

**IN RE:**

**DOCKET NO. 03-00209**

The TRA's decision in this matter adversely impacts gas consumers in Tennessee. Further, this course change negatively affects the stability of well established TRA interpretations and rules. The TRA rendered a decision that interprets the PGA mechanism to allow recovery of costs other than true gas costs even though it was uncontroverted that the uncollectible accounts

expense in the PGA mechanism has never been a part of the PGA mechanism.<sup>1</sup> By allowing the uncollectible account expense to be included for recovery in the gas costs portion of the PGA, this interpretation threatens to begin the slippery slope of allowing other non-gas items costs to be recovered through the PGA mechanism or through other mechanisms to actually hide certain utility expenses from the necessary and critical review related to a rate case. The PGA mechanism was not intended nor anticipated to include anything other than gas cost expense. As predicted, utilities presently have pending additional pass-throughs using fanciful labels such as “decouplers,” “conservation tariff” or whatever the flavor of the day may be for reducing the service provided to utility consumers, yet reducing the risk the utility embraces in operating a business.

Consumers of Tennessee have been forced to pay more for their gas service since gas bills have increased as a result of the decision rendered in this docket. Essentially, Tennessee consumers are now required to pay the gas bills of those who do not pay because the TRA has reduced the incentive for the gas utilities to collect from those who do not pay their gas bills. Allowing the utilities to shift the associated risk to consumers in this manner through the TRA’s acceptance of the gas companies’ proposal signals a retreat from previous TRA decisions and positions taken by the utilities regarding incentive or performance based rate making. Since the inception of the PGA rules, the uncollectible accounts expense have never been included in the PGA mechanism. The historical practice and current practice is proof positive that the

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<sup>1</sup> Gas costs are recovered when booked and billed as revenues. The Consumer Advocate respectfully believes that the TRA erred when it changed the definition of *recovered* from billed to *received*. The many issues that are now being discussed are rooted in this false definition of *recovered*.

uncollectible accounts expense is an expense, a cost of doing business for the gas companies and are not gas costs under the plain reading and operation of the PGA. The decision rendered by the TRA is not in the best interests of the consumers of the State of Tennessee.

It is not surprising that the gas companies have so far unsatisfactorily complied with the directives of the TRA. Many of the concerns expressed previously by the Consumer Advocate appear to be unreconcilable among the utilities. During the course of this docket the gas companies did not explicitly set forth how inclusion of the uncollectible accounts expense would actually occur. Moreover, the TRA did not present the details or the specifics concerning how the modification of the formula would actually be implemented and effectuated.

It remains prudent to open a rulemaking proceeding in this matter especially in light of the fact that this shift has such a broad and far reaching impact on gas consumers in the State of Tennessee. However, the rule making should not begin with the idea that labeling this business expense as a gas cost is proper. The proper course is a critical review of what the last two (2) years have taught us. The Consumer Advocate respectfully requests that this panel reevaluate its decision to redefine "uncollectible accounts expenses" as "gas cost."

RESPECTFULLY SUBMITTED,



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## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail on July 21, 2006.

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