provide a comprehensive explanation of the timing and methodology used to record transactions in these accounts.

**RESPONSE:**

2-22. Refer to line 29 within Schedule 9 of Exhibit GT-1. Line 29 calculates a federal deferred tax of slightly more than \$2 million for the historic base period. Provide a complete explanation of the Company's position on whether it would be appropriate to reflect the base period average deferred tax balance as a rate base offset within the calculation of the normalized historic base period.

**RESPONSE:**

2-23. CGC contracts with two law firms to perform regulatory legal work. For legal services provided by both firms associated with all CGC dockets open during 2019, provide a comprehensive explanation of the services performed by each associated with the docket, making clear the distinction between the services provided by each firm.

**RESPONSE:**

RESPECTFULLY SUBMITTED,

**HERBERT H. SLATERY III**  
Attorney General and Reporter  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing *Consumer Advocate's Second Set of Discovery Requests to Chattanooga Gas Company* was served via U.S. Mail or electronic mail upon:

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This the 8<sup>th</sup> day of July, 2020.



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**DANIEL P. WHITAKER III**  
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