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October 1, 2003

Honorable Deborah Taylor Tate
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

RE: PETITION OF CHATTANOOGA GAS COMPANY, NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC., AND UNITED CITIES GAS COMPANY, A DIVISION OF ATMOS ENERGY CORPORATION FOR A DECLARATORY RULING REGARDING THE COLLECTIBILITY OF THE GAS COST PORTION OF UNCOLLECTIBLE ACCOUNTS UNDER THE PURCHASED GAS ADJUSTMENT ("PGA") RULES
Docket No. 03-00209

Dear Chairman Tate:

Enclosed is an original and thirteen copies of a Memorandum in Support of Motion for Summary Judgment by the Consumer Advocate and Protection Division of the Office of the Attorney General in the above-referenced matter. Kindly file the attached in this docket. By copy of this letter, we are serving all parties of record. If you have any questions, please feel free to contact me at (615) 532-3382. Thank you.

Sincerely,

Shilina B. Chatterjee

Shilina B. Chatterjee
Assistant Attorney General
(615) 532-3382

Enclosures
cc: Kim Beals, Esq.
Hearing Officer
All Parties of Record

69424

IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	**DOCKET NO. 03-00209**
	)	
PETITION OF CHATTANOOGA GAS CO., NASHVILLE GAS CO., A DIVISION OF PIEDMONT NATURAL GAS CO., INC. AND UNITED CITIES GAS CO., A DIVISION OF ATMOS ENERGY CORP. FOR A DECLARATORY RULING REGARDING THE COLLECTIBILITY OF THE GAS COST PORTION OF UNCOLLECTIBLE ACCOUNTS UNDER THE PURCHASE GAS ADJUSTMENT ("PGA") RULES.	)	

MEMORANDUM IN SUPPORT OF MOTION FOR SUMMARY JUDGMENT BY THE CONSUMER ADVOCATE AND PROTECTION DIVISION OF THE OFFICE OF THE ATTORNEY GENERAL

COMES NOW the Tennessee Attorney General, through the Consumer Advocate & Protection Division ("CAPD") and moves for summary judgment before the Tennessee Regulatory Authority ("TRA") in the above matter. This Memorandum in Support of the Motion for Summary Judgment will show that the interpretation sought by Petitioners is inconsistent with a plain reading and with the intent of the Purchase Gas Adjustment Rules, 1220-4-7, et seq; and furthermore that such an interpretation is unreasonable, unjust and not in the public interest and therefore, summary judgment is appropriate in this matter.

The CAPD will show that the declaratory order sought by the Petitioners' interpretation of the PGA rules in this case would be procedurally flawed because it would alter the rules.

Furthermore, the CAPD will show that adoption of the Petitioners' interpretation is inconsistent with the precedent of the TRA.[1] Finally, the CAPD will show that a rule-making proceeding would be the appropriate mechanism for the relief sought by Petitioners.

I. STANDARD FOR SUMMARY JUDGMENT

Summary judgment is rendered when there is no genuine issue as to any material fact and the moving party is entitled to a judgment as a matter of law. *Tenn. R. Civ. Pro. 56.03.* In the present case, there is no factual dispute as to the following material facts:

1. A plain reading of the PGA rules shows that uncollectible accounts are not included within the framework of the PGA rules. Moreover, the TRA did not establish the PGA to recognize uncollectible accounts.

2. Since the rules do not allow inclusion of uncollectible accounts, a declaratory order seeking such an interpretation concerning the gas costs portion of uncollectible accounts related to the PGA is moot.

3. The Petitioners must demonstrate extraordinary circumstances to justify a waiver or change in the rules.

4. Rule-making is the appropriate forum for modifying the PGA rules. Since the interpretation sought by Petitioners would alter the current rules and have a broad and far reaching effect, a rule-making proceeding would be more suitable. Therefore, the foregoing indicates that summary judgment is appropriate in this case.

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[1] Exhibit No.1: Order, January 29, 2002. TRA Docket 01-00802, *Application of ATMOS ENERGY, INC., PIEDMONT NATURAL GAS COMPANY, INC. and the CHATTANOOGA GAS COMPANY for Approval of Deferred Accounting.*

II. ARGUMENT

When evaluating a motion for summary judgment, the TRA should consider "(1) whether a factual dispute exists; (2) whether the disputed fact is material to the outcome of the case; and (3) whether the disputed fact creates a genuine issue for trial." *Byrd v. Hall*, 847 S.W.2d 208, 214 (Tenn. 1993).

The Petitioners bear the burden of demonstrating that there is a genuine issue for trial. In discussing the burden upon the movant, the United States Supreme Court held in *Celotex v. Catrett*, 477 U.S. 317, 325 (1986) as follows:

> We do not think . . . the burden is on the party moving for summary judgment to produce evidence showing the absence of a genuine issue of material fact, even with respect to an issue on which the non-moving party bears the burden of proof. Instead . . . the burden on the moving party may be discharged by "showing" - that is, pointing out to the District Court - that there is an absence of evidence to support the non-moving party's case. (emphasis added).

The United States Supreme Court's decision on this issue was adopted by the Tennessee Court of Appeals in *Moman v. Waden*, 719 S.W.2d 531, 533 (Tenn. App. 1986). The Court of Appeals stated:

> Under Rule 56.03, upon motion, summary judgment shall be entered against a party who failed to make a showing sufficient to establish the existence of an essential element to that party's case and on which the party will bear the burden of proof at trial. If the non-moving party fails to establish the existence of any essential element, there can be no genuine issue as to any material fact since a complete failure of the proof concerning an essential element of the non-moving party's case necessarily renders all other facts immaterial.

Additionally, *Celotex* clarifies issues as to the distribution of burdens of proof when a

party has moved for summary judgment. Specifically, "where the nonmoving party will bear the burden of proof at trial on a dispositive issue, a summary judgment motion may properly be made in reliance solely on the 'pleadings, depositions, answers to interrogatories and admissions on file.'" *Celotex,* 477 U.S. at 324. Therefore, the Petitioners bear the burden of proof in this proceeding.

A genuine factual dispute does not exist in this case. A plain reading of the PGA rules reveals that uncollectible accounts are not mentioned in the rules. The rule states that only gas costs billed are to be included in the PGA and specifically uses the word "billed." As such, it would be improper to include uncollectible accounts in the PGA rules. The relief that the Petitioners seek is already provided for in the rate-making process wherein it allows for recovery of uncollectible accounts.

A. THE PLAIN READING OF THE RULES DOES NOT ALLOW FOR RECOVERY OF THE GAS COSTS PORTION OF THE UNCOLLECTIBLE ACCOUNTS

The TRA has not recognized that uncollectible accounts can be recovered through the PGA mechanism. This is evident not only in the long standing policy but in a plain reading of the rules. Contained within the provisions of the PGA rules is a framework of specifically designed components which form elements of various formulas used to calculate the amount a company is allowed to recover based on the costs of gas delivery to customers. There are various components used in the PGA rules. These components are defined and established in the rules.

Among these components is the "Gas Charge Adjustment" which is defined in Rule 1220-4-7-01(4) as:

> . . . the per unit amount billed by the Company to its customers solely for Gas Costs. The Gas Cost Adjustment shall be separately stated for firm customers and for non-firm customers. (emphasis added).

The Gas Charge Adjustment is the component of the PGA formula that measures the monetary amount billed and/or charged by the company to the customers. The plain meaning of the rule indicates that the Gas Charge Adjustment shall consist of revenues "billed." The Petitioners are seeking a declaratory order which, if granted, would alter this definition. Under the Petitioners' suggested "interpretation," the Gas Charge Adjustment would no longer include billed accounts. If approved, the Gas Charge Adjustment would include accounts that were uncollected in the formula that would alter the plain language of that component of the PGA rule.

The Petitioners' interpretation would also alter the Actual Cost Adjustment (ACA) portion of the PGA rule. Rule 1220-4-7-.03 (1)(c)(2) states that the ACA shall be:

> . . . the difference between (1) revenues billed customers by means of the Gas Charge Adjustment and (2) the cost of gas invoiced the Company by Suppliers plus margin loss (if allowed by order of the Commission in another docket) as reflected in the Deferred Gas Cost account . . (emphasis added)

The interpretation the Petitioners are requesting would change the ACA. The present rule as written does not reflect a meaning or intention to include uncollectible accounts. Under a plain reading of the language used in the rule, there is no genuine factual dispute about the meaning of the PGA rules.

Although the Petitioners have pointed out that the intent of the PGA rules is to prevent the company from over-collecting or under-collecting, they fail to consider that the losses from uncollectible accounts are one of many factors/calculations used in rate-making proceedings

which negate those losses. Rate-making allows the company to recover these losses while also preventing the company from over-collecting and under-collecting. In each of the Petitioners' last respective rate cases, a percentage of the rate was designed to recover losses due to uncollectible accounts. This percentage was based on an average of the losses for a three year period.[2] This method has been used in each of the Petitioners' latest respective rate cases and has been the long-standing method and policy of the TRA to allow for the recovery of uncollectible accounts expense.

B. TRA PRECEDENT ALLOWS FOR WAIVER OR ALTERATION OF POLICY AND RULES ONLY UPON EVIDENCE OF EXTRAORDINARY CIRCUMSTANCES

The TRA previously addressed a similar situation in which the Petitioners requested a waiver of the PGA rules for recovery to uncollectible accounts in TRA Docket 01-00802. During the winter of 2000-2001, gas prices spiked to unprecedented high prices. In order to avoid cutting off the supply of consumers, many of whom were struggling to pay their high bills, the Petitioners stated that they encountered a large number of uncollectible accounts. Petitioners requested a deferral of uncollectible accounts. Taking into account the extraordinary circumstances of the weather and the marketplace, the TRA ruled unanimously that the Petitioners would be allowed to defer certain gas costs and allowed for recovery of the uncollectible accounts through the Actual Cost Adjustment (ACA) mechanism. However, the TRA qualified this exception stating that:

> If the Authority does not allow recovery of the Applicants's bad

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[2] See attached Exhibits 2, 3 &4.

> debt expenses in this instance, the Applicants' reported earnings, their ability to raise capital at favorable rates, and their current level of service to their customers could be impaired. This measure should not be understood, however, to reflect the ongoing policy of the Authority, but is adopted for this one instance only in response to the extraordinary circumstances surrounding the winter of 2000-2001. (Emphasis added)[3]

The Petitioner's current circumstances are not comparable to the extraordinary circumstances that were present in Docket 01-00802. The TRA in its past decisions set a very high bar that must be met before a waiver of a rule or policy is granted or a temporary modification of the PGA rule is implemented. Even considering the extreme circumstances of the winter of 2000-2001, the TRA stated that the deferral decision was an exception in extreme times and not to be construed as a change in long standing policy.

C. A RULE-MAKING PROCEEDING WOULD BE THE APPROPRIATE MECHANISM FOR THE RELIEF PETITIONERS ARE SEEKING

A declaratory ruling is proper when a party requests a clarification of the applicability of a rule or statute.[4] However, in the instant case, the Petitioners are seeking an interpretation that if adopted by the TRA would permanently alter the PGA Rules. The Tennessee Supreme Court has held that the TRA has broad discretion to issue declaratory orders. The Court points to the statutory language about the broad mandate the TRA has to carry out policy and that the

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[3] Order, January 29, 2002, p. 5. TRA Docket 01-00802, *Application of ATMOS ENERGY, INC., PIEDMONT NATURAL GAS COMPANY, INC. and the CHATTANOOGA GAS COMPANY for Approval of Deferred Accounting.*

[4] T.C.A. 65-2-104 and T.C.A. 4-5-223.

legislature stated that any doubt in the law should be resolved in favor of the TRA. *BellSouth Ad. & Pub. Co. V. TRA,* 79 SW 3d 506 (2002). However, before the TRA may adopt or amend a rule, notice must be published and interested parties must be allowed to be heard.[5]

Petitioners seek to in effect redefine the formula components that form the basis of the PGA mechanism. A declaratory order is an inappropriate instrument to alter or amend rules. The TRA has the authority to issue declaratory orders as to the applicability and interpretation of rules. Nevertheless, in situations in which there is the possibility that rules would be altered, the TRA lacks the authority to unilaterally make a change without following the rule-making process unless there is a clear emergency.[6] The Petitioners have not cited an emergency need for this course of action. The Petitioners have never indicated that the interpretation they are seeking will remedy some tantamount financial crisis or that an emergency exists for which this remedy is necessary to serve the public interest.

There are no grounds for an emergency ruling amending the PGA rules. Since there is no need for an emergency ruling, a declaratory ruling in this circumstance is inappropriate. The Tennessee Court of Appeals has ruled that when the alteration or introduction of a rule is a change in policy and far reaching, as in this case, that rule-making is the preferred mechanism.[7]

Administrative agencies can refuse to issue a declaratory ruling if there is not a

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5 T.C.A. 65-2-102 (a)(4) and T.C.A. 4-5-202.

6 T.C.A. 4-5-208.

7 *Tennessee Cable Assn. v. Tennessee Public Service Commission*, 844 S.W. 2d 151, (Tenn. Ct. App. 1992).

justiciable issue to determine or if there is another procedure to resolve the issue.[8] In this case, a remedy already exists in the form of rate-making for the Petitioners. Moreover, another alternative is to convene a rule-making proceeding. Rule-making is the preferred method for promulgating rules in the State of Tennessee.[9] The Tennessee Court of Appeals has adopted this preference in *Tennessee Cable Assn. v. Tennessee Public Service Commission*, 844 S.W. 2d 151 (Tenn. Ct. App. 1992). This decision adopted a test to determine whether a rule-making procedure is needed. If it appears that the administrative agency's determination may equate to many or most of the following circumstances, then a rule-making procedure is warranted:

> (1) is intended to have wide coverage encompassing a large segment of the regulated or general public, rather than an individual or a narrow select group; (2) is intended to be applied generally and uniformly to all similarly situated persons; (3) is designed to operate only in future cases, that is, prospectively; (4) prescribes a legal standard or directive that is not otherwise expressly provided by or clearly and obviously inferable from the enabling statutory authorization; (5) reflects an administrative policy that (i) was not previously expressed in any official and explicit agency determination, adjudication or rule, or (ii) constitutes a material and significant change from a clear, past agency position on the identical subject matter; and (6) reflects a decision on administrative regulatory policy in the nature of the interpretation of law or general policy. *Tennessee Cable*, at 162.

A ruling to allow inclusion of uncollectible accounts in the PGA would be a change in the current policy, would be binding on all gas companies, would affect a large field of regulation, and would alter the plain language of the current PGA rules. Therefore, a declaratory ruling is

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[8] 2 Am. Jur. Administrative Law 377.

[9] *Tennessee Cable Assn. v. Tennessee Public Service Commission*, 844 S.W. 2d 151, (Tenn. Ct. App. 1992).

inappropriate and the TRA should grant summary judgment in this matter and dismiss the Petition.

III. CONCLUSION

There are no genuine issues of material fact in this case. The CAPD maintains that the relief the Petitioners request is an alteration/amendment of the current PGA rules. A rule-making proceeding is necessary to alter the PGA rules to provide the Petitioners with the relief they request. Therefore, a declaratory order in this matter would be inappropriate and represent a change in TRA policy and precedent. As a matter of law, this summary judgment should be granted. Based on the foregoing, we respectfully request that the TRA grant the Motion for Summary Judgment on behalf of Tennessee consumers as a matter of law.

RESPECTFULLY SUBMITTED,

SHILINA B. CHATTERJEE, B.P.R. #20689
Assistant Attorney General
(615) 532-3382

VANCE BROEMEL, B.P.R. #11421
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
(615) 741-3533

Dated: October 1, 2003

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via facsimile and/or hand delivery on October 1, 2003.

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Shilina B. Chatterjee
Assistant Attorney General

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EXHIBIT 1

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE
JANUARY 29, 2002

IN RE:	)	
	)	
APPLICATION OF UNITED CITIES GAS COMPANY, A DIVISION OF ATMOS ENERGY, INC., NASHVILLE GAS COMPANY, A DIVISION OF PIEDMONT NATURAL GAS COMPANY, INC. AND CHATTANOOGA GAS COMPANY FOR APPROVAL OF DEFERRED ACCOUNTING	)	DOCKET NO. 01-00802

ORDER APPROVING DEFERRAL OF UNCOLLECTIBLE ACCOUNTS

This matter came before the Tennessee Regulatory Authority (the "Authority" or "TRA") at a regularly scheduled Authority Conference held on November 6, 2001, upon the *Second Amended and Restated Joint Application for Approval of Treatment of Uncollectible Accounts* filed on October 19, 2001 by United Cities Gas Company ("United Cities" or "UCG"), Nashville Gas Company ("Nashville Gas"), and Chattanooga Gas Company ("Chattanooga Gas") (collectively the "Applicants").

The *Application*

On September 14, 2001, the Applicants filed a Joint Application for Approval of Deferred Accounting. On September 17, the Applicants filed an Amended and Restated Joint Application for Approval of Deferred Accounting, which superseded the September 14, 2001 filing. On October 19, 2001, the Applicants filed a *Second Amended and Restated Joint Application for Approval of Treatment of Uncollectible Accounts* (referred to herein as the "Application"), and this filing in turn superseded the September 17, 2001 filing. In their

Application, the Applicants request that the Authority approve the deferral of certain costs related to uncollectible accounts.

In support of their request, the Applicants state:

> Due to the dramatic increase in the wholesale cost of gas during the 2000-2001 winter heating season, coupled with colder-than-normal weather conditions during the months of November and December of 2000, customers of each of the Applicants experienced gas bills significantly higher than those for the same period the previous winter. In fact, the wholesale gas costs were significantly higher than experienced in the previous ten winter heating seasons. The prospect of excessive disconnects was of great concern to the TRA as expressed at the TRA's conference on February 6, 2001. In response to the TRA's concerns the companies made every effort to extend payment plans and offer budget billing. In doing so, the companies adopted a policy of not conducting "business as usual" including not disconnecting customers in accordance with tariff provisions. The Applicants took measures throughout the previous winter heating season and thereafter to mitigate the effects of the high wholesale prices by providing customers with deferred payment plans that allowed payments to be spread over a number of months rather than paid in full at the time of billing. Under the various plans offered by the Applicants, service was not terminated to the individual customers as long as payment terms agreed to by the customers were being honored. In addition, each of the Applicants has a budget-billing program that is designed to allow customers to spread their bill payments over a one-year period. These programs were especially helpful to customers on fixed incomes and to other customers who had difficulty paying their bills.[1]

Nevertheless, according to the *Application*, "each of the companies experienced an unprecedented increase in the level of its bad-debt expenses in Tennessee."[2] Although it notes that each Applicant's tariff allows the recovery of a certain amount of uncollectible account expenses as part of the cost of service, the *Application* states that "the magnitude of the uncollectible accounts experienced by the Applicants during the 2000-2001 winter heating

[1] *Application*, pp. 3-4.

[2] *Id.*, p. 4. The Application states that "the total net write-offs attributable to uncollectible account expenses incurred by the Applicants are $1,572,202 for UCG, $1,505,000 for Nashville Gas and $1,397,938 for Chattanooga Gas." *Id.*, p. 5.

season and thereafter is far in excess of the amounts currently allowed for uncollectible account expenses in the respective tariffs."[3]

The *Application* goes on to state that "[u]nless the Authority grants appropriate relief, the applicants will be required to absorb substantial costs that will not be recovered in the currently allowed rates."[4] The *Application* adds that "[t]hese excessive expenses are obviously outside the norm and were not caused by the actions and/or inactions of the Applicants."[5] The *Application* states:

> The Applicants contend that it would be unfair to require them to absorb these costs when the excessive expenses arose in large part due to the Applicants' attempts to mitigate the impact on their customers by working out payment plans which were not honored by the customers. Furthermore, each of the Applicants can demonstrate that significant efforts were made to collect the delinquent accounts during the current year, and each of the Applicants will continue to diligently attempt to collect all delinquent accounts, which have been debited to the Unrecovered Purchased Gas Costs-Federal Energy Regulatory Commission Account No. 191 ("FERC Account No. 191"), and to credit the gas portion of the accounts previously written off to FERC Account No. 191 for the benefit of the ratepayers, the approval of which is sought in this Application.[6]

On this basis, the Applicants request that the Authority permit each of them "to defer pursuant to TRA Rule 1220-4-1-.12 and their respective tariffs under the PGA rider the difference between the gas cost portion of the actual net write-offs for each LDCs' [local distribution company] current fiscal period and the gas cost portion of uncollectible account expenses currently allowed in their base rates."[7] The *Application* further states the "gas cost recovery component on all amounts received on previously written off accounts will be credited

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[3] *Id.*
[4] *Id.*
[5] *Id.*
[6] *Id.*, p. 5.
[7] *Id.*, p. 6. The *Application* states that the fiscal years for United Cities and Chattanooga Gas end on September 30, 2001 and the fiscal year for Nashville Gas ends on October 31, 2001.

to the deferred gas accounts for the benefit of the ratepayers through December 31, 2002."[8] The *Application* states that the gas recovery component on collections will be calculated using the same percentage as that used in determining the amount of the uncollectible deferral. The *Application* states that the deferred gas accounts will be finally reconciled as of December 31, 2002 to reflect the net recovery after credits for payments received on the written-off accounts and the respective reconciliations will be included in each Applicant's first Actual Cost Adjustment audit filing after December 31, 2002.

Findings and Conclusions

At the February 6, 2001 Authority Conference, the Directors of the Authority discussed the issue of customer disconnection due to higher than normal residential gas bills and heard comments on this issue from representatives of the three major public utility gas companies in Tennessee, which are also the three Applicants in this proceeding. Although the Directors recognized that the three companies were not themselves responsible for the unusual increases in wholesale gas costs that occurred late in 2000, the Directors expressed concern that high gas bills might be causing an abnormally large number of residential customers to have gas service disconnected, including customers whose payment history had previously been good. The Directors noted, and the company representatives acknowledged, that each of the three companies had recently disconnected a much higher than normal number of customers for non-payment of the customers' gas bills. The company representatives described a number of unusual measures each company had taken to alleviate the burden of high gas bills, including extended payment periods, delayed disconnection, and the opportunity to enter into average payment plans at any time. The Directors asked the companies not to treat the situation in

[8] *Id.*, p. 7.

February 2001 as normal, to take unusual measures to avoid the harsh effects of high bills, and to be compassionate toward their residential customers who were facing unusual circumstances.

The Applicants have responded in a cooperative spirit to the TRA's request that they take steps to alleviate the burden of high gas bills which resulted from the unusual combination of high wholesale gas costs and lower than normal temperatures that occurred during the winter of 2000-2001. Despite their efforts, the Applicants have experienced record levels of bad debt. The Authority finds that it is appropriate under these extraordinary circumstances to allow the Applicants to defer the gas cost portion of their bad debt expense. This measure is consistent with the intent of Authority Rule 1220-4-7-.02, which allows for recovery of gas costs.[9] If the Authority does not allow recovery of the Applicants' bad debt expenses in this instance, the Applicants' reported earnings, their ability to raise capital at favorable rates, and their current level of service to their customers could be impaired. This measure should not be understood, however, to reflect the ongoing policy of the Authority, but is adopted for this one instance only in response to the extraordinary circumstances surrounding the winter of 2000-2001.

At the November 16, 2001 Authority Conference the Authority unanimously approved the Applicants' request to defer the gas portion of the excess of their bad debt expense for each Applicant's fiscal period ending in 2001 over the gas cost portion of uncollectible account expenses currently allowed in the Applicant's base rates. The Authority directed that this recovery take place through the actual cost adjustment mechanism. The Authority also directed the Applicants to revert to their normal tariff regulations by April 1, 2002, make reasonable efforts to reinstate disconnected customers, and inform the Authority of their respective progress

[9] Authority Rule 1220-4-7-.02(1) states: "These Purchased Gas Adjustment (PGA) Rules are intended to permit the company to recover, in 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 the Gas Costs from its customers."

granting reinstatement to customers or allowing customers to pay their past- due bills.

IT IS THEREFORE ORDERED THAT:

1. The *Second Amended and Restated Joint Application for Approval of Treatment of Uncollectible Accounts* filed by United Cities Gas Company, Nashville Gas Company, and Chattanooga Gas Company is approved.

2. Each of the Applicants is allowed to defer the gas portion of the excess of its bad debt expense for its fiscal period ending in 2001 over the gas cost portion of uncollectible account expenses currently allowed in the Applicant's base rates.

3. Such recovery shall take place through the actual cost adjustment mechanism.

4. Each Applicant shall revert to its normal tariff regulations by April 1, 2002.

5. Each Applicant shall make reasonable efforts to reinstate disconnected customers.

6. Each Applicant shall inform the Authority of its respective progress granting reinstatement to customers or allowing customers to pay back their bills

7. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.

Sara Kyle, Chairman

K. Lynn Greer, Jr., Director

Melvin J. Malone, Director

ATTEST:

K. David Waddell, Executive Secretary

EXHIBIT 2

TRA #97-00982
CA Exhibit
Schedule 14

Chattanooga Gas Company
Revenue Conversion Factor
For the 12 Months Ending September 30, 1998

Line No.		Amount	Balance
1	Operating Revenues		1.000000
2	Forfeited Discounts	0.006837	0.006837
3	Balance		1.006837
4	Uncollectible Ratio	0.001952	0.001965
5	Balance		1.004872
6	State Excise Tax	0.060000	0.060292
7	Balance		0.944579
8	Federal Income Tax	0.350000	0.330603
9	Balance		0.613977
10	Revenue Conversion Factor (Line 1 / Line 9)		1.628727

EXHIBIT 3

Nashville Gas Company
Revenue Conversion Factor
For the 12 Months Ending October 31, 2004

Line No.		Amount		Balance
1	Operating Revenues			1.000000
2	Add: Forfeited Discounts	0.007435	A/	0.007435
3	Balance			1.007435
4	Uncollectible Ratio	0.004534	B/	0.004568
5	Balance			1.002867
6	State Excise Tax	0.060000	C/	0.060172
7	Balance			0.942695
8	Federal Income Tax	0.350000	C/	0.329943
9	Balance			0.612752
10	Revenue Conversion Factor (1 / Line 9)			1.631982

A/ Filing Guidelines Item 25, P. 42
B/ Filing Guidelines Item 25, P. 47 adjusted to include all uncollectibles ($2,132,710 / $470,411,854)
C/ Statutory rate

EXHIBIT 4

95-02258
CA Exhibit
Schedule 11

Atmos

United Cities Gas Company
Revenue Conversion Factor
For the 12 Months Ending November 30, 1996

Line No.		Amount	Balance
1	Operating Revenues		1.000000
2	Forfeited Discounts	0.004266	0.004266
3	Balance		1.004266
4	Uncollectible Ratio	0.001237	0.001242
5	Balance		1.003024
6	State Excise Tax	0.060000	0.060181
7	Balance		0.942842
8	Federal Income Tax	0.350000	0.329995
9	Balance		0.612847
10	Revenue Conversion Factor (Line 1 / Line 9)		1.631727