

Rulemaking Hearing Rules  
of the  
Tennessee Regulatory Authority

Substance of rule amendments and proposed new rule.

Chapter 1220-4-7  
Purchased Gas Adjustment Rules

Amendments

Paragraph (1) of rule 1220-4-7-.01 Definitions is amended by deleting the text of the paragraph in its entirety and substituting instead the following language so that, as amended, the paragraph shall read:

- (1) "Gas Costs" 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 costs shall also include uncollected gas costs that have been both billed and determined to be uncollectible that are in excess of the amount of uncollectible gas costs that were approved in the last rate case for each Company.

Authority: Tenn. Code Ann. § 65-2-102, 65-45-104.

Rule 1220-4-7-.01 Definitions is amended by adding a new definition as paragraph (10) and shall read as follows:

- (10) "Written-off" shall mean determined or deemed to be uncollectible by the Company.

Authority: Tenn. Code Ann. § 65-2-102, 65-45-104.

Subparts (i) & (ii) of part 1. of subparagraph (b) of rule 1220-4-7-.03 Computations and Application of the Purchased Gas Adjustment (PGA) is amended by deleting the text of subpart (i) & (ii) in its entirety and substituting instead the following language so that, as amended, the subparts shall read:

$$(i) \quad \text{Firm RA} = \left[ \frac{DR1 - DR2}{SFR} \right] + \left[ \frac{CR1 - CR2 \pm CR3 \pm U \pm I}{STR} \right]$$

$$(ii) \quad \text{Non-Firm RA} = \left[ \frac{CR1 - CR2 \pm CR3 \pm U \pm I}{STR} \right]$$

Authority: Tenn. Code Ann. § 65-2-102, 65-45-104.

Proposed new subpart (x) of rule 1220-5-7-.03 Computations and Application of the Purchased Gas Adjustment (PGA) shall read:

- (x) U = Eligible uncollected gas costs surcharged or refunded under this Rule.

Authority: Tenn. Code Ann. § 65-2-102, 65-45-104.

#### New Rule

Proposed New Rule 1220-4-7-.06 Procedures for Uncollected Gas Cost Recovery Adjustment shall read:

- (1) Recovery of uncollected gas costs using the modified Refund Adjustment Formula is optional. Any Company electing to recover uncollected gas costs in its annual ACA filing using the modified Refund Adjustment Formula shall comply fully with the following procedures:
  - (a) At the time a customer account balance is written-off, the gas cost and the margin portion of the uncollected amount for each customer account shall be specifically identified from actual amounts billed and a percentage of total gas costs to the total amount written-off established.
  - (b) For purposes of the calculation in (a), other charges, such as late fees, applicable state and local taxes, and collection fees shall not be included in the calculation of the percentage of gas costs to the total amount written-off.
  - (c) If the account balance written-off is later collected in full, the uncollected gas costs shall be credited with the full amount of the gas cost portion of the account.
  - (d) If the account balance written-off is not collected in full, the partial payment shall be allocated and credited to uncollected gas costs using the same percentage established for gas costs in (a).
  - (e) If a Company's billing system (including both computer and manual functions) is not capable of accurately allocating a partial payment, the partial payment shall be credited 100% to uncollected gas costs first, with any remainder treated as recovered margin.
  - (f) For those Companies whose allowance for uncollectible accounts (recovered in base rates) contains a gas cost portion, the amount of that portion shall be netted with the eligible uncollected gas costs included for recovery in the ACA. Each such Company shall submit its calculation of the amount to be netted with actual uncollected gas cost amounts as part of the annual ACA filing.
  - (g) The gas cost portion of written-off account balances and the amount of gas costs recovered from subsequent payments on these accounts shall be charged or credited, as appropriate, to the ACA account at least annually for inclusion in the ACA filing.
  - (h) Any variance between amounts charged or credited in the annual filing of the ACA and the amounts recorded in the monthly reports required in

subparagraph (2) shall be reconciled and documented by the Company for review by the TRA Compliance Staff (Staff) during the annual audit of the ACA.

- (i) Each Company shall file its policy (internal procedures followed) for determining the uncollectibility of a customer account balance, disconnection of a customer's service for non-payment, collection attempts made by the company both before and after an account balance is written-off, and conditions a customer must fulfill to be reconnected to the gas system. This written policy shall be filed with the TRA within thirty (30) days of the effective date of this Rule part.
- (2) Each Company electing to recover uncollected gas costs in the ACA shall comply with the following reporting requirements:
- (a) Customer account balances written-off shall be tracked separately in sufficient detail, so as to permit the Staff to audit write-offs and subsequent payments on written-off accounts.
  - (b) Each Company shall submit a monthly summary report detailing each write-off and each payment to a written-off account 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 reported month, using a format acceptable to the Staff. Corrections or adjustments to these monthly reports shall be timely filed. Failure to submit a required monthly report may result in disallowance of recovery in the ACA of the uncollected gas costs for that month. The Company is responsible for contacting Staff should an extraordinary event prevent the timely filing of this report.
  - (c) Monthly reports shall be electronically filed in Excel format and shall contain, at a minimum, the following information:
    - 1. Information reported at the time an uncollected account balance is written-off:
      - (i) Customer account numbers, with spreadsheet data sorted by account number in ascending order;
      - (ii) Date that account balance is written-off;
      - (iii) Amount of total gas cost written-off;
      - (iv) Amount of total margin written-off;
      - (v) Total amount of gas cost and margin written-off ((iii) plus (iv));
      - (vi) Gas cost percentage of total amount written-off ((iii) divided by (v)); and
      - (vii) Margin percentage of total amount written-off ((iv) divided by (v)).
    - 2. Information reported at the time a full or partial payment is received on an account balance that has been written-off:
      - (i) Customer account numbers, with spreadsheet data sorted by account number in ascending order;

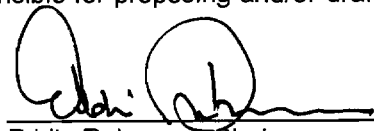
- (ii) Date that payment was received;
  - (iii) Original write-off date of the account balance applicable to this payment;
  - (iv) Gas cost payment credited to written-off account balance;
  - (v) Margin payment credited to written-off account balance;
  - (vi) Total of gas cost payment (recovery) and margin payment (recovery) ((iv) plus (v));
  - (vii) Gas cost payment percentage of total amount recovered credited to customer account ((iv) divided by (vi)); and
  - (viii) Margin payment percentage of total amount recovered ((v) divided by (vi)).
- (3) Each Company electing to recover uncollected gas costs in its annual ACA filing shall sufficiently demonstrate to Staff that it is making reasonable efforts to collect delinquent accounts prior to the account balance being written-off. As part of the ACA filing, the Company shall submit a report showing the amount of uncollected gas costs by month, the total revenues by month, and the percentage of uncollected gas costs compared to total revenues by month and in total. The Company shall provide an explanation of any significant increase in this percentage from one month to the next.
- (4) Failure of a Company to fully comply with the procedures and/or reporting requirements contained in this Rule part may result in the disallowance of all or a portion of uncollected gas costs eligible for recovery in the ACA during the annual ACA audit.
- (5) Once a Company makes the election to recover uncollected gas costs in the ACA, the Company must continue to file its uncollected gas costs for recovery in the ACA in compliance with this Rule.

Authority: Tenn. Code Ann. § 65-2-102, 65-45-104.

Legal/Technical Contact:

J. Richard Collier, General Counsel  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37343  
(615) 741-2904, extension 170

Signature of the agency officer or officers directly responsible for proposing and/or drafting these rules:

  
\_\_\_\_\_  
Eddie Roberson, Chairman

The roll-call vote by the Tennessee Regulatory Authority on the rule amendments and proposed new rule was as follows:

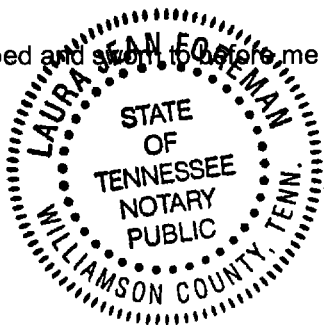
	Aye	No	Abstain
Eddie Roberson, Chairman	<u>X</u>	<u>          </u>	<u>          </u>
Pat Miller, Director	<u>X</u>	<u>          </u>	<u>          </u>
Sara Kyle, Director	<u>X</u>	<u>          </u>	<u>          </u>
Ron Jones, Director	<u>X</u>	<u>          </u>	<u>          </u>

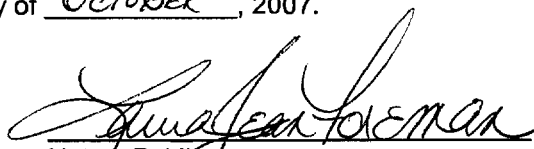
I certify that this is an accurate and complete copy of rulemaking hearing rules, lawfully promulgated and adopted by the Tennessee Regulatory Authority on the 10<sup>th</sup> of September, 2007.

Further, I certify that the provisions of Tenn. Code Ann. § 4-5-222 have been fully complied with, that these rules are properly presented for filing, a notice of rulemaking has been filed in the Department of State on the 24<sup>th</sup> day of January, 2007, and such notice of rulemaking hearing having been published in the February, 2007 issue of the Tennessee Administrative Register, and such rulemaking hearing having been conducted pursuant thereto on the 26<sup>th</sup> day of March, 2007.


  
 Eddie Roberson, Chairman

Subscribed and sworn to before me this the 3 day of OCTOBER, 2007.



  
 Notary Public  
 My commission expires: 02-22-2011

All rulemaking hearing rules provided for herein have been examined by the Attorney General & Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5, Section 211.

  
 Robert E. Cooper, Jr.  
 Attorney General & Reporter

The rulemaking hearing rules set out herein were properly filed in the Department of State on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and will become effective on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

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Riley C. Darnell  
Secretary of State

By: \_\_\_\_\_