

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

**May 21, 2026**

<b>IN RE:</b>	)	
	)	
<b>CHATTANOOGA GAS COMPANY ACTUAL COST</b>	)	<b>DOCKET NO.</b>
<b>ADJUSTMENT (ACA) FILING. FOR THE PERIOD</b>	)	<b>25-00070</b>
<b>OF JULY 1, 2024 THROUGH JUNE 30, 2025</b>	)	

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**ORDER APPROVING STAFF AUDIT REPORT**

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This matter came before Chairman David F. Jones, Vice Chairman John Hie, Commissioner Robin L. Morrison, Commissioner Kenneth C. Hill, and Commissioner David Crowell 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 April 28, 2026. The panel convened to consider the Compliance Audit Report (“*Report*”) of Chattanooga Gas Company’s (“CGC” or the “Company”) Actual Cost Adjustment (“ACA”) component of the Purchased Gas Adjustment Rule for the 12-month period ended June 30, 2025, filed by the Commission’s Utilities Division (the “Staff”) on March 25, 2026. The *Report* is attached as Exhibit 1 and incorporated by this reference.

The Company filed its ACA filing on August 29, 2025. On February 20, 2026, the Audit Staff submitted preliminary ACA audit findings to the Company via e-mail. The Audit Staff incorporated the Company’s responses into its Report and completed the audit on March 23, 2026.<sup>1</sup> The objective of the audit was to verify that the Company’s calculations of gas costs incurred and recovered were materially correct and that the Company had complied with all Commission orders and directives

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<sup>1</sup> *Notice of Filing by the Utilities Division of the Tennessee Public Utility Commission*, pp. 1-2 (March 25, 2026).

concerning the ACA account balance. Accordingly, the Audit Staff reviewed gas supply invoices, supplemental schedules, and other source documentation provided by CGC.

The Company's ACA filing for the 12-month period ended June 30, 2025, reported \$46,530,010.95 in total gas costs, with \$44,958,639.73 recovered from customers through rates.<sup>2</sup> Adding the interest owed to customers for the current period of \$201,829.00 (represented as a negative number) and the reported beginning balance of negative \$3,418,182.45 in over-recovered gas costs resulted in an ACA account balance at June 30, 2025, of negative \$2,048,640.23 in over-recovered gas costs.<sup>3</sup> Staff's audit resulted in two findings that totaled a net under-recovery of \$12,433.81.<sup>4</sup> The Company's reported June 30, 2025 balance of negative \$2,048,640.23 in over-collected gas costs is decreased by the \$12,433.81 under-collected gas costs determined in the audit.<sup>5</sup> The findings accounted for less than 1% of total gas costs and were deemed immaterial by comparison. Staff concluded that, except for the findings noted in the *Report*, the PGA mechanism, as calculated in the ACA, appears to be working properly and in accordance with the TPUC rules for CGC.<sup>6</sup> The corrected balance in the ACA account at June 30, 2025, is negative \$2,036,206.42 in over-recovered gas costs.<sup>7</sup>

During the regularly scheduled Commission Conference on April 28, 2026, the panel considered the administrative record and found that the audit objective was met and that the ending balances in the ACA account for the period ended June 30, 2025, as adjusted by Audit Staff, were accurately calculated and in compliance with CGC's tariff. The panel unanimously approved the *Report* as filed, including the ACA account balance of \$2,036,206.42 in over-recovered gas costs, which will also become the beginning balance in the Company's next ACA filing.

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<sup>2</sup> *Id.*, Exh. A, at p. 1.

<sup>3</sup> *Id.* at p. 1 and pp. 5-6.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at p.1.

<sup>7</sup> *Id.*

**IT IS THEREFORE ORDERED THAT:**

1. The Commission's Utilities Division Compliance Audit Report for Chattanooga Gas Company's Actual Cost Adjustment for the period ended June 30, 2025, attached to this Order as Exhibit 1, is approved and adopted with the conclusions and recommendations contained therein incorporated in this Order as if fully rewritten.

2. 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.

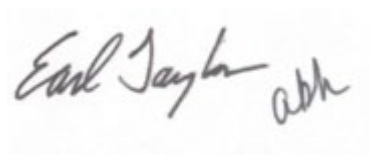
3. Any person aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within 60 days from the date of this Order.

**FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:**

**Chairman David F. Jones,  
Vice Chairman John Hie,  
Commissioner Robin L. Morrison,  
Commissioner Kenneth C. Hill, and  
Commissioner David Crowell concurred.**

None dissented.

**ATTEST:**



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**Earl R. Taylor, Executive Director**

# **Exhibit 1**

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

**March 25, 2026**

**IN RE:** )  
 )  
**CHATTANOOGA GAS COMPANY** ) **Docket No. 25-00070**  
**ACTUAL COST ADJUSTMENT AUDIT** )

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**NOTICE OF FILING BY THE UTILITIES DIVISION OF  
THE TENNESSEE PUBLIC UTILITY COMMISSION**

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Pursuant to Tenn. Code Ann. §§65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Public Utility Commission (“TPUC” or the “Commission”) hereby gives notice of its filing of the Compliance Audit Report of the Actual Cost Adjustment (hereafter “ACA”) component of the Purchased Gas Adjustment Rule for Chattanooga Gas Company (the “Company”) in this docket and would respectfully state as follows:

1. The present docket was opened by the Commission to hear matters arising out of the audit of the Company’s ACA filing for the period July 1, 2024, through June 30, 2025.
2. The Company’s ACA filing was received on August 29, 2025, and the Staff completed its audit of same on March 23, 2026.
3. The original 180-day deadline for completion of the audit of Chattanooga Gas was extended to April 30, 2026, by mutual consent of Company and the TPUC Audit Staff as provided for in the Purchased Gas Adjustment Rule 1220-4-7-.03(2).
4. On February 20, 2026, the Utilities Division submitted its preliminary ACA audit findings to the Company via email. The Company responded on March 2, 2026, via

email and the response has been incorporated into the final report. The report is attached hereto as Exhibit A and is fully incorporated herein by this reference.

5. The Utilities Division hereby files its Report attached as Exhibit A with the Tennessee Public Utility Commission for deposit as a public record and requests approval of the recommendations and findings contained therein.

Respectfully Submitted:

*Grace Marek*

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Grace Marek, MBA  
Utilities Division of the  
Tennessee Public Utility Commission

**CERTIFICATE OF SERVICE**

I hereby certify that on this 25th day of March 2026, a true and exact copy of the foregoing has been e-mailed to the following people:

David F. Jones  
Chair  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

Ms. Ashley Vette  
Manager, Rates & Tariff Administration  
Southern Company Gas  
10 Peachtree Place NE, Location 1686  
Atlanta, GA 30309

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Director - External Affairs  
Chattanooga Company Gas  
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Chattanooga, TN 37421

Mr. J.W. Luna  
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150 3<sup>rd</sup> Avenue South, Suite 1600  
Nashville, TN 37201

Ms. Karen Stachowski  
Office of the Tennessee Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, TN 37202-0207

*Grace Marek*

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Grace Marek

# **EXHIBIT A**

COMPLIANCE AUDIT REPORT

OF

Chattanooga Gas Company

**ACTUAL COST ADJUSTMENT**

**DOCKET NO. 25-00070**

PREPARED BY

**TENNESSEE PUBLIC UTILITY COMMISSION**

UTILITIES DIVISION

March 2026

**EXHIBIT A**

**COMPLIANCE AUDIT REPORT  
of the  
ACTUAL COST ADJUSTMENT COMPONENT  
of the  
PURCHASED GAS ADJUSTMENT RULE  
for  
CHATTANOOGA GAS COMPANY  
for the Year ended June 30, 2025**

**Docket No. 25-00070**

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## **-I. INTRODUCTION**

The subject of this audit is Chattanooga Gas Company's ("Company," "Chattanooga," or "CGC") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule ("PGA Rule") of the Tennessee Public Utility Commission ("TPUC" or the "Commission")<sup>1</sup>. The audit's objective is to determine whether the purchased gas adjustments, which are encompassed by the Actual Cost Adjustment ("ACA"), as more fully described in Section V., for the twelve months ended June 30, 2025, are calculated correctly in accordance with all Commission rules, orders, and directives applicable to Chattanooga and are supported by appropriate source documentation.

## **II. AUDIT OPINION**

Audit Staff's ("Staff") audit resulted in two (2) findings.<sup>2</sup> The net amount of these findings is \$12,433.81 in under-recovered<sup>3</sup> gas costs. The Company's reported June 30, 2025 balance of negative \$2,048,640.23 in over-collected gas costs is decreased by the \$12,433.81 under-collected gas costs determined in this audit. The corrected balance in the ACA account at June 30, 2025 is negative \$2,036,206.42 in over-recovered gas costs. These findings represent less than one percent of the total gas costs and are, therefore, immaterial by comparison.

Staff concludes that, except for the findings noted in this report, the Purchased Gas Adjustment mechanism, as calculated in the Actual Cost Adjustment, appears to be working properly and in accordance with the TPUC rules for Chattanooga Gas Company.

## **III. SUMMARY OF COMPANY FILING**

The ACA filing showed \$46,530,010.95 in total gas costs, with \$44,958,639.73 being recovered from customers through rates. Adding the interest owed to customers for the current period of \$201,829.00 (represented as a negative number) and the reported beginning balance of negative \$3,418,182.45 in over-recovered gas costs resulted in an ACA Account balance at June 30, 2025 of negative \$2,048,640.23 in over-recovered gas costs. The Company's filing is summarized on the following page.

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<sup>1</sup> As of April 5, 2017, the name of Tennessee Regulatory Authority has changed to the Tennessee Public Utility Commission and board members of the agency will be known as Commissioners rather than Directors.

<sup>2</sup> Refer to Section VIII for a description of the findings.

<sup>3</sup> Over-recovered means that the Company over-collected its gas costs from customers. Likewise, an under-recovery means that the Company under-collected its gas costs from customers. The words "recovery" and "collection" may be used interchangeably in the report.

**CHATTANOOGA GAS COMPANY**  
**ACA FILING FOR PERIOD JULY 2024 - JUNE 2025**

Line

1	Beginning Balance (July 2024)	(\$3,418,182.45)
2	Plus Purchased Gas Costs	46,530,010.95
3	Minus Gas Costs recovered through rates	44,958,639.73
4	Plus Interest on monthly balances	<u>(\$201,829.00)</u>
5	Ending Balance (June 2025) (Line 1 + Line 2 – Line 3 + Line 4)	<u>(\$2,048,640.23)</u>

A ( ) around a number indicates a negative or credit balance in the ACA Account, which represents an over-recovery of gas costs. Over-recoveries result in a refund due to customers.

**IV. BACKGROUND INFORMATION ON COMPANY**

Chattanooga Gas Company, located at 2207 Olan Mills Drive in Chattanooga, Tennessee, is a wholly owned subsidiary of Southern Company Gas<sup>4</sup>, a holding company formed in 2000 in response to the Public Utility Holding Company Act (PUCHA) of 1935. Southern Company Gas is located at 10 Peachtree Place NE, Atlanta, Georgia. As a local distribution company (“LDC”), Chattanooga provides service to customers in Chattanooga and Cleveland, Tennessee, and locations in Hamilton and Bradley Counties in 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 Gas Pipeline (TGP), East Tennessee Natural Gas (ETNG), and Southern Natural Gas (SNG).

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<sup>4</sup> Formerly known as AGL Resources, Inc.

## **V. JURISDICTION OF THE TENNESSEE PUBLIC UTILITY COMMISSION**

Tennessee law provides broad jurisdiction and control over public utilities to the Tennessee Public Utility Commission. Tenn. Code Ann. § 65-4-104 states:

The commission has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, Tenn. Code Ann., § 65-4-105 grants the same power to the Commission with reference to all public utilities within its jurisdiction as Tenn. Code Ann., Title 65, Chapters 3 and 5 confer to the Department of Transportation in its oversight of the railroads and to the Department of Safety in its oversight of transportation companies. By virtue of Tenn. Code Ann., § 65-3-108, said power includes the right to audit:

The department of transportation is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The Utilities Division of the TPUC is responsible for auditing those companies under the Commission's jurisdiction to ensure that each company is abiding by Tennessee statutes as well as the Rules and Regulations of the Commission. Grace Marek and Aisha Salem of the Utilities Division conducted this audit.

## **VI. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE**

### **Actual Cost Adjustment Audits:**

The PGA Rule can be found in Chapter 1220-4-7 of the Rules of the Tennessee Regulatory Authority, now the Tennessee Public Utility Commission. The PGA Rule permits the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that the Company does not over-collect or under-collect gas costs from its customers.

The PGA consists of three major components:

- 1. The Actual Cost Adjustment (hereafter the "ACA")**
- 2. The Gas Charge Adjustment (hereafter the "GCA")**
- 3. The Refund Adjustment (hereafter the "RA")**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the TPUC in another docket) as reflected in the Deferred Gas Cost account. The

ACA then "true-up" the difference between the actual gas costs and the gas costs recovered from customers through a surcharge or a refund. The RA refunds the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, please see the PGA Formula in Appendix A of this Report.

Section 1220-4-7-.03 (2) of the PGA Rule requires:

Each year, the Company shall file with the [Commission] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Commission] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180-day notification period may be extended by mutual consent of the Company and the [Commission] Staff or by order of the [Commission].

#### **Prudence Audit of Gas Purchases:**

Section 1220-4-7-.05 of the PGA Rule requires, unless otherwise ordered by the Commission, an audit of Prudence of Gas Purchases by a qualified consultant. This specialized audit evaluates and reports annually on the prudence of any gas costs included in the PGA. At its September 11, 2001, Authority Conference, the Directors voted to approve a Performance-Based Ratemaking Mechanism ("PBRM") for Chattanooga (Docket No. 01-00619). The mechanism affects all plan years ending after June 30, 2000, and continues each year unless terminated by the Company or the Commission. For each year that the mechanism is in effect, CGC's purchases are deemed prudent and the requirements of Section 1220-4-7-.05 of the PGA Rule are waived if CGC's total commodity gas purchases are less than 1% above the total annual benchmark. Staff reviewed these gas purchases as part of the Compliance Audit in Docket No. 25-00071. Staff's Audit Report, which was filed under the docket on August 29, 2025, states that the Company met the requirements of its tariff and recommends that the Company be released from the prudence audit.

## **VII. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT**

The ACA audit is a compliance audit of the Company's ACA Account. The audit goal is to verify that the Company's calculations of gas costs incurred and recovered are materially correct<sup>5</sup> and that the Company is following all Commission rules, orders, and directives with respect to its calculation of the ACA Account balance. On August 29, 2025, the Company filed a PGA<sup>6</sup> to change the ACA factor to begin refunding the unaudited balance in the ACA Account as of June 30, 2025, effective October 1, 2025.

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<sup>5</sup> The audit goal is not to guarantee that the Company's results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review.

<sup>6</sup> Tariff Filing No. 2025-0033.

To accomplish the audit goal, Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by Chattanooga. Where appropriate, Staff requested additional information to clarify the filing.

### **VIII. ACA FINDINGS**

The result of the Staff's audit was a net **under-recovery of \$12,433.81** which represents a total of two findings: 1) understatement of the commodity gas costs and 2) the associated impact on the interest calculation. The correction decreases the Company's over-recovered balance as of June 30, 2025 by this amount. A summary of the account as filed by the Company and as adjusted by the Staff is shown below, followed by a detailed description of each finding.

	Company	Staff	Difference (Findings)
Commodity Balance at 6/30/24	(\$3,107,102.81)	(\$3,107,102.81)	\$ 0.00
Plus Gas Costs	28,952,088.14	28,964,054.95	11,966.81
Minus Recoveries	<u>26,701,467.64</u>	<u>26,701,467.64</u>	<u>0.00</u>
Ending Balance before Interest	(\$856,482.31)	(\$844,515.50)	11,966.81
Plus Interest	<u>(\$186,861.00)</u>	<u>(\$186,394.00)</u>	<u>467.00</u>
Commodity Balance at 6/30/25	<u>(\$1,043,343.31)</u>	<u>(\$1,030,909.50)</u>	<u>\$12,433.81</u>
Demand Balance at 6/30/24	(\$311,079.64)	(\$311,079.64)	\$ 0.00
Plus Gas Costs	17,577,922.81	17,577,922.81	0.00
Minus Recoveries	<u>18,257,172.09</u>	<u>18,257,172.09</u>	<u>0.00</u>
Ending Balance before Interest	(\$990,328.92)	(\$990,328.92)	0.00
Plus Interest	<u>(\$14,968.00)</u>	<u>(\$14,968.00)</u>	0.00
Demand Balance at 6/30/25	(\$1,005,296.92)	(\$1,005,296.92)	<u>0.00</u>
Total ACA Ending Balance at 6/30/25	<u>(\$2,048,640.23)</u>	<u>(\$2,036,206.42)</u>	<u>\$12,433.81</u>

Note: A negative ending balance indicates an over-recovery of gas costs.

### **SUMMARY OF FINDINGS:**

			<u>See page</u>
FINDING #1	Commodity Gas Costs - Storage	11,966.81	Under-recovery 6
FINDING #2	Interest - Commodity	467.00	Under-recovery 6
	<b>Net Result</b>	<b><u>\$12,433.81</u></b>	<b>Under-recovery</b>

## FINDING #1

### Exception

The Company understated the costs associated with withdrawing gas from storage in the Commodity section of its ACA filing.

### Discussion

Upon review, Audit Staff identified incorrect withdrawal volumes for the FSMA storage facility in November 2024 and February 2025. These errors also affected the average gas costs associated with withdrawals and the facility's withdrawal costs. The net impact of this finding is an increase in Commodity costs of \$11,966.81. As a result, the Company's reported over-recovered ACA Account Balance as of June 30, 2025, is reduced by this amount.

### Company Response

*The Company accepts the findings noted by Staff. The resulting net under-recovered amount of \$12,433.81 will be included as an adjustment in the next ACA filing.*

## FINDING #2

### Exception

The Company overstated the amount of interest due to customers in the ACA filing.

### Discussion

The Company used the correct interest rates. However, based on the correction discussed in Finding #1, Audit Staff was required to recalculate the total interest based on the corrected monthly balances in the Company's ACA account. This finding **decreases the Company's reported over-recovered ACA account balance as of June 30, 2025 by \$467.00.**

### Company Response

*The Company accepts the findings noted by Staff. The resulting net under-recovered amount of \$12,433.81 will be included as an adjustment in the next ACA filing.*

## **IX. STAFF AUDIT CONCLUSIONS AND RECOMMENDATIONS**

Staff reviewed the gas costs and gas cost recoveries of Chattanooga Gas Company for the 12-month period ended June 30, 2025. As reported in the body of this report, Staff concludes that the Purchased Gas Adjustment mechanism, as calculated in the Actual Cost Adjustment, appears to be working properly and in accordance with the TPUC rules for CGC. Staff's audit revealed two (2) findings for the audit period with which the Company concurs. Based on the Company's filing and the audit adjustments by Staff, the net balance in the ACA Account as of June 30, 2025, is a negative \$2,036,206.42. This means that as of June 30, 2025, the Company had over-collected this amount from its customers. This balance will become the beginning balance as of July 1, 2025, in the Company's next ACA filing. **Staff recommend that the Commission approve the Company's ACA Account balances, as amended by Staff.**

## APPENDIX A

### PGA FORMULA

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + \text{DACA}}{\text{SF}} - \text{DB} + \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

$$\text{Non-Firm GCA} = \frac{P + T + \text{SR} + \text{CACA}}{\text{ST}} - \text{CB}$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

ST = Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{\text{DR1} - \text{DR2}}{\text{SFR}} + \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

$$\text{Non-Firm RA} = \frac{\text{CR1} - \text{CR2} + \text{CR3} + i}{\text{STR}}$$

where

RA = The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

<sup>s</sup> CR2 = A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR3 = The residual balance of an expired Refund Adjustment.

i = Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.

SFR = Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

STR = Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.