

**Motion of Chairman Ron Jones in Docket No. 03-00209 - *In re: 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***

During the February 9, 2004 deliberations, the panel ruled in favor of modifying the refund adjustment formula contained in Authority Rule 1220-4-7-.03(1)(b) to allow Petitioners to recover actual uncollected gas costs. The panel further determined to leave the docket open for one year after which time the panel would decide whether the modification should be permanently adopted. At the April 5, 2005 Conference, the panel recognized the need for further investigation and extended the experimental period for one year. The panel also ordered Petitioners to file by June 1, 2005, a joint proposal setting forth accounting procedures for uncollectible costs in the actual cost adjustment annual filing. Petitioners filed the required procedures on June 1, 2005.

Today, we are here to determine how to proceed. A review of the formula and the jointly proposed procedures reveals that the process should function properly. The Authority has noticed, though, several failures in application of the formula and procedures that significantly detract from the accuracy of the accounting. Two examples are a failure to net eligible uncollected costs with the gas costs included in a company's authorized allowance for uncollectible costs and a failure to allocate subsequent payments at the same percentage as the original write-off. The ill-effects of these failures, however, will be removed if the use of the modified refund adjustment is conditioned on the following: (1) the accounting procedures jointly proposed by the Petitioners, (2) some additional procedures; and (3) reporting requirements.

Before proceeding with my motion, I note that I have for the Directors' review and the Court reporter's record two documents. The first is titled "Procedures for Uncollected Gas Cost Recovery in the Annual ACA Filing" and lists the jointly proposed accounting procedures and three

additional procedures, which are numbered 7, 8 and 10. The second document is titled "Uncollectible Gas Cost Recovery Reporting Forms and Instructions."

Based on the foregoing, I move that the panel permanently adopt as an alternative the modified refund adjustment formula and condition its use by any company on compliance with the "Procedures for Uncollected Gas Cost Recovery in the Annual ACA Filing" and the "Uncollectible Gas Cost Recovery Reporting Forms and Instructions." Further, I move that the Authority initiate a rulemaking to incorporate into the appropriate rule section the modified formula and the conditions of using that formula. To move the rulemaking along, I move also that the panel authorize General Counsel to forward a notice of rulemaking to the Office of the Secretary of State containing rules consistent with the "Procedures for Uncollected Gas Cost Recovery in the Annual ACA Filing" and the "Uncollectible Gas Cost Recovery Reporting Forms and Requirements" adopted today.

## **PROCEDURES FOR UNCOLLECTED GAS COST RECOVERY IN THE ANNUAL ACA FILING**

Recovery of uncollected gas costs using the modified Refund Adjustment Formula is optional. Any regulated gas company electing to recover uncollected gas costs in its annual ACA filing using the modified formula shall comply fully with the following procedures:

1. At the time of write-off, the gas cost and the margin portion of the uncollected account shall be specifically identified from the customer's bill(s) and a percentage of gas costs to the total account written-off established.
2. For purposes of the calculation in No. 1, other charges, such as late fees, applicable state taxes, and collection fees shall not be included in the calculation of the percentage of gas costs to the total account written-off.
3. If the account balance is later collected in full, the uncollected gas costs shall be credited with the full amount of the gas cost portion of the account.
4. If the account balance is not collected in full, the partial payment shall be allocated and credited to uncollected gas costs using the same percentage (ratio) established for gas costs in No. 1.
5. If a company's billing system is not capable of accurately prorating a partial payment, the partial payment shall be credited 100% to uncollected gas costs first, with any remainder treated as recovered margin.
6. For those companies whose allowance for uncollectible accounts contains a gas cost portion, the amount of that portion must be netted with the eligible uncollected gas costs included for recovery in the ACA. Each such company must submit its calculation during the ACA audit for review and acceptance by the TRA compliance staff.
7. Each company that wishes to submit its uncollected gas costs for recovery through the ACA shall separately track each account that is written-off in sufficient detail, so as to permit the TRA compliance staff to audit write-offs and subsequent payments on written-off accounts. Each company shall submit a monthly summary report detailing each write-off and each payment to written-off accounts for that month and the total amount eligible for recovery in the ACA no later than the first business day of the third month following the reporting month, using the format prescribed by the Authority in the Uncollectible Gas Cost Recovery Reporting Forms and Instructions. Corrections or adjustments to these reports shall be timely filed.
8. Any deviation in amounts charged in the annual filing of the ACA from those recorded in these monthly reports shall be documented for review by the TRA compliance staff during the annual audit of the ACA.

9. The gas cost portion of written-off accounts and the amount recovered from payments on these accounts shall be charged or credited, as appropriate, to the ACA account at least annually for inclusion in the ACA filing.
10. All companies electing to adopt the modified Refund Adjustment Formula shall electronically file monthly reports in accordance with the instructions contained in the Uncollectible Gas Cost Recovery Reporting Forms and Instructions.

## Uncollectible Gas Cost Recovery Reporting Forms and Instructions

**Name of Company**  
**Month and Year**  
**Accounts Written-Off Report**

A	B	C	D	E (C + D)	F (C / E)	G (D / E)
Customer Number	Write-off Date	Gas Cost Written-off	Margin Written-off	Total Gas Cost and Margin Written-off	Gas Cost % of Total Gas Cost and Margin Written-off	Margin % of Total Gas Cost and Margin Written-off
				0.00	#DIV/0!	#DIV/0!
				0.00	#DIV/0!	#DIV/0!
				0.00	#DIV/0!	#DIV/0!
				0.00	#DIV/0!	#DIV/0!
				0.00	#DIV/0!	#DIV/0!
				0.00	#DIV/0!	#DIV/0!
				0.00	#DIV/0!	#DIV/0!
Total		0.00	0.00	0.00	#DIV/0!	#DIV/0!

## Recoveries of Accounts Previously Written-Off Report

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### **General Instructions**

- Monthly reports must be submitted in an Excel spreadsheet format.
- Monthly reports should be sent via email to [paul.greene@state.tn.us](mailto:paul.greene@state.tn.us) and copied to [pat.murphy@state.tn.us](mailto:pat.murphy@state.tn.us).
- Monthly reports are due by the first business day (excluding weekends and State holidays) of the third month following the month reported (e.g., May 2006 reports would be due August 1, 2006).
- Hard copy submissions are not required (unless subsequently requested by Staff).
- If you desire formatted Excel spreadsheets to utilize in reporting, please email [paul.greene@state.tn.us](mailto:paul.greene@state.tn.us).
- Any deviation from the prescribed format requires the prior approval of Staff.

### **Accounts Written-off Report (refer to page 1 of 4)**

- Column A - Customer Number. Spreadsheet must be sorted by customer number in ascending order prior to submission.
- Column B - Write-off Date.
- Column C – Amount of Gas Cost written-off.
- Column D – Amount of Margin written-off.
- Column E - Total amount of Gas Cost and Margin written-off (Column C + Column D).
- Column F – Gas Cost % of total Gas Cost and Margin written-off (Column C divided by Column E) rounded to 2 decimal places.
- Column G - Margin % of total Gas Cost and Margin written-off (Column D divided by Column E) rounded to 2 decimal places.
- Columns C, D and E should contain only costs related to the delivery of gas. Late fees, taxes, collection fees, or other charges must not be included.
- Totals – Columns C, D and E should be totaled. The amount shown in Column F total should equal the total of Column C divided by the total of Column E rounded to 2 decimal places. The amount shown in Column G should equal the total of Column D divided by the total of Column E rounded to 2 decimal places.

### **Recoveries of Accounts Previously Written-off Report (refer to page 2 of 4)**

- Column A - Customer Number. Spreadsheet must be sorted by customer number in ascending order prior to submission.
- Column B - Payment Date.
- Column C - Original Write-off Date.
- Column D – Amount of payment credited to Gas Costs.
- Column E – Amount of payment credited to Margin.
- Column F – Total amount of payment (Column D + Column E).
- Column G – Percent of total payment credited to Gas Cost (Column D divided by Column F) rounded to 2 decimal places.

- Column H – Percent of total payment credited to Margin (Column E divided by Column F) rounded to 2 decimal places.
- Columns C, D and E should contain only costs related to the delivery of gas. Late fees, taxes, collection fees, or other charges must not be included.
- Totals – Columns D, E and F should be totaled. The amount shown in Column G total should be the total of Column D divided by the total of Column F rounded to 2 decimal places. The amount shown in Column H should be the total of Column E divided by the total of Column F rounded to 2 decimal places.