

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

July 2, 2026

IN RE:

CHATTANOOGA GAS COMPANY

WEATHER NORMALIZATION ADJ. (WNA) AUDIT)

)

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) **Docket No. 26-00019**

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

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 Chattanooga Gas Company WNA Audit Report (“Report”) 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 Chattanooga Gas Company (“the Company”).
2. The Company’s WNA filings were received from November 1, 2025, through April 30, 2026, and the Staff completed its audit of same on July 1, 2026.
3. The Report is attached hereto as EXHIBIT A and is fully incorporated herein by this reference.
4. The Utilities Division hereby files its Report with the Tennessee Public Utility Commission for deposit as a public record and approval of the findings and recommendations contained therein.

Respectfully Submitted:

Craig Cox

Craig Cox, CPA
Financial Regulatory Analyst
Utilities Division
Tennessee Public Utility Commission

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of July 2026, a true and exact electronic copy of the foregoing has been made available to the following persons:

Mr. David H. Crowell
Chair
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Ms. Ashley K. Vette
Manager – Rates and Tariff Administration
Southern Company Gas
10 Peachtree Place NE
Atlanta, GA 30309

Mr. Jeff Petrea
Director-External Affairs
Chattanooga Gas Company
2207 Olan Mills Drive
Chattanooga, TN 37421

Mr. J.W. Luna
Butler Snow LLP
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201

Mr. Vance Broemel
Office of the Tennessee Attorney General
Consumer Advocate Unit
P.O. Box 20207
Nashville, TN 37202-0207

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

Craig Cox

Craig Cox, CPA

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

CHATTANOOGA GAS COMPANY

WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER

DOCKET NO. 26-00019

TENNESSEE PUBLIC UTILITY COMMISSION

UTILITIES DIVISION

July 2026

COMPLIANCE AUDIT
CHATTANOOGA GAS COMPANY
WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER

Docket No. 26-00019

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COMPLIANCE AUDIT
CHATTANOOGA GAS COMPANY
WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER
DOCKET NO. 26-00019

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 whether CGC’s WNA adjustments were calculated correctly and properly applied to customers’ bills between November 2025 and April 2026. As a result of the WNA Rider, the Company surcharged a net \$2,193,767 to 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 produced two (2) findings: a WNA-related finding and a sales tax-related finding. Both findings are minor and financially immaterial. Consequently, Audit Staff (“Staff”) concludes that the Company is properly implementing the mechanics of its WNA Rider as prescribed 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 objectives of the audit, Staff compared the following on a daily basis:

- (1) the Company's actual heating degree-days (“ADD”) to the National Oceanic and Atmospheric Administration’s (“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 its WNA factors to Staff's independent calculation for each billing cycle during the WNA period.

Further, Staff audited a sample of customer bills to verify that the WNA factors had been correctly applied. Staff also examined each sampled bill to determine whether the base rates, purchased gas adjustments, and other billing components were charged correctly. Based on its review, Staff confirms that, aside from the findings noted above, the Company correctly billed its customers during the 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 2207 Olan Mills 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, along with 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 (3) natural gas pipelines in accordance with separate and individual tariffs approved by the Federal Energy Regulatory Commission (“FERC”). The interstate pipelines used by the Company are Tennessee Gas Pipeline (“TGP”), East Tennessee Natural Gas (“ETNG”), and Southern Natural Gas (“SNG”).

IV. BACKGROUND ON WEATHER NORMALIZATION ADJUSTMENT RIDER

In setting rates, the Commission uses normalized levels of revenues and expenses for a test year, which are designed to be a reasonable estimate of the Company's operations during the time the rates are in effect.³ Use of normalized operating levels eliminates unusual fluctuations that may occur during the test period, which may cause rates to be set too high or too low.

Specifically, one aspect of normalizing revenues consists of adjusting the test year's actual weather-related sales volumes to reflect the difference between the normal and actual heating degree-days. A heating degree-day measures of how much a given day's average temperature falls below 65 degrees Fahrenheit. Based on the previous thirty (30) years' weather data, each day has an average daily temperature, and this temperature represents normal weather for rate setting purposes.⁴

Normal weather rarely occurs, however. This has two impacts:

- (1) Customers' bills may 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 Commission (“TPSC”) approved a three-year experimental Weather Normalization Adjustment Rider (“WNA Rider”) to the tariffs of Chattanooga Gas Company, Nashville Gas Company (formerly a division of Piedmont Natural Gas Company, Inc. and now referred to as Spire Tennessee Inc.), and United

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.

Cities Gas Company.^{5,6} In periods of *colder than normal* weather, the customer receives a billing credit; 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 since revenues billed to Residential (R-1) and Small Commercial (C-1) customers were addressed 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 25-00028 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, with the tariff effective September 1, 2025.¹⁰

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

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).

⁶ See petition of Chattanooga Gas Company; Nashville Gas Company, a former division of Piedmont Natural Gas Company, Inc. (now Spire Tennessee 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. 25-00028, Chattanooga Gas Company Petition for Approval of Its 2024 Annual Rate Review Filing Pursuant to T.C.A. § 65-5-103(d)(6), sheet 49A (April 21, 2025).*

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 2025 – 2026 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. The data demonstrate that, during the winter heating season, the weather was 17.93% 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 2025	116	144	Warmer
November 2025	341	410	Warmer
December 2025	584	654	Warmer
January 2026	735	717	Colder
February 2026	476	560	Warmer
March 2026	173	378	Warmer
April 2026	47	149	Warmer
Total	2,472	3,012	17.93% Warmer

The impact of the WNA Rider from November 2025 through April 2026 for both residential and commercial customers was a net surcharge of \$2,193,767. The percentage of total revenue derived from the WNA Rider was 2.59% (See Table 1). Table 2 compares the amount surcharged (or refunded) during the past three (3) heating seasons.

Table 1

**Impact of WNA Rider on Residential & Commercial Revenues
November 2025 – April 2026**

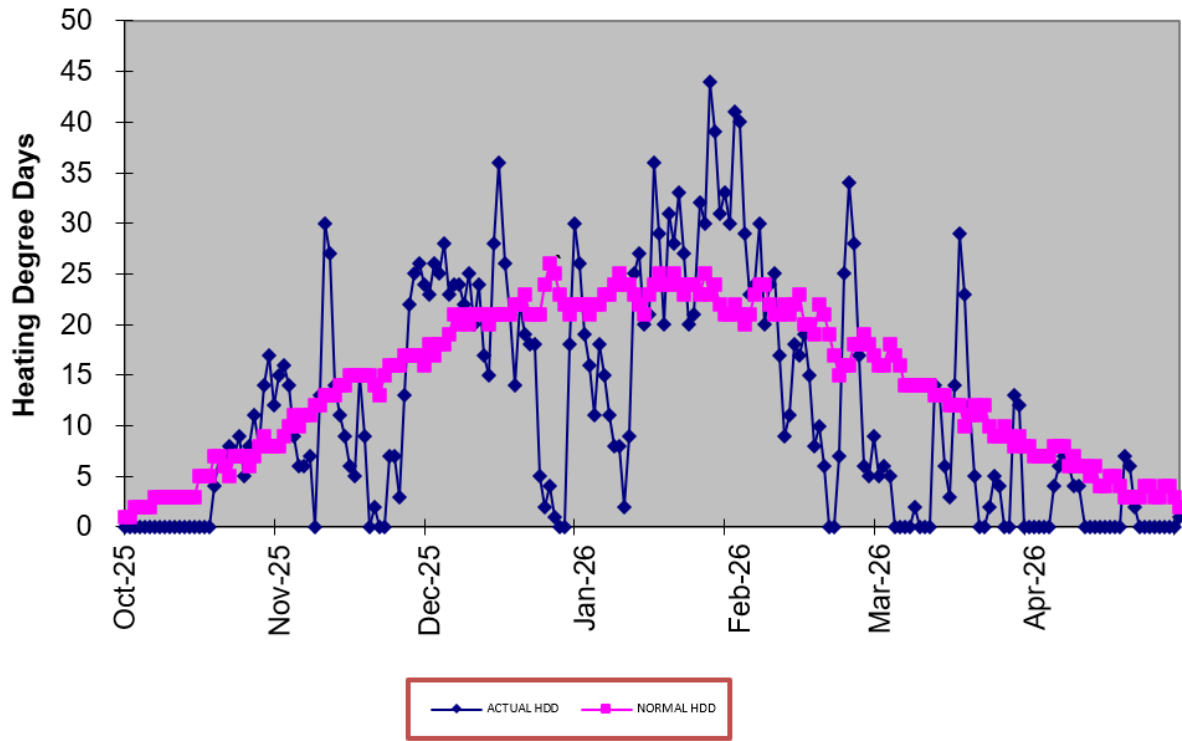
	<u>WNA Rider Revenues</u>	<u>Total Revenues</u>	<u>Percentage Impact of WNA Rider on R&C Revenues</u>
Residential Sales	\$ 1,097,331.03	\$40,631,220.68	2.70%
Commercial Sales	<u>1,096,436.12</u>	<u>43,982,323.13</u>	2.49%
Total	<u>\$ 2,193,767.15</u>	<u>\$84,613,543.81</u>	2.59%

Table 2

**Total WNA Amount Surcharged (Refunded)
2023 - 2026**

2023 - 2024	1,808,431.74
2024 - 2025	1,455,574.93
2025 - 2026	2,193,767.15
Total	<u>\$ 5,457,773.82</u>

Chattanooga Gas Company Comparison of Actual to Normal Heating Degree Days



VI. AUDIT FINDINGS

As referenced in Section I of this report, Staff’s WNA audit resulted in two (2) findings. The first is related to the actual degree-days used in the Company’s WNA calculations. The second involves incorrect sales tax collections, which do not impact the WNA calculation or resulting WNA adjustments.

FINDING #1:

Exception

The Company used incorrect daily actual heating degree-days (ADD) for six (6) billing cycles during the audit period in its weather normalization adjustment factor calculations.

Discussion

The Company used incorrect ADD for six (6) November billing cycles. 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”).¹¹ According to the Company, these identified billing discrepancies resulted from its system not properly updating the ADD from NOAA for October 19, 2025, and, consequently, its October 19 data reflected October 18 data. The ADD data discrepancies between the Company and NOAA for the impacted November billing cycles are as follows.

Nov Billing Cycle	Company	NOAA	Difference
03	143	147	-4
05	166	170	-4
07	178	182	-4
09	228	232	-4
11	269	273	-4
13	300	304	-4

The result of these errors was an **over-collection of \$8,423.18** in WNA revenues from CGC’s customers.

It should be noted that Staff, in its requested sample, identified a few bills wherein the Company has already begun providing customer credits for the aforementioned ADD-related over-billings.

Company Response

The Company agrees and accepts the error noted in the application of daily actual heating degree-days (ADD) used in its weather normalization adjustment (WNA) calculations.

The cause of the error has been identified and corrected. Billing adjustments were completed in January, and credits have been issued to all impacted customers for the resulting over-collection. Additional controls have been implemented to ensure the accuracy and proper updating of ADD data going forward.

¹¹ NOAA is the official standard used by Staff to audit the WNA adjustments.

FINDING #2:

Exception

The Company incorrectly billed state sales tax involving three (3) sampled commercial customers as follows:

- The Company incorrectly billed state sales tax to two (2) commercial customers.
- The Company did not charge state sales tax to one taxable customer.

Discussion

In addition to evaluating whether the Company's WNA factors were correctly applied in its billings, Staff also examined each sampled bill to determine whether its base rates, purchased gas adjustments, taxes, and other billing components were accurate. During this audit, Staff identified the three (3) sales-tax-related errors listed above.

Company Response

The Company accepts responsibility for the three identified sales tax billing exceptions.

- *In two instances, sales tax was incorrectly applied to customers later determined to be tax-exempt; however, a valid exemption certificate was not on file at the time of billing for one of the two customers. TPUC No. 1 Sheet 51 of CGC's tariff states that a copy of a state approved tax exemption certificate must be filed with the Company (by the customer) in order to qualify for a sales tax exemption. As a courtesy, CGC contacted the customers to determine whether they had a valid exemption certificate. Since it is the responsibility of the customer to provide a copy of a sales tax exemption certificate, no billing correction is required.*
- *In one instance, sales tax was not charged to a taxable customer. The error has been corrected and will bill sales tax going forward.*

The Company is enhancing its controls to ensure tax-exemption documentation is properly obtained, maintained, and applied in billing.

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on Staff's review of the WNA adjustments during the period November 2025 through the April 2026, and, as noted above in Section I, Staff noted one immaterial WNA-related finding. The Company's response confirms the proper corrections have been made and the associated credits have been issued to the affected customers. As a result, the impacts of the identified finding will not result in any over- or under-collection to be included in the Company's next ACA filing. For these reasons, Staff concludes that CGC is correctly implementing the mechanics of its WNA Rider as per its tariff.

Staff also reviewed last year's WNA audit report in Docket No. 25-00043, which covered the 2024 – 2025 winter heating season. That report included no Staff findings, and, as such, no issues were noted for follow-up during this year's audit.

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

We appreciate the full cooperation extended by the Company's personnel during this audit.

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- HSF (THERM)	BASELOAD- BL (THERM)
(R-1) RESIDENTIAL Winter (November-April)	\$0.23775	.15024734	13.32898975
(R-4) MULTI-FAMILY HOUSING SERVICE Winter (November – April)	\$0.44210	.06855402	14.46080765
(C-1) COMMERCIAL AND INDUSTIRAL GENERAL SERVICE Winter (November – April)	\$0.37759	.29116094	16.52451922
(C-2) MEDIUM COMMERCIAL AND INDUSTRIAL GENERAL SERVICE Winter (November – April)	\$0.36769	2.11686991	700.30683132