

SECURITY

[illegible]

Docket No. 03-00209

(b) A waiver of the PGA Rules is not necessary to allow recovery of the gas cost portion of uncollectible accounts; [and]

(c) The interpretation of the PGA Rules sought by the Petitioners [to permit recovery of gas costs portions of uncollectible accounts] does not require a rulemaking procedure.¹

In its February 2005 Order, the Authority found a rulemaking was unnecessary because a specific provision within the PGA Rule, Tenn. Rules & Regs. § 1220-4-7-.03(1)(b)3, permits the Authority to modify formulas from time to time to carry out the intent of the PGA Rule. The February Order modified the PGA recovery formula pursuant to that provision to include a mechanism to capture the recovery of the gas costs portion of uncollectible accounts.

In light of the specific findings of the February 2005 Order, it would appear that a rulemaking is not technically necessary in order to continue the collection of the gas costs portion of uncollectible accounts through the mechanism approved in that Order. Should the Authority, nonetheless, decide to exercise its discretion and initiate a rulemaking in this proceeding for the purpose of incorporating into its rules the procedures for the collection of these costs, it is the Companies' understanding that such a rulemaking would be limited to a determination of the procedures for accounting and reporting the recovery of the gas costs portion of uncollectible accounts through the PGA. The Companies' position in this regard is based upon the scope of Director Jones' Motion, as well as the fact that the Authority has already determined that the intent of the PGA mechanism is to permit full recovery of gas costs and it is only the form of implementation of that conclusion -- formula modification or formal rules -- that is now under discussion.²

¹ *Order Denying Consumer Advocate's Motion for Summary Judgment, Granting, in Part, and Denying, in Part, Petitioners' Motion for Summary Judgment, Denying Petition for a Declaratory Ruling and Modifying Refund Adjustment Formula*, TRA Docket. No. 03-00209 (Feb. 9, 2005), p. 9.

² The Companies would note that there has been no evidence presented to the Authority that would support a contrary conclusion regarding the intent of the PGA mechanism and, therefore, no basis upon which the Authority could reasonably reverse its prior conclusion.

The Companies have reviewed the proposed accounting and reporting procedures and have discussed them with Authority Staff. While the Companies are generally supportive of the proposed procedures in their current form, the Companies would like to reserve their rights to review the actual language of any proposed rule that the Authority notices for rulemaking and to submit any specific comments about the proposed rule at that time. The Companies welcome the opportunity to continue to work with the Staff to develop procedures that are clear and that can be efficiently implemented.

Respectfully submitted,

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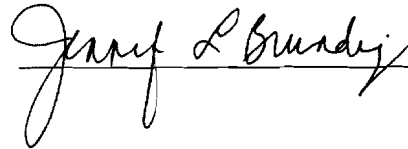
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served on the following this 21st day of July, 2006, via U.S. mail.

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