

## Notice of Rulemaking Hearing

Tennessee Regulatory Authority - 1220

There will be a hearing before the Tennessee Regulatory Authority to consider the promulgation of a rule pursuant to Tenn. Code Ann. §§ 4-5-202 and 65-2-102. The hearing will be conducted in the manner prescribed by the Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-204 and will take place in the Hearing Room of the Tennessee Regulatory Authority located at 460 James Robertson Parkway, Nashville, TN 37243 at 1:30 p.m. (central) on the 26<sup>th</sup> day of March, 2007.

Any individuals with disabilities who wish to participate in these proceedings (or to review these filings) should contact the Tennessee Regulatory Authority to discuss any auxiliary aids or services needed to facilitate such participation. Such initial contact may be made no less than ten (10) days prior to the scheduled meeting date (or the date the party intends to review the filings), to allow time for the Tennessee Regulatory Authority to determine how it may reasonably provide such aid or service. Initial contact may be made with the Tennessee Regulatory Authority's ADA Coordinator at 460 James Robertson Parkway, Nashville, TN 37243-0505 and 615/741-2904, extension 251.

For a copy of this notice, contact: Sharla Dillon, Docket Manager, Tennessee Regulatory Authority, 460 James Robertson Parkway, Nashville, TN 37343, (615) 741-2904, extension 136.

### Substance of Proposed Rule

#### Chapter 1220-04-7 Purchased Gas Adjustment Rules

#### Amendments

Paragraph (1) of rule 1220-04-07-.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 1220-04-07-.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 1220-04-07-.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:

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

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

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

Proposed new subpart (x) of rule 1220-5-07-.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 1220-04-07-.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.

The notice of rulemaking set out herein was properly filed in the Department of State on the 24th day of January, 2007. (FS 01-28-07, DBID 556)