

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

September 15, 2022

IN RE:	)	
	)	
AUDIT OF CHATTANOOGA GAS COMPANY'S	)	DOCKET NO.
WEATHER NORMALIZATION ADJUSTMENT FOR	)	22-00051
THE PERIOD NOVEMBER 1, 2021 TO APRIL 30, 2022	)	

**ORDER ADOPTING WNA COMPLIANCE AUDIT REPORT OF
TENNESSEE PUBLIC UTILITY COMMISSION'S UTILITIES DIVISION**

This matter came before Chairman Herbert H. Hilliard, Vice Chairman David F. Jones, Commissioner Robin L. Morrison, Commissioner Clay R. Good, and Commissioner Kenneth C. Hill 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 8, 2022 to consider the report of the Commission's Utilities Division (the "Staff") resulting from the Staff's audit of Chattanooga Gas Company's ("CGC" or the "Company") Weather Normalization Adjustment ("WNA") for the year ended April 30, 2022. The WNA Audit Report (the "Report") is attached hereto as Exhibit 1 and incorporated by this reference.

The Company's WNA data was received for the period November 1, 2021 through April 30, 2022. The Staff completed its audit of the Company's filings on July 21, 2022 and filed its Report on July 26, 2022. The objective of the audit was to verify that the Company's calculations of the WNA adjustments were materially correct and that the Company has appropriately applied them to customers' bills during the period.

The WNA Audit Report contained one immaterial finding. In the finding, the Company used incorrect Actual Degree Days ("ADD") for a combined total of three (3) days during the audit period. The finding resulted in a net over-collection of WNA revenues of \$32,389.88. Due to the immateriality of the over-collection on a per customer basis, Staff recommended the net over-collection of \$32,389.88 for the finding be added to the ACA Account balance in the Company's next Actual Cost Adjustment filing with the Commission. The

Company agreed with the Staff's recommendation. Except for the finding noted in the Report, the Staff concluded that Atmos appears to be correctly implementing the mechanics of its WNA Rider.¹

During the regularly scheduled Commission Conference held on August 8, 2022, the voting panel considered the Staff's WNA Audit Report. The panel unanimously approved the July 26, 2022 WNA Audit Report as filed.

IT IS THEREFORE ORDERED THAT:

1. The Weather Normalization Adjustment Audit Report relative to Chattanooga Gas Company's costs for the year ended April 30, 2022, a copy of which is attached to this Order as Exhibit 1, is approved and adopted and the conclusions and recommendations contained therein are incorporated in this Order as if fully rewritten herein.

2. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

3. Any person who is 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 sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

**Chairman Herbert H. Hilliard,
Vice Chairman David F. Jones
Commissioner Robin L. Morrison,
Commissioner Clay R. Good, and
Commissioner Kenneth C. Hill concurring.**

None dissenting.

ATTEST:



Earl R. Taylor, Executive Director

¹ Notice of Filing by the Utilities Division of the Tennessee Public Utility Commission, Exhibit A, pp.7-9 (July 26, 2022).

EXHIBIT 1

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

CHATTANOOGA GAS COMPANY

WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER

DOCKET NO. 22-00051

TENNESSEE PUBLIC UTILITY COMMISSION

UTILITIES DIVISION

July 2022

COMPLIANCE AUDIT
CHATTANOOGA GAS COMPANY
WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER
Docket No. 22-00051

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COMPLIANCE AUDIT
CHATTANOOGA GAS COMPANY
WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER
DOCKET NO. 22-00051

I. INTRODUCTION AND AUDIT OPINION

The subject of this compliance audit is the Weather Normalization Adjustment (“WNA”) Rider of Chattanooga Gas Company (“CGC” or “Company”), a wholly owned subsidiary of Southern Company Gas.¹ The objective of this audit was to determine if the WNA adjustments were calculated correctly and applied to customers’ bills appropriately between November 2021 and April 2022 for CGC. As a result of the WNA Rider, the Company surcharged a net \$1,007,934 from Residential and Commercial customers during the period. The impact of WNA revenues on the Company’s total revenues for the period is detailed in Section V.

The audit resulted in one immaterial WNA finding, which is described in Section VI. Consequently, Audit Staff (“Staff”) concludes that the Company is correctly implementing the mechanics of the WNA Rider as specified by the Tennessee Public Utility Commission (“TPUC” or the “Commission”) and included in the Company’s tariff (see Attachment 1).

II. SCOPE OF AUDIT

In meeting the objective of the audit, Staff compared the following on a daily basis:

- (1) the Company's actual heating degree days (ADD) to National Oceanic and Atmospheric Administration (“NOAA”) actual heating degree days;
- (2) the Company's normal heating degree days (NDD) to the normal heating degree days calculated and approved in CGC’s last rate case;² and
- (3) the Company's calculation of the WNA factors to Staff's independent calculation for each billing cycle during the WNA period.

In addition, Staff audited a sample of customer bills to verify that the WNA factors had been correctly applied to the bills. Staff also examined each sample bill to determine whether the Base Rates, Purchased Gas Adjustments and other billing components were billed correctly. Staff confirmed that the Company appears to have correctly billed its customers during this review period.

Craig Cox of the Utilities Division conducted this audit.

¹ Southern Company Gas, formerly known as AGL Resources, was acquired by Southern Company in 2016.

² *In Re: Petition of Chattanooga Gas Company for Approval of an Adjustment in Rates and Tariff; the Termination of the AUA Mechanism and the Related Tariff Changes and Revenue Deficiency Recovery; and an Annual Rate Review Mechanism*, Docket No. 18-00017 (February 15, 2018).

III. BACKGROUND INFORMATION ON THE COMPANY

Chattanooga Gas Company, located at 6125 Preservation Drive in Chattanooga, Tennessee, is a wholly owned subsidiary of Southern Company Gas (formerly known as AGL Resources, Inc.), a holding company formed in 2000 in response to the Public Utility Holding Company Act (PUHCA) of 1935. Southern Company Gas is located at Ten Peachtree Place, Atlanta, Georgia. As a local distribution company (“LDC”), Chattanooga provides service to customers in Chattanooga and Cleveland, Tennessee, and surrounding environs in Hamilton and Bradley counties, all located in Southeast Tennessee. The natural gas used to serve these areas is purchased from various suppliers and transported via three natural gas pipelines in accordance with separate and individual tariffs approved by the Federal Energy Regulatory Commission (“FERC”). The three interstate pipelines are Tennessee Natural Gas Pipeline (TGP), East Tennessee Natural Gas (ETNG) and Southern Natural Gas (SNG).

IV. BACKGROUND ON WEATHER NORMALIZATION ADJUSTMENT RIDER

In setting rates, the Tennessee Public Utility Commission³ uses a normalized level of revenues and expenses for a test year, which is designed to be the most reasonable estimate of the Company's operations during the time the rates are in effect. Use of normalized operating levels eliminates unusual fluctuations that may occur during the test period, which causes rates to be set too high or too low.

Specifically, one part of normalizing revenues consists of either increasing or decreasing the test year weather related sales volumes to reflect the difference between the normal and actual heating degree days. (A heating degree day is calculated as the difference in the average daily temperature and 65 degrees Fahrenheit.) This average daily temperature constitutes normal weather and is determined based on the previous thirty years' weather data.⁴

Normal weather rarely occurs. This has two impacts:

- (1) The customers' bills fluctuate dramatically due to changes in weather from month to month; and
- (2) The gas companies earn more or less than their authorized rate of return. For example, if weather is colder than normal, then more gas than anticipated in the rate case will be sold. This results in higher customer bills and over-earnings for the company. On the other hand, if weather is warmer than normal, less gas than anticipated in the rate case will be sold, the customers' bills will be lower and the company will under-earn.

In recognition of this fact, on September 26, 1991, the Tennessee Public Service Commission⁵ (“TPSC”) approved a three-year experimental Weather Normalization Adjustment Rider (“WNA Rider”) to the tariffs of Chattanooga Gas Company, Nashville Gas Company, a division of

³ Effective April 5, 2017, the name of Tennessee Regulatory Authority changed to the Tennessee Public Utility Commission and board members of the agency are now known as Commissioners rather than Directors.

⁴ Weather data is published monthly by NOAA.

⁵ By legislative action, the Public Service Commission was replaced on July 1, 1996, by the Tennessee Regulatory Authority. See Act of May 24, 1995, Ch. 305, 1995 Tenn. Pub. Acts 450. The TRA retains jurisdiction over the above-named gas companies. See Tenn. Code Ann. § 65-4-104; see also Tenn. Code Ann. § 65-4-101 (a) (defining public utility).

Piedmont Natural Gas Company, Inc. and United Cities Gas Company.⁶ In periods of weather colder than normal weather, the customer receives a credit on his bill, while in periods of warmer than normal weather, the customer is billed a surcharge. Thus, customers' monthly bills should not fluctuate as dramatically and the gas company should have a more stable rate of return. The WNA Rider was to be applied to residential and commercial customers' bills during the months of October through May of each year. On June 21, 1994, the TPSC issued an Order authorizing the above-mentioned gas companies to permanently implement an amended version of the WNA Rider.⁷

As a result of the Company's rate case in Docket No. 09-00183, CGC's WNA Rider tariff was amended to apply to only medium commercial and industrial (C-2) and multi-family (R-4) rate schedules, as revenues billed to residential (R-1) and small commercial customers (C-1) were governed under the Company's Alignment and Usage Adjustment ("AUA").⁸ In CGC's most recent rate case filing in Docket No. 18-00017, the Company's AUA mechanism was terminated, and the WNA for the Residential (R-1) and Small Commercial (C-1) customers was reinstated, effective November 1, 2018.⁹ The company's Annual Rate Review Mechanism (ARRM) filing in docket 20-00049 revised the Weighted Base Rate factors for the Residential (R-1), Multi-family (R-4), Small Commercial (C-1), and Medium commercial and industrial (C-2) customers, the tariff effective October 1, 2020.¹⁰

CGC's current WNA Rider tariff accompanies this Report as Attachment 1. The TPUC Staff audits these WNA calculations annually.

⁶ See petition of Chattanooga Gas Company, Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. and United Cities Gas Company for a Rulemaking Hearing to Adopt a Weather Normalization Adjustment (WNA) Rider, Docket No. 91-01712, *Order* (September 26, 1991).

⁷ The amendment directed Chattanooga Gas Company and United Cities Gas Company to eliminate from their WNA Rider the shoulder months of October and May, and Nashville Gas Company to eliminate the shoulder months of October, April and May.

⁸ *In Re: Petition of Chattanooga Gas Company for a General Rate Increase, Implementation of the EnergySmart Conservation Programs and Implementation of a Revenue Decoupling Mechanism*, Docket No. 09-00183, *Order*, page 57 (November 8, 2010).

⁹ *In Re: Petition of Chattanooga Gas Company for Approval of An Adjustment in Rates and Tariff; the Termination of the AUA Mechanism and the Related Tariff Changes and Revenue Deficiency Recovery; and An Annual Rate Review Mechanism*, Docket No. 18-00017, *Order*, page 89 (January 11, 2019).

¹⁰ *Re: Docket No. 20-00049; Chattanooga Gas Company's Petition for Approval of Its 2019 Annual Rate Review Filing Pursuant to T.C.A. § 65-5-103(d)(6)*, page 11 (September 23, 2020).

V. IMPACT OF WNA RIDER

The Graph appearing on page 6 visually compares the actual heating degree days to normal heating degree days for Chattanooga Gas during the 2021 – 2022 winter heating season. The table below quantifies the number of actual heating degree days by month as compared to the normal heating degree days for that month. It shows that overall, during the winter heating season, the weather was 12.31% warmer than normal, resulting in a net surcharge to CGC’s customers for the period.

Month	Actual Heating Degree Days	Normal Heating Degree Days	Warmer/Colder vs. Normal
October 2021	97	144	Warmer
November 2021	480	410	Colder
December 2021	369	654	Warmer
January 2022	761	717	Colder
February 2022	486	560	Warmer
March 2022	292	378	Warmer
April 2022	158	149	Colder
May 2022(1 st bill cycle only ¹¹)	0	2	Warmer
Total	2,643	3,014	12.31% Warmer

The net impact of the WNA Rider during the November 2021 through April 2022 WNA period was that Residential and Commercial customers were surcharged a net \$1,007,934. The percentage of total revenue derived from the WNA Rider was 1.48% (See Table 1). Table 2 compares the amount surcharged (refunded) during the past three (3) heating seasons.

¹¹ Per Company, the billing system did not apply a WNA factor to the first bill cycle in November 2021; consequently, the Company extended weather-normalized billing into the first bill cycle in May 2022 to complete the full six months of weather-normalized billing.

Table 1

**Impact of WNA Rider on Residential & Commercial Revenues
November 2021 – April 2022**

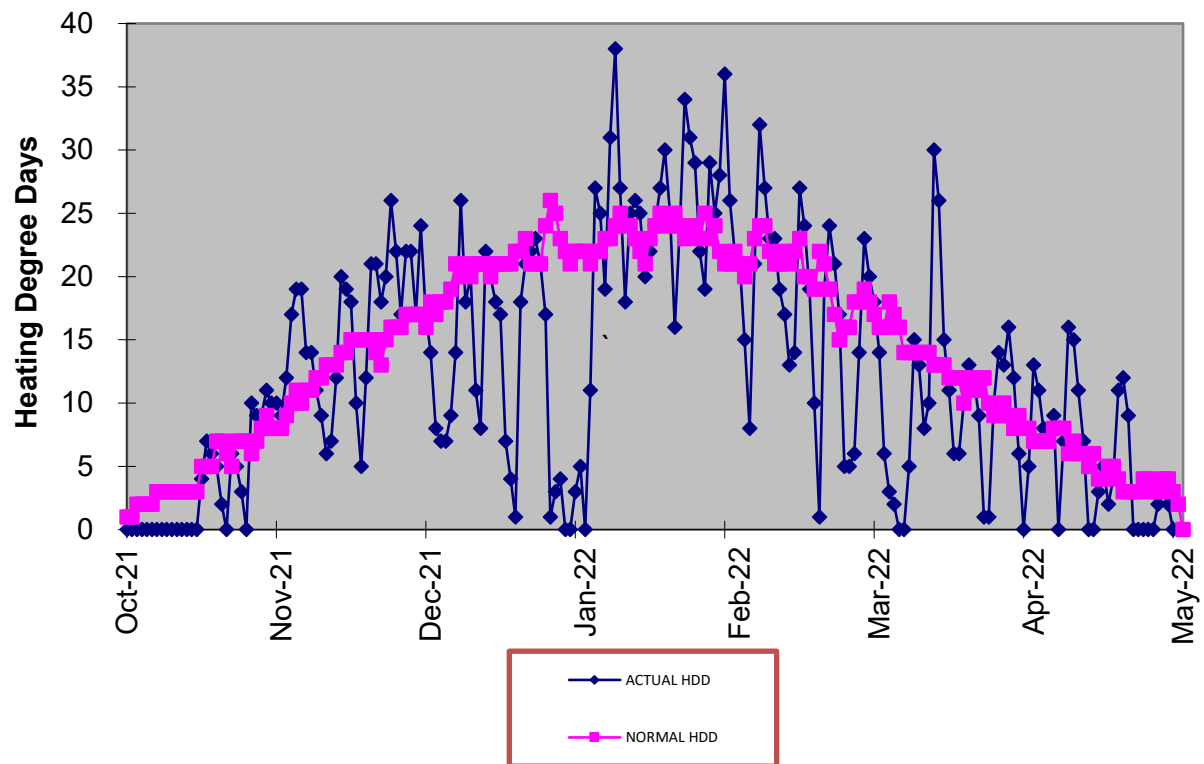
	<u>WNA Rider Revenues</u>	<u>Total Revenues</u>	<u>Percentage Impact of WNA Rider on R&C Revenues</u>
Residential Sales	\$ 503,803.35	\$33,155,658.03	1.52%
Commercial Sales	<u>504,131.03</u>	<u>35,086,156.56</u>	1.44%
Total	<u>\$1,007,934.38</u>	<u>\$68,241,814.59</u>	1.48%

Table 2

**Total WNA Amount Surcharged (Refunded)
2019- 2022**

11/2019-4/2020	\$1,330,217.33
11/2020-4/2021	1,005,364.53
11/2021-4/2022	1,007,934.38
Total	<u>\$ 3,343,516.24</u>

Chattanooga Gas Company Comparison of Actual to Normal Heating Degree Days



VI. WNA FINDINGS

As noted in Section I of this report, Staff's WNA audit resulted in one immaterial finding for the winter heating season of November 2021 through April 2022. This finding is described in detail below.

FINDING #1:

Exception

The Company used incorrect daily actual heating degree days (ADD) for three days during the audit period in its weather normalization adjustment factor calculations.

Discussion

The Company used incorrect actual heating degree days (ADD) for one day in February 2022 and two days in April 2022. This error affected six billing cycles in February, five billing cycles in March, eleven billing cycles in April, and the first cycle in May. Chattanooga receives its daily heating degree day information from a weather service provider. These are preliminary data that have not been finalized by the National Oceanic and Atmospheric Administration ("NOAA").¹² According to the Company, the heating degree days calculated from the observed high and low temperatures for the following dates are as follows. For the February discrepancy, the final NOAA report, which was released after the Company uploaded data to its billing system, adjusted the official heating degree days as noted below. According to the Company, the two April discrepancies were caused by errors in its internal automated processes.

Date	Company	NOAA	Difference
02/11/22	12	13	-1
04/01/22	14	13	+1
04/05/22	0	9	-9

The result of these errors was an **over-collection of \$32,389.88** in WNA revenues from CGC's customers.

Recommendation

The Company indicated it has taken action to prevent these types of discrepancies in the future. Based on the immaterial amount of over-collection on a per-customer basis, Staff recommends this over-collection be added to the Company's Actual Cost Adjustment (ACA) Account Balance in the next ACA audit filed with the Commission.

Company Response

The Company agrees with the finding. For the instance on 2/11/22, CGC used the ADD published at the time by NOAA. The Company recognizes that NOAA made a revision after publishing the

¹² NOAA is the official standard used by Staff to audit the WNA adjustments.

original number used by the Company, resulting in the difference of 1 ADD. For the instances on 4/1/22 and 4/5/22, an issue with the Company's automated processing of degree days caused the differences of 1 and 9 ADD, respectively. CGC plans to include an adjustment in the next ACA filing to return the amount of \$32,389.88.

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on Staff's review of the WNA adjustments during the period November 2021 through April 2022, as stated in its Audit Opinion in Section I, Staff found one immaterial error and concludes that CGC is correctly implementing the mechanics of the WNA Rider to its tariff.

Staff also reviewed the last WNA audit report in Docket No. 21-00081 covering the 2020-2021 winter heating season to determine if any follow-up actions were required for that docket. There were no findings in that docket related to the Company's WNA calculations.

Staff recommends that the Commission approve Staff's Audit Report and the finding and conclusions therein.

We appreciate the full cooperation extended by Company personnel during this process.

ATTACHMENT 1

WEATHER NORMALIZATION ADJUSTMENT

(WNA) RIDER

FILING WITH COMMISSION

The Company will file as directed by the Commission (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and (c) a schedule showing the factors or value derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

RATE SCHEDULE	WEIGHTED BASE RATE (THERM)	HEAT SENSITIVE FACTOR	BASELOAD- BL (THERM)
R-1 RESIDENTIAL Winter (November- April)	.15465	.15024734	13.32898975
(R-4) MULTI- FAMILY HOUSING SERVICE Winter (November - April)	.29085	.06855402	14.46080765
C-1 COMMERCIAL AND INDUSTRIAL GENERAL SERVICE Winter (November- April)	.24807	.29116094	16.52451922
(C-2) MEDIUM COMMERCIAL AND INDUSTRIAL GENERAL SERVICE Winter (November - April)	.24082	2.11686991	700.30683132