BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

September 28, 2020

IN RE:	)	
	)	
COUNCE NATURAL GAS COMPANY, INC. ACTUAL COST ADJUSTMENT FOR FILING PERIOD OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019	)))	**DOCKET NO. 19-00104**

ORDER ADOPTING ACA AUDIT REPORT OF TENNESSEE PUBLIC UTILITY COMMISSION'S UTILITIES DIVISION

This matter came before Chairman Kenneth C. Hill, Commissioner Herbert H. Hilliard, and Commissioner John Hie of the Tennessee Public Utility Commission (the "Commission" or "TPUC"), the voting panel assigned to this docket, during a regularly scheduled Commission Conference held on August 10, 2020[1] to consider the report of the Commission's Utilities Division (the "Staff") resulting from the Staff's audit of Counce Natural Gas Company, Inc. ("Counce" or the "Company") annual deferred gas cost account filing for the period of October 1, 2018 through September 30, 2019. The Actual Cost Adjustment ("ACA") Compliance Audit Report (the "Report") is attached hereto as Exhibit 1 and incorporated by this reference.

The Company filed its ACA filing on November 14, 2019. The Staff completed its audit of the Company's filing on June 16, 2020 and filed its Report on June 17, 2020. The objective of the audit was to verify that the Company's calculations of gas costs incurred and recovered were

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[1] Due to the state of emergency declared by Governor Bill Lee relative to the Coronavirus Disease 2019 ("COVID-19") pandemic in Tenn. Exec. Order No. 14 on March 12, 2020, (superseded by Tenn. Exec. Order No. 15 on March 19, 2020 which was extended until June 30, 2020 in Tenn. Exec. Order No. 36 on May 12, 2020), the Commission Conference was held electronically via WebEx. The public health emergency places limitations on public gatherings and meetings in order to prevent the spread of COVID-19. In convening the Commission Conference electronically, the Commission relied upon Tenn. Exec. Order No. 16 (March 20, 2020), which was extended until June 30, 2020 and August 29, 2020 by Tenn. Exec. Order Nos. 34 (May 6, 2020) and 51 (June 29, 2020), and affirmed on the record that the electronic meeting was necessary to conduct the essential business of the agency and to protect the health, safety, and welfare of Tennesseans.

materially correct and that the Company has followed all Commission orders and directives with respect to the ACA account balance. The original 180-day deadline for staff's completion of the audit, which may be extended by mutual agreement, was May 13, 2020.[2] The Company and staff agreed to extend the audit deadline to July 31, 2020[3] and subsequently to August 30, 2020.[4] Based on the Company's filing and staff's audit of the same, the over-collected ending balance reported by Counce in the ACA account as of September 30, 2019 was $4,571.05 in under-collected gas costs.[5] The Report included no material findings.[6]

During the regularly scheduled Commission Conference held on August 10, 2020, the voting panel considered the Company's ACA filing and Staff's Compliance Audit Report. The panel found the correct ending balance in the ACA account as of September 30, 2019 is $4,571.05 in under-collected gas costs which will become the beginning balance in the company's next ACA filing. Additionally, the panel ordered Counce to file a purchased gas agreement (PGA) tariff implementing the approved surcharge rate of 38 cents per one thousand cubic feet of gas as soon as possible.

IT IS THEREFORE ORDERED THAT:

1. The Actual Cost Adjustment Compliance Audit Report relative to Counce Natural Gas Company, Inc. gas costs for the period of October 1, 2018 through September 30, 2019, a copy of which is attached to this Order as Exhibit 1, is approved and adopted and the conclusions and recommendations contained therein are incorporated in this Order as if fully rewritten herein.

2. Counce Natural Gas Company, Inc. shall informally file, on a quarterly basis, its Actual Cost Adjustment Account balances with the Tennessee Public Utility Commission Staff.

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[2] See Tenn. Comp. R & Regs. 1220-04-07-.03(2).
[3] *Memorandum* (May 14, 2020).
[4] *Memorandum* (July 23, 2020).
[5] *Notice of Filing by the Utilities Division of the Tennessee Public Utility Commission*, Exh. A, p. 1 (June 17, 2020).
[6] *Id.*

3. Counce Natural Gas Company, Inc. shall file a tariff within thirty (30) days to begin surcharging the approved balances in the Actual Cost Adjustment Accounts, effective with its October 2019 customer billing.

4. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

5. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

FOR THE TENNESSEE PUBLIC UTILITY COMMISSION:

Chairman Kenneth C. Hill,
Commissioner Herbert H. Hilliard, and
Commissioner John Hie concurring.

None dissenting.

ATTEST:

Earl Taylor

Earl R. Taylor, Executive Director

EXHIBIT 1

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

COUNCE NATURAL GAS COMPANY

ACTUAL COST ADJUSTMENT

Docket No. 19-00104

PREPARED BY THE

TENNESSEE PUBLIC UTILITY COMMISSION

UTILITIES DIVISION

June 16, 2020

COUNCE NATURAL GAS COMPANY

COMPLIANCE AUDIT REPORT OF
ACTUAL COST ADJUSTMENT FILING

DOCKET NO. 19-00104

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I. INTRODUCTION

The subject of this audit is Counce Natural Gas Company's ("Company" or "Counce") compliance with the Actual Cost Adjustment and Refund Adjustment of the Purchased Gas Adjustment Rule[1] ("PGA Rule") of the Tennessee Public Utility Commission ("Commission" or the "Commission"). The objective of the audit was to determine whether the Purchased Gas Adjustments, which are encompassed by the Actual Cost Adjustment ("ACA")[2], for the twelve (12) months ended September 30, 2019, were calculated correctly and were supported by appropriate source documentation.

II. AUDIT OPINION

Audit Staff ("Staff") reviewed the Company's ACA filing and the underlying documentation supporting its calculation of the ending balance of the ACA account. Staff's review, using a random sampling of bills, determined that customers were billed without error during the period October 1, 2018 thru September 30, 2019. The audit produced no material findings. Staff can also provide assurance that Counce is correctly reporting the Gas Charge Adjustment, the Refund Adjustment, and the Actual Cost Adjustment in accordance with the Purchased Gas Adjustment Rules for Commission regulated gas companies.

III. SUMMARY OF COMPANY FILING

On November 14, 2019, Staff received Counce's ACA filing supporting the activity in its deferred gas cost account ("ACA Account") for the period October 1, 2018 through September 30, 2019. For the period under review, the Company's ACA filing showed a beginning balance of positive $11,639.29 in under-recovered gas costs. To the beginning balance, the Company added $63,644.93 in total gas costs for the current period, subtracted $58,355.04[3] in costs recovered from customers through rates during the same period and added interest of $340.55 due from customers resulting in a calculated ending balance in the ACA Account of positive of $4,571.05 in under-recovered gas costs. The following chart shows the ACA Account as filed by Counce.

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[1] Commission Rule 1220-4-7.

[2] The ACA is more fully described in Section VI.

[3] This amount includes PGA adjustment recoveries and ACA adjustment recoveries.

COUNCE NATURAL GAS COMPANY
ACA FILING OCTOBER 2018 TO SEPTEMBER 2019:[4]

Line No.		Company (as filed)
1	Beginning Balance at 10/01/18	$11,639.29
2	**Activity During Current Period:**	
3	Plus Gas Costs	63,644.93
4	Minus ACA Recoveries (surcharge)	12,698.68
5	Minus PGA Recoveries (surcharge)	58,355.04
6	Ending Balance before Interest (line 1 + line 3 – line 4 – line 5)	4,230.50
7	Plus Interest	340.55
8	**Ending Balance Including Interest at 09/30/18 (line 6 + line 7)**	**$ 4,571.05**

IV. BACKGROUND INFORMATION ON COMPANY AND GAS SUPPLIERS

Counce Natural Gas Company, with its headquarters in Burnsville, MS, is a wholly owned subsidiary of Tumlinson Engineering, Inc., and was formed in 1995 for the purpose of acquiring the operating authority of Hardin County Gas Company and providing natural gas service to customers in Hardin County, Tennessee. Hardin County Gas Company's certificate of convenience and necessity ("CCN") was transferred to Counce on December 22, 1995, in Docket No. 95-03379. In October 2000, ownership of Tumlinson Engineering, Inc. was transferred from Ted Tumlinson to Mike Horton.

The natural gas used to serve this area is purchased from Horton Enterprises, Inc (an affiliate), which is owned by Mike Horton. Horton Enterprises, Inc operates as a reseller of gas from Atmos Energy Marketing.

[4] A negative balance in the ACA Account represents an over-collection (or over-recovery) of gas costs; a positive balance represents an under-collection (or under-recovery) of gas costs.

V. JURISDICTION OF THE TENNESSEE PUBLIC UTILITY COMMISSION

Tennessee Code Annotated (T.C.A.) gives jurisdiction and control over public utilities to the Tennessee Public Utility Commission. T.C.A. §65-4-104 states:

> The Commission has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter.

Further, T.C.A. §65-4-105 grants the same power to the Commission with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T.C.A. have conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies. By virtue of T.C.A. §65-3-108, this power includes the right to audit:

> The department is given full power to examine the books and papers of the companies, and to examine, under oath, the officers, agents, and employees of the companies and any other persons, to procure the necessary information to intelligently and justly discharge its duties and carry out the provisions of this chapter and chapter 5 of this title.

The Utilities Division of the Commission is responsible for auditing energy, water and communications utilities under its jurisdiction to ensure that each company is abiding by Tennessee statute as well as the Rules and Regulations of the Commission. Patsy Fulton of the Utilities Division conducted this audit.

VI. DESCRIPTION OF PURCHASED GAS ADJUSTMENT RULE

The PGA Rule is located at Chapter 1220-4-7 of the Rules of the Tennessee Public Utility Commission. The PGA Rule permits a gas company to recover, in a timely fashion, the total cost of gas purchased for delivery to its customers and to assure that a company does not over-collect or under-collect gas costs from its customers. The PGA consists of three major components:

1) **The Actual Cost Adjustment (ACA)**
2) **The Gas Charge Adjustment (GCA)**
3) **The Refund Adjustment (RA)**

The ACA is the difference between the revenues billed customers by means of the GCA and the cost of gas invoiced the Company by suppliers plus margin loss (if allowed by order of the Commission in another docket) and related interest as reflected in the Deferred Gas Cost account. The ACA then "trues-up" the difference between the actual gas costs and the gas costs recovered from customers. The RA (refunds) surcharges the "true-up" along with other supplier refunds. For a more complete definition of the GCA and RA, refer to the PGA Formula attached as Appendix A to this report.

Section 1220-4-7-.03(2) of the PGA Rule requires:

> Each year, the Company shall file with the [Commission] an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the [Commission] provides written notification to the Company within one hundred eighty (180) days from the date of filing the report, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of these Rules. This 180-day notification period may be extended by mutual consent of the Company and the [Commission] Staff or by order of the [Commission].

VII. SCOPE OF ACTUAL COST ADJUSTMENT AUDIT

The ACA audit is a limited compliance audit of Counce's ACA Account. The objective of the audit is to verify that the Company's calculations of gas costs incurred and recovered were materially correct,[5] and that the Company is following all Commission orders and directives with respect to its calculation of the ACA Account balance. Refer to the ACA Account detail provided in Section III, SUMMARY OF COMPANY FILING (Counce's ACA filing for October 2018 to September 2019).

To accomplish the audit goal, Staff reviewed gas supply invoices, copies of the Company's canceled checks, as well as supplemental schedules and other source documentation provided by the Company. Where appropriate, Staff requested additional information to clarify the filing. Staff also audited a sample of customer bills to determine if the proper tariff rates, as well as PGA and ACA rates were applied in the Company's calculation of customer bills during the audit period. After sampling Company bills, Staff found that Counce had billed the correct Commission approved PGA and ACA tariff rates.

[5] The audit goal is not to guarantee that the Company's results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review.

VIII. CONCLUSIONS AND RECOMMENDATIONS

The Actual Cost Adjustment is the difference between the **actual** invoiced gas costs paid by the utility and the **actual** gas costs recovered (or collected) by the utility from its customers via their approved tariff rates. The annual true-up process produces an ACA adjustment factor to be used in billing during the ensuing period until a new factor is determined.

Staff found no material errors in the Company's calculation of the balance in the ACA Account as of September 30, 2019 of positive **$4,571.05 representing under-recovered gas costs.**[6] This balance will be used as the beginning balance for the October 2019 – September 2020 ACA filing. Spreading the positive $4,571.05 balance over the 12 month-to-date September 2019 sales of 11,958 MCF produces an **ACA adjustment factor**[7] **of positive $0.38 surcharge per MCF.**[8] Counce should file a tariff to implement the new ACA factor following approval by the Commission.

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[6] The calculation of this agreed to balance is shown in Section III, Summary of Company Filing.

[7] Small gas companies, such as Counce, do not automatically surcharge or refund the balance in the ACA Account until the Staff's audit is complete and the surcharge or refund factor is determined by the Commission.

[8] See Attachment 1 for detail of the calculation of the ACA factor.

APPENDIX A

PGA FORMULA

The computation of the GCA can be broken down into the following formulas:

$$\text{Firm GCA} = \frac{D + DACA}{SF} - DB + \frac{P + T + SR + CACA}{ST} - CB$$

$$\text{Non-Firm GCA} = \frac{P + T + SR\ \ CACA}{ST} - CB$$

where

GCA = The Gas Charge Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

D = The sum of all fixed Gas Costs.

DACA = The demand portion of the ACA.

P = The sum of all commodity/gas charges.

T = The sum of all transportation charges.

SR = The sum of all FERC approved surcharges.

CACA = The commodity portion of the ACA.

DB = The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

CB = The per unit rate of variable gas costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Commission so approves).

SF = Firm Sales.

ST = Total Sales.

The computation of the RA can be computed using the following formulas:

$$\text{Firm RA} = \frac{DR1 - DR2}{SFR} + \frac{CR1 - CR2 + CR3 + i}{STR}$$

$$\text{Non-Firm RA} = \frac{CR1 - CR2 + CR3 + i}{STR}$$

where

RA = The Refund Adjustment in dollars per Ccf/Therm, rounded to no more than five decimal places.

DR1 = Demand refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

DR2 = A demand surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR1 = Commodity refund not included in a currently effective Refund Adjustment, and received from suppliers by check, wire transfer, or credit memo.

CR2 = A commodity surcharge from a supplier not includable in the GCA, and not included in a currently effective Refund Adjustment.

CR3 = The residual balance of an expired Refund Adjustment.

i =	Interest on the "Refund Due Customers" account, using the average monthly balances based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter.
SFR =	Firm sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.
STR =	Total sales as defined in the GCA computation, less sales under a transportation or negotiated rate schedule.

ATTACHMENT 1

Counce Natural Gas Corporation

Calculation of the ACA factor

Docket No. 19-00104

Line No.	Factor to be applied to residential, commercial and industrial customers:		
1	Invoiced Gas Costs (10/1/018- 9/30/19)	$	63,644.93
2	Gas Cost (PGA) Recovered (10/1/18 - 9/30/19)		58,355.04
3	Under/(Over) Recovery (line 1 minus line 2)	$	5,289.89
4	Interest on Average Monthly Balances		340.55
5	ACA Surcharges/(Refunds) (10/1/18 - 9/30/19)		12,698.68
6	Beginning Balance at 10/01/18		11,639.29
7	**ACA BALANCE INCLUDING INTEREST at 9/30/18 (line 3 + line 4 - line 5 + line 6)**	$	**4,571.05**
8	Sales Volumes (Actual MCF for 12 month ended 9/30/18)		11,958
9	ACA Factor per MCF (line 7 divided by line 8)	$	**0.38**