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June 1,2005

VIA HAND **DELIVERY**

Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

Re: Petition of Chattanooga Gas Company, Nashville Gas Company, a division of Piedmont Natural Gas Company, Inc. and Atinos Energy Corporation for a Declaratory Ruling regarding the Collectibility of the Gas Cost Portion of Uncollectable Accounts under the Purchase Gas Adjustment ("PGA) Rules
Docket No. 03-00209

Dear Chairman Miller,

Pursuant to the request of the Tennessee Regulatory Authority, enclosed you will find the orginial and thirteen copies of the Response of Chattanooga Gas Company, Nashville Gas Company, and Atmos Energy Corporation to the Motion that was adopted by the TRA at its April 4, 2005 Authority Conference.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Chattanooga Gas Company

DBS/hmd
Enclosures

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cc: Archie Hickerson
Elizabeth Wade., Esq.
Steve Lindsey
Vance Broemel, Esq.
Bill Morris
James Jeffries, Esq.
Patricia Childers
Joe **A.** Conner, Esq.

BEFORE THE
TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

Petition of Chattanooga Gas Company, Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. and Atmos Energy Corporation for a Declaratory Ruling Regarding the Collectibility of the Gas Cost Portion of Uncollectible Accounts Under the Purchase Gas Adjustment (PGA) Rules.	)))))))))	Docket No. 03-00209

Response of Chattanooga Gas Company, Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc., and Atmos Energy Corporation to the Motion adopted at Tennessee Regulatory Authority's April 4,2005 Conference in Docket No. 03-00209

At the regularly scheduled Tennessee Regulatory Authority Conference on Monday, April 4,2005, Chattanooga Gas Company, Nashville Gas Company, and Atmos Energy Corporation (the "Companies") were directed to file a joint proposal setting forth detailed procedures on accounting for uncollectible gas cost recovery within the actual cost ddjustment annual filing. These procedures should address, but are not limited to, the use of common terminology between the Companies, allocation of payments made on written-off accounts between gas cost and margin, treatment of late fees, taxes, and other charges, treatment of fees paid to third-party collection agencies, timing of charges, credits to the ACA account, and methodology for netting eligible uncollected gas costs with gas costs portion of the allowance for uncollectible accounts included in the base rates. The following are the Companies' responses:

Terminology:

Gas Costs, as defined in Administrative Rule 1220-4-7, shall mean the total delivered cost of gas paid or to be paid to Suppliers, including, but not limited to, all commodity/gas charges, demand charges, peaking charges, surcharges, emergency gas purchases, over-run charges, capacity charges, standby charges, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges and take-and-pay charges, storage charges, service fees and transportation charges and any other similar charges which are paid by the Company to its gas suppliers in connection with the purchase, storage or transportation of gas for the Company's system supply.

Gas Cost Revenue is the revenue billed customers by means of any gas cost component included in the Company's base tariff rates (base rate) plus the PGA rate as calculated in accordance with Administrative Rule 1220-4-7.

Gas Portion of Uncollectible Subject to Recovery through the PGA/ACA factor is the Gas Cost Revenue portion of the account wntten-off as uncollectible.

Gas Revenue as used in relation to the recovery of the gas portion of uncollectible accounts is the revenue generated by the customer charge plus the Volumetric Revenue. It does not include revenue from insufficient funds check charges, late payment fees, reconnect fees, etc.

Uncollected Gas Cost Factor is the ratio of the uncollected gas cost included in a customer's account that is written off divided by the total gas revenue included in the customer's account that is written-off. This factor is computed on an individual customer basis at the time an account is written-off as a bad debt.

Volumetric Revenue is the revenue that results from applying the volumetric base rates plus the applicable PGA factor to the customer's usage.

Allocation of payments made on written-off accounts between gas cost and margin:

At the time of write-off, the gas cost and the margin portion of the uncollected account is specifically identified from the customer's bill(s). The uncollected gas portion is recorded as uncollected gas cost subject to recovery through the PGNACA mechanism. If the account is later collected in full, the uncollected gas cost is credited for the full amount of the gas portion of the account.

If the account is not collected in full, the partial payment will be prorated to uncollected gas cost and margin using the Uncollected Gas Cost Factor. If the Company's system is not capable of prorating the partial payment, then it will be applied first to the uncollected gas cost with the remainder of the payment designated as margin recovery. If the payment is greater than the total "Gas Revenues" included in the bill(s) written-off, the remainder of the amount collected is recognized as recovered margin (for late payment, bad check fees, etc.)

Late fees:

Late fees are not included in determining the Uncollected Gas Cost Factor or included in the uncollected gas cost subject to recovery through the PGNACA mechanism. As explained above, when a partial payment is received, the amount received is first assigned to uncollected Gas Revenue and recognized as the recovery of uncollected Gas Cost and margin. If the partial payment is greater than the uncollected Gas 'Revenue, the remainder is applied to late fees and other charges.

Taxes:

Sales tax and Franchise fees are not included when developing the factor used to allocate partial payments to the recovery of uncollected gas cost and margin. The total uncollected gas revenue must be recovered before any portion of a partial payment is allocated to the recovery of such taxes.

Collection agency fees:

Fees paid to collection agencies are not considered in the allocation of partial payment on accounts previously written-off to uncollected margin and gas costs. The full amount collected from the customer will be recognized as payment on the account. Any fee paid to a collection agency will be treated as an operating expense and will not impact the PGA/ACA.

Timing of charges and credits to the ACA account:

The gas portion of the bad debts written-off and the amount from collection of accounts previously wntten-off are tracked and are to be charged or (credited) as appropnate to ACA (deferred gas account) at least annually for inclusion in the utility's ACA filing.

Methodology for netting eligible uncollected gas cost with the gas portion of the allowance for uncollectible included in base rates:

Due to the difference in the treatment of the allowance in the most recent rate cases, the netting methodology is somewhat different for Chattanooga Gas Company, Atmos Energy, and Nashville Gas.

In Chattanooga Gas Company's (CGC's) most recent rate case, Docket No 04-00034, the PGA revenue was excluded when the allowance for uncollected accounts was computed. As a result, there is no allowance for uncollected gas cost included in CGC's current base rates that became effective October 1,2004. As a result, no netting is required for periods beginning on or after October 1, 2004.

However, since the rates that were in effect for the period of March 2004-September 2004 were established in CGC's last rate case, Docket 97-00982, the annual allowance for uncollectible cost included in that docket is required to be allocated to uncollected gas cost and margin. That allocation is accomplished by the application of the ratio developed by dividing the PGA revenue generated by the PGA factor effective at the date of the order in Docket 97-00982 by the sum of revenue from base rates (margin) and gas cost revenue based on the volumes adopted in that docket.

Since the period of March 2004 through September 2004 is less than a full year, it is also necessary for CGC to allocate the annual allowance to the period of March 2004-September 2004 and to the remainder of the year. This is accomplished by use of the ratio of net write-off during this period to the total net write-offs for the twelve months ended February 28,2005.

In contrast to CGC, the uncollectible cost included in Nashville Gas Company's last rate case, Docket No. 03-00313, was computed based on both the margin and Gas Cost Revenue that was adopted by the Authority that proceeding. As a result, NGC determined the uncollectible gas cost component included in its base rates by applying the average ratio of gas costs to gas sales revenues for the years ended December 31, 2000-2002 to the total uncollectible accounts expense adopted by the TRA in Docket 03-00313. The period of January 1,2000 through December 31,2002 was the penod used to develop the uncollectible factor utilized in that docket.

. Atmos Energy Corporation's allowance for bad debt was determined in its last rate proceeding in Docket 95-02258. *An* allowance of $130,117 is currently included in base rates. The test year utilized to determine the amount of bad debt was January through December 31, 1994. Similar to Nashville Gas Company, the uncollectible gas cost component of uncollectibles included in its base rates is determined by applying the ratio of gas cost to revenues in the underlying test year.

Respectively submitted this 1st day of June 2005.

Chattanooga Gas Company

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid to the following this 1st day of June, 2005.

Vance Broemel
Assistant Attorney General
Office of Consumer Advocate and Protection Division
425 Fifth Avenue North
Nashville, TN 37202-0207

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