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February 2, 2015

The Honorable Bill Haslam
Governor, State of Tennessee

The Honorable Ron Ramsey
Lieutenant Governor

The Honorable Beth Harwell
Speaker of the House of Representatives

Members of the General Assembly,

It is with great pleasure that I present to you the 2013-2014 Annual Report of the Tennessee Regulatory Authority. This report has been prepared in accordance with Tennessee Code Annotated § 65-1-111.

The TRA was established in 1996 and charged with the responsibility of promoting the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment.

Recent statutory changes have resulted in a more streamlined, efficient, effective and customer focused agency. In 2012, Public Chapter 1070 restructured the TRA to better reflect today’s regulatory environment. Meanwhile, additional changes were implemented in 2013 with the passage of Public Chapter 245 which realigned our regulatory fee structure as well as authorized the implementation of alternative regulatory methods for utilities. As a result, the TRA has reduced its size and its budget significantly while continuing to provide quality services for the utilities we regulate and the consumers we serve. Notwithstanding, the TRA continues to be self-funded in that it does not receive any state appropriations from the general fund.

The Authority continues to have jurisdiction over Tennessee’s investor-owned utility companies including electric, telephone, water and wastewater, natural and methane gas. Further, the TRA serves as the agency that performs the safety inspections of natural gas pipelines that travel across the state and mediates consumer complaints against utility service providers.

Through our numerous consumer outreach efforts, the TRA continues to provide Tennessee citizens with information that can enhance their daily lives and provide protection and relief from unwanted telephone solicitations and fraudulent activities. Among the Authority’s more popular programs are the Tennessee Do Not Call program and the Telecommunications Device Access Program (TDAP). In addition, through our various public and private partnerships across the state, the TRA continues to promote awareness of the Lifeline telephone assistance program to promote universal access to telephone service. We remain focused on the work that we have been entrusted to perform, as well as the role we play in protecting Tennessee consumers and maintaining an environment that is vigorously competitive. To the members of the Tennessee General Assembly, we look forward to working with you and in continued service to the citizens of the Volunteer State.

Warmest regards,

Earl R. Taylor
Executive Director
Authority Overview

Introduction

The Tennessee Regulatory Authority (the Authority), the governing body to regulate investor-owned utilities in Tennessee was created in 1996. The Authority’s mission is to promote the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment.

Earl R. Taylor was appointed Executive Director of the TRA in 2012 by Governor Bill Haslam, Lieutenant Governor Ron Ramsey and House Speaker Beth Harwell. In addition, the TRA has five Directors, each of whom serve on a part-time basis and are appointed by the Governor, Lieutenant Governor, and the Speaker of the House. The Directors includes Chairman Herbert H. Hilliard, Director Robin Bennett, Director David F. Jones, Director James M. Allison, and Director Kenneth C. Hill.
Authority Leadership

Earl R. Taylor, Executive Director

Earl R. Taylor was appointed to the Tennessee Regulatory Authority as Executive Director in 2012 by Governor Bill Haslam, House Speaker Beth Harwell, and Lt. Governor Ron Ramsey.

Taylor received a Bachelor of Science degree from the University of Tennessee at Knoxville and a Juris Doctor (JD) from the University of Memphis School of Law. He began his career as an attorney in his home town of Johnson City, Tennessee.

Later professional endeavors included the development of WKXT-TV, the CBS Television affiliate in Knoxville, Tennessee, and the subsequent launch of the Warner Brothers affiliate in the same market. Most recently, Mr. Taylor has been a franchisee of Panera Bread, developing bakery-cafes in Florida, Texas, and Louisiana.

Actively engaged in his community, Mr. Taylor has served as a mentor in the Knoxville Fellows program, as a commissioner for the Metropolitan Knoxville Airport Authority, and on the Knoxville Young Life Committee.

As Executive Director of the TRA, Mr. Taylor functions as the Authority’s Chief Operating Officer (COO), responsible for the agency’s administrative duties and responsibilities.

Mr. Taylor is married to Sheryl Dawson Taylor. They have four children and 8 grandchildren.

Herbert H. Hilliard, Chairman

Chairman Hilliard was appointed to the Tennessee Regulatory Authority in 2012 by Governor Bill Haslam.

Chairman Hilliard served as Executive Vice President and Chief Government Relations Officer for First Horizon National Corporation. In this role, he was responsible for the corporation's lobbying activities at the federal and state levels. Chairman Hilliard is a 43-year veteran of the company, having joined First Horizon in 1969 after earning a BBA in Personnel Administration and Industrial Relations from the University of Memphis. Prior to his current role, Hilliard was Executive Vice President and Chief Risk Officer. Chairman Hilliard retired from First Horizon National Corporation on September 26, 2012.

Chairman Hilliard is active in the community, currently serving as Chairman of the Board of Directors of The National Civil Rights Museum, Board Member of Blue Cross Blue Shield of Tennessee, and a Commissioner for the Memphis Shelby County Airport Authority.

He was Chairman of the Memphis Housing Authority Board from 1992-1993, 1987 Chairman of the United Way general fund drive, and the 1988 Chairman of the Annual NAACP Freedom Fund Dinner. He is past member of the Memphis Park Commission, the University of Memphis National Alumni Board, the University of Memphis Foundation Board and the Boards of Directors for the Chickasaw Council of the Boy Scouts of America and the Memphis Convention and Visitors Bureau. From 2000 to 2005, Herb was Chairman of the Board of Blue Cross Blue Shield of Tennessee. He is currently Chairman of the Audit Committee of Blue Cross Blue Shield of Tennessee.

Chairman Hilliard has completed additional studies at the Southwestern Graduate School of Banking at Southern Methodist University, the Tennessee Executive Development Program at the University of Tennessee - Knoxville, Cornell University's Executive Development Program and Crosby Quality College.
Authority Leadership (cont.)

David F. Jones

Director Jones was appointed to the TRA by Governor Bill Haslam, Lt. Governor Ron Ramsey and House Speaker Beth Harwell.

Director Jones is President of Complete Holding Group, a workers’ compensation revenue solutions company to more than 450 hospitals across 36 states. He is a certified facilitator/executive coach with the Alternative Board, a peer-to-peer advisory group for CEOs and owners of private businesses. He is also President of the David Jones Group, a management consulting firm that focuses on helping small businesses overcome the four barriers to growth. Director Jones spent 29 years in the natural gas pipeline industry. The first half of his career was spent in Human Resources with a Fortune 500 energy company where worked in a variety of areas, including Field Operations.

Director Jones obtained a B.S. in Business from the University of Tennessee and an MBA from the University of Houston. He is author of the book Surviving and Thriving After Losing Your Job.

Robin Bennett

Robin Bennett was appointed to the TRA by House Speaker Beth Harwell in 2013. Director Bennett currently serves as a Vice President and financial center manager for one of the South's largest banks, First Tennessee, and brings to the TRA broad experience in customer relations, business management, and federal and regulatory compliance.

A graduate of the University of Tennessee-Chattanooga with a Bachelor's degree in Business Administration-Finance, Director Bennett possesses a comprehensive background in banking and finance and has obtained her Series 6/63 financial licenses to sell securities as well as being licensed to sell life and health insurance.

In addition, Director Bennett is a graduate of the Southeastern School of Banking and a graduate of Leadership Chattanooga. She is active in leadership roles in her community having served on the boards of the South Broad Redevelopment Group, Junior League of Chattanooga, and the Chattanooga Chamber of Commerce's Southside Council. She is also a member of the Chattanooga Bar Association Auxiliary.

Director Bennett lives in Signal Mountain and is married to J. B. Bennett.
Dr. Kenneth C. Hill

Dr. Kenneth C. Hill, a native of Morrison City (North Kingsport), Tennessee, was appointed to the Tennessee Regulatory Authority by Lieutenant Governor Ron Ramsey in 2009.

Since his appointment, Dr. Hill has served as Chairman of the Tennessee Regulatory Authority and is presently active with the National Association of Regulatory Utility Commissioners (NARUC) and the Southeastern Association of Regulatory Utility Commissioners (SEARUC). He is a member of the NARUC Committee on Water, the NARUC Committee on International Relations, and the NARUC Sub-Committee on Clean Coal and Carbon Sequestration.

At present, he is also a member of the International Confederation of Energy Regulators (ICER), a member of the ICER Working Group for Small Energy Consumers, and is serving as a Mentor in the ICER Women In Energy Mentoring Program.

Dr. Hill has been a presenter at the NARUC and SEARUC Annual Meetings. He also has been a presenter and participant at the National Association of Water Companies (NAWC) Water Summit, the NAWC Commissioners’ Forum, and the Emerging Issues Policy Forum (EIPF) (Energy) multiple times. He also has been a panelist at the NAWC Southeastern Chapter Conference as well as at United States’ Department of Energy Industrial Energy Efficiency Conference in Little Rock.

During his tenure with the TRA, he has also served as a member of the Tennessee State Information Systems Council, member of the Board of the Organization of PJM States, Inc. (OPSI), member of the Eastern Interconnection States Planning Council (EISPC), delegate to the 5th World Forum on Energy Regulation (WFERV), and a Tennessee Team Member of the National Governors’ Association Policy Academy on Enhancing Industry through Energy Efficiency and Combined Heat and Power.

Dr. Hill has been active in communications and broadcasting all of his adult life, having been involved for over four decades in virtually every aspect of radio. For the past thirty-four years, Dr. Hill has been President and CEO of non-profit Appalachian Educational Communication Corporation (AECC) in Bristol, Tennessee. AECC is the licensee of WHCB 91.5 FM. Dr. Hill has also provided consulting services for over three decades in the areas of technical writing and editing, public relations, proposal writing and editing, independent R&D documentation, government relations, corporate and business communication, media acquisition, media appraisal and media utilization.

He earned his Bachelor of Science degree in Speech (Broadcasting) and History from East Tennessee State University; a Master of Science Degree in Speech (Broadcasting) from Indiana State University; a Bachelor of Arts degree in Biblical Studies from Baptist Christian College; a Master of Religious Education from Manahath School of Theology; and a Doctor of Religious Education from Andersonville Baptist Seminary.

Dr. Hill and his wife, Janet, reside in Blountville, Tennessee. They have one daughter, Lydia, who serves as a nurse, and two sons: Matthew, who serves as 7th District Tennessee State Representative, and Timothy, who serves as 3rd District Tennessee State Representative.
The Office of the Executive Director

Mission

The Executive Director serves as the TRA’s chief operating officer with the power and duty to conduct the ordinary and necessary business in the name of the Tennessee Regulatory Authority.

The Executive Director has the principal responsibility of implementing the broad strategies, goals, objectives, long-range plans and policies of the authority. Among the executive director’s duties, which are not limited to, the following list, are:

- Serve as chief operating officer of the authority responsible for the day to day management of the authority and the supervision and hiring of all staff members within the limits of available funds authorized from time to time by the legislature.
- Administer, monitor and review the operating procedures of each division of the authority, ensuring that each employee and division of the authority fully executes in an efficient and economical manner, the separate duties assigned to each.
- Submit rules and policies for approval by the authority.
- Implement and administer rules and policies for the efficient and economical internal management of the authority.
- Coordinate the preparation of the report to the General Assembly as required by Tennessee Code Annotated Section 65-1-111.
- Supervise the expenditure of funds and compliance with all applicable provisions of state and federal law in the receipt and disbursement of funds.
Our Mission

To promote the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment.

The Authority’s mission is fulfilled through two major operational components: consumer assistance and regulatory oversight of utility operations and market conditions.

Consumer Assistance Component

In alignment with its consumer assistance component, the Authority offers an efficient forum for the filing, investigation, and hearing of consumer complaints against regulated utilities. The Authority also engages in consumer outreach activities in an effort to educate consumers on its services and the regulated utilities. The Authority manages consumer-friendly programs developed by the General Assembly, such as the Do Not Call Program, the Do Not Fax Program, the Telecommunications Device Access Program (TDAP), and the LifeLine telephone assistance program.

Regulatory Oversight Component

The Authority operates as Tennessee’s regulatory oversight engine for privately-owned utilities serving Tennessee consumers. The Authority provides an accessible and efficient process that is fair and unbiased. Through this process, the Authority evaluates many items, including requests for rate modifications, applications for authority to provide service, requests for approval of financing transactions, requests for approval of mergers, petitions for transfer of authority to provide service, numbering appeals, requests for numbering allocations, requests for rule modifications, petitions for approval of interconnection agreements and utility-to-utility complaints. The Authority also monitors utility markets to evaluate current trends and determine the need for future action. The Authority is also designated to ensure the safety of natural gas distribution and transmission pipeline facilities in the state.

The Authority has jurisdiction over public utilities including:
- Electric companies
- Telephone companies
- Water and wastewater companies
- Natural gas companies
- Methane gas companies

The Authority is financially independent of Tennessee’s general fund. The Authority’s operational expenses are covered wholly by the industries it regulates, with a small portion coming from the federal government.

Authority staff includes accountants, administrators, attorneys, consumer specialists, economists, engineers, information technology specialists, a consumer outreach manager, and administrative support.

As of July 1, 2014, the TRA was budgeted for 66 Positions

<table>
<thead>
<tr>
<th>TRA Division</th>
<th>Total Positions</th>
<th>Filled</th>
<th>Vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>5</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Executive Director</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Administrative Staff</td>
<td>7</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Communications and External Affairs</td>
<td>3</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Consumer Services</td>
<td>18</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Compliance Division</td>
<td>4</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Gas Pipeline Safety</td>
<td>7</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Information Technology</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Legal</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Utilities</td>
<td>13</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td><strong>66</strong></td>
<td><strong>53</strong></td>
<td><strong>13</strong></td>
</tr>
</tbody>
</table>
Utilities Under the Authority’s Jurisdiction

The following are the approximate number of utilities under the jurisdiction of the Tennessee Regulatory Authority as of June 30, 2014.

<table>
<thead>
<tr>
<th>Energy and Water</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric</td>
<td>4</td>
</tr>
<tr>
<td>Natural Gas Companies</td>
<td>6</td>
</tr>
<tr>
<td>Water &amp; Waste Water</td>
<td>19</td>
</tr>
<tr>
<td>Methane Gas Provider</td>
<td>2</td>
</tr>
<tr>
<td>Intrastate Pipeline</td>
<td>18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Telecommunications</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Competing Telephone Service Providers</td>
<td>123</td>
</tr>
<tr>
<td>Customer Owned-Coin Operated Telephone Providers</td>
<td>67</td>
</tr>
<tr>
<td>Incumbent Telephone Companies</td>
<td>27</td>
</tr>
<tr>
<td>Resellers and Operators Service Providers, Long Distance Facility Providers</td>
<td>240</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gas Pipeline Safety</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Sales</td>
<td>0</td>
</tr>
<tr>
<td>Intrastate Pipeline</td>
<td>18</td>
</tr>
<tr>
<td>Liquefied Natural Gas (LNG) Operators</td>
<td>2</td>
</tr>
<tr>
<td>Master Meters</td>
<td>26</td>
</tr>
<tr>
<td>Municipalities</td>
<td>75</td>
</tr>
<tr>
<td>Utility Districts</td>
<td>25</td>
</tr>
</tbody>
</table>

| Total Public Utilities                   | 652   |
Appropriations, Fees, and Expenditures

The Tennessee Regulatory Authority began fiscal year 2013-14 (FY 13-14) with a budget of $6,908,500. Actual expenditures by the agency during the fiscal year totaled $6,215,100. This represented a total savings of $693,400 (10%) from budgeted expenditures.

Total revenues collected by the TRA during FY 13-14 were $6,605,900. The majority of the revenue was derived from utility inspection fees paid by the public utilities regulated by the TRA. Total inspection fee revenue collections during FY 13-14 were $5,435,400. In addition to inspection fee revenue, the TRA received $802,600 in federal revenue ($638,000 for the gas pipeline safety program and $164,600 for the National Deaf Blind Equipment Distribution Program), $229,600 in registration fees from telemarketers for the “Do Not Call” program, $3,100 in fines and penalties, $106,700 in annual fees from certain cable companies, $1,800 in current services revenue, $3,600 in filing fees and $23,100 in lifeline verification fees.

All TRA revenues, except for revenue received from contributions for TDAP, are earmarked for the Public Utilities Account and are to be used to defray the cost of operations by the TRA. Should revenues in future fiscal years not be sufficient to cover the costs of the TRA for a given fiscal year, the deficit would be funded by the Public Utilities Reserve Account. The TDAP Program revenue is specifically earmarked for the purchase of TDAP equipment for the qualifying disabled citizens of Tennessee and the administration of the program. The TDAP Reserve Account had a balance of $790,524 as of June 30, 2014.

The TRA also funds the majority of the administrative costs of the Office of State Assessed Properties which is part of the office of the Tennessee Comptroller of the Treasury. For FY 13-14, the TRA’s total inspection fee revenue of $5,435,400 was reduced by $465,100 for its share of the subsidization of the cost of the Office of State Assessed Properties.
The FY13-14 actual inspection fee revenue received by the TRA was $5,435,400. However, this amount was reduced by $465,100 by the Comptroller’s Office for the amount charged to TRA for its share of the cost of the Office of State Assessed Properties.
Docket Room and Authority Activity

Docket Activity

<table>
<thead>
<tr>
<th>Type of Docket</th>
<th>Fiscal 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(7/1/13 - 6/30/14)</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
</tr>
<tr>
<td>Arbitrations</td>
<td>0</td>
</tr>
<tr>
<td>Interconnection/Resale Agreements</td>
<td>28</td>
</tr>
<tr>
<td>Purchase Gas Adjustment, Audits, Certificate of Convenience of Necessity Amendments</td>
<td>14</td>
</tr>
<tr>
<td>Consumer Services Division Staff Investigations</td>
<td>1</td>
</tr>
<tr>
<td>Certificate of Convenience of Necessity</td>
<td>11</td>
</tr>
<tr>
<td>Pay Phones</td>
<td>2 (17 reopened)</td>
</tr>
<tr>
<td>Name Changes</td>
<td>6</td>
</tr>
<tr>
<td>Resellers</td>
<td>3 (4 reopened)</td>
</tr>
<tr>
<td>Number Pooling Requests</td>
<td>5</td>
</tr>
<tr>
<td>Rulemaking</td>
<td>1</td>
</tr>
<tr>
<td>Telecom Dockets - Eligible Telecommunications Carriers</td>
<td>1</td>
</tr>
<tr>
<td>Notice - Market Regulation</td>
<td>20</td>
</tr>
<tr>
<td>Cable Franchise</td>
<td>2 (3 amendments)</td>
</tr>
<tr>
<td>Transfers, Mergers, Financing</td>
<td>13</td>
</tr>
<tr>
<td>Misc. (not otherwise listed above)</td>
<td>30</td>
</tr>
<tr>
<td>Total: New</td>
<td>137</td>
</tr>
<tr>
<td>Reopened</td>
<td>21 plus 3 cable amendments</td>
</tr>
</tbody>
</table>
Communications & External Affairs Division
Tim Schwarz, Chief
Mission
The mission of the Communications and External Affairs Division is to advance and support the Tennessee Regulatory Authority’s larger role of promoting the public interest through consumer outreach & education, external & internal communications, legislative and policy initiatives and Title VI compliance.
Duties include:
♦ Media Relations
♦ Writing press releases
♦ Social Media Management
♦ Website Content Management
♦ Oversees publication of the agency’s special reports
♦ Ensures compliance of agency’s forms and documents
♦ Intra-agency collaboration
♦ Special events photographer
♦ Title VI Compliance
♦ Legislative and Policy Action
♦ Public Relations
♦ Consumer Outreach

Compliance Division
Shiva Bozarth, Chief
Mission
The mission of the Compliance Division is to support the Authority in enforcement of its rules and regulations.
Duties include:
The Compliance Division (CD) was formed in 2013 to place greater focus on compliance and enforcement activities at the TRA. From its inception, the division has been active in show cause proceedings before the authority. The Division coordinates with other divisions within the Authority to prepare enforcement proceedings for adjudication by the TRA Directors. When necessary, the Division initiates its own investigation and may recommend that a show cause proceeding be initiated. The Division will also have an active role in rule making actions initiated by the agency.

Consumer Services Division
Lisa Cooper, Chief
Stacy Balthrop, Deputy Chief
Mission
To ensure consumers receive an adequate level of service from regulated companies and to educate consumers regarding changes and new programs in the regulated utility sector. This mission is accomplished through monitoring services utilities provide using quality of service reports and tests, initiating investigations, and mediating consumer-utility disputes resulting from consumer complaints.
Duties include:
The Consumer Services Division (“CSD”) is responsible for monitoring the quality of services provided by regulated utilities and enforcing the rules and regulations of the Authority. One aspect of this responsibility is to investigate and mediate consumer complaints filed against regulated utilities pursuant to T.C.A. §§ 65-4-119, 65-4-401 et seq., and 65-4-501 et seq.
The CSD also performs other functions such as: administering the Do Not Call telemarketing initiative through the registration of telemarketing companies and maintaining the Do Not Call Register; administering the Do Not Fax Program which is designed to prevent unsolicited faxes; and certifying the Lifeline Telephone Assistance Program candidates based on income.
The CSD administers the Telecommunication Devices Access Program (“TDAP”), which is designed to improve access to the telephone network by distributing equipment to assist individuals with disabilities. Additionally, the CSD monitors the operation of the Tennessee Relay Center for individuals with a hearing loss or speech disability.
The CSD conducts service hearings, and utility service audits; provides testimony at utility proceedings and provides recommendations in enforcement actions involving utilities not in compliance with state law or the rules and regulations of the Authority.
Major Activities
♦ Received 683 consumer complaints filed against utility companies
♦ Distributed 969 TDAP devices costing $290,678 to 1,035 Tennessee residents qualifying for assistive communications devices
♦ Administered the Lifeline Telecommunications Assistance

continued on next page
Consumer Services... continued from previous page

Program. Fiscal year 2014 there were 398,373 Tennesseans receiving the Lifeline credit on their monthly telecommunication charges.

♦ Administratively reviewed the reported operational practices of the Tennessee Relay Center to ensure that it is complying with the Authority’s rules and regulations.

The CapTel Service is designed to assist individuals who are late deafened or hard of hearing to make and receive telecommunications calls with a captioning feature offered by this service. The CapTel Service processed approximately 184,500 calls during the fiscal year 2014.

♦ Administratively reviewed the reported operational practices of the Tennessee CapTel Service to ensure that it is complying with the Authority’s rules and regulations.

At the end of fiscal period 2014, 4,890,331 Tennesseans registered with the “Do Not Call” program and 313 active telemarketers had registered as solicitors. The TRA received 1,696 “Do Not Call” telemarketing complaints by consumers against telemarketing companies during the fiscal year 2014. The TRA also received 126 fax complaints from consumers involving unsolicited facsimiles during the fiscal year 2014.

Economic Analysis

Jerry Kettles, Chief

Mission

The primary role of the Economic Analysis Division is to formulate recommendations on economic and policy matters pending before the Authority. The Division identifies and analyzes market trends that may impact regulation or consumers in electric, telecommunications, water, wastewater and natural gas markets. The EAD also monitors and evaluates the impact of TRA decisions on market outcomes in the various regulated industries. The Division also has responsibility for analysis of mergers, acquisitions and the issuance of financial instruments by public utilities.

The Division provides analytic support to other groups within the TRA on a diverse range of topics including financial derivatives used in the natural gas industry, implementation of orders issued by the Federal Communications Commission and interpretation of statistical analysis. The Division will also have an active role in rule making actions initiated by the agency.

Gas Pipeline Division

Annette Ponds, P.E., Chief

Mission

The mission of the Tennessee Regulatory Authority (TRA) Gas Pipeline Safety Division (GPSD) is to contribute to the safety and reliability of natural gas distribution and transmission pipeline facilities and to minimize the risk to public health and safety associated with the accidental release of natural gas.

Compliance Program

Chapter 601, Title 49 of the United States Code provides the statutory basis for the pipeline safety program. Chapter 601 establishes a framework for promoting pipeline safety through Federal delegation to the States for all or part of the responsibility for intrastate pipeline facilities under annual certification or agreement. Chapter 601 authorizes Federal grants-in-aid of up to 80 percent of a State agency’s personnel, equipment, and activity costs for its pipeline safety program.

The State of Tennessee enters into a certification agreement each year with the Secretary of the Department of Transportation and accepts the responsibility for regulation of intrastate natural gas pipeline facilities. The program is administered by the DOT Pipeline and Hazardous Materials Safety Administration (PHMSA) and the TRA is the regulating state agency. The GPSD enforces safety regulations in accordance with the Tennessee Code Annotated (“Tenn. Code Ann.”) § 65-2-102, the Tennessee Comprehensive Rules and Regulations (“Tenn. Comp. R. & Regs.”) 1220-4-5 and Title 49 of the Code of Federal Regulations (“CFR”) Chapter 1, Subchapter D, Parts 191, 192, 193, 195 and 199, as incorporated in the Tennessee rules by reference.

<table>
<thead>
<tr>
<th>Inspection Type</th>
<th>Number</th>
</tr>
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<tbody>
<tr>
<td>Standard</td>
<td>260</td>
</tr>
<tr>
<td>Specialized</td>
<td>167</td>
</tr>
<tr>
<td>Follow-Up</td>
<td>35</td>
</tr>
<tr>
<td>Incident</td>
<td>10</td>
</tr>
<tr>
<td>Training</td>
<td>2</td>
</tr>
<tr>
<td>Liquefied Natural Gas</td>
<td>2</td>
</tr>
<tr>
<td>Integrity Management</td>
<td>42</td>
</tr>
<tr>
<td>Total Inspection Days</td>
<td>518</td>
</tr>
</tbody>
</table>

continued on next page
Gas Pipeline Division...

Natural gas is transported statewide through approximately 42,000 miles of distribution and transmission lines that provide service to approximately 1,305,000 customers. Distribution operators range in size from eight to 307,000 customers. Operational units include distribution systems, intrastate transmission lines, liquefied natural gas plants and storage facilities, apartment complexes, and housing authorities. There are a total of 179 operational units across Tennessee; 163 jurisdictional and seventeen (16) non-jurisdictional. A minimum of one onsite inspection is conducted annually on each gas system. Some systems are inspected multiple times during a particular calendar year.

The GPSD inspectors conduct annual inspections to ensure adherence to regulations. There are 179 operational units which are controlled by 5 private companies, 70 municipalities, 24 utility districts, 28 master meter operators, and 18 intrastate pipeline companies. Operators are required to maintain records, compile reports, update operations and maintenance plans, and promptly repair all hazardous leaks.

Information Technology Division

Tracy Stinson, Chief

Mission

The mission of the Information Technology Division (IT) is to provide, support, and protect hardware and software computer systems used by the staff of the Tennessee Regulatory Authority. The Division strives to meet the professional needs of its own staff members through training, team building, challenging work, recognition and personal and professional growth.

The division consists of an IT Chief and an Information Systems Resource Specialist II.

Duties of the Information Technology Division:

♦ Develop the Information Systems three year plan
♦ Develop and maintain the Authority LAN
♦ Procure and maintain Authority desktop computer systems
♦ Develop new software systems
♦ Monitor software license needs
♦ Enforce state network acceptable usage policy
♦ Provide information resource training to Authority staff and IT staff
♦ Develop and administer Authority databases
♦ Oversee computer hardware inventory management
♦ Provide technical support and training to Authority staff
♦ Provide technical advice to Authority leadership

Utilities Division

David Foster, Chief

Mission

To provide the Directors of the TRA with detailed technical and financial analyses to aid the Directors in making informed decision on issues related to the establishment of just and reasonable rates for public utilities, audits results, new certificates of service and telecommunications issues related to the continued development of competitive markets.

The division is comprised of eight full-time and two-part-time employees with diversified experience and background. The Staff’s credentials and background consist mainly of Certified Public Accountants along with an engineer. The Staff has over 150 years of combined experience in the utility industry.

The division is responsible for analyzing all utility petitions relating to rate changes for investor owned electric, gas, telecommunications, water and wastewater service utilities operating within the state. The financial analysis focuses on establishing a reasonable return the utility can earn on its investment as well establishing a reasonable amount of prudent expenses to be recovered. The division also develops and recommends rate designs for customer classes, e.g., residential, commercial and industrial. Each utility segment also has unique characteristics and distinctive federal and state mandates for review.
Utilities Division... continued from previous page

The division works closely together with smaller utilities, especially water and wastewater, in order ensure their viability, both financially and from a quality of service standpoint. The larger utilities (e.g., Piedmont Natural Gas, Atmos Energy, Chattanooga Gas, Tennessee American Water and Kingsport Power) are continually monitored from a financial/rate standpoint. The division also conducts a series of annual audits for utilities regarding their financial status and for compliance with TRA rules and applicable state and federal laws, orders and tariffs.

Legal Division

Jean Stone, General Counsel

Mission

To provide the Authority with sound and timely legal advice, effective counsel in the deliberative process, and zealous representation before state and federal agencies, and reviewing courts.

It is the responsibility of the Legal Division to provide in-house counsel to the Directors of the Authority. Attorneys from the Division also represent the Authority and the Directors in their official capacities before the Chancery Courts, Tennessee Court of Appeals, Tennessee Supreme Court and in the Federal Courts. The Legal Division represents the Authority before the Federal Communications Commission and the Federal Energy Regulatory Commission. Attorneys in the Division often serve as Hearing Officers in contested cases. The attorneys provide legal advice and analysis to other divisions within the Authority and may represent staff designated as parties in Authority proceedings. The Legal Division reviews bonds and letters of credit submitted by regulated companies. The attorneys also draft rules to be promulgated by the Authority. Members of the Legal Division prepare orders reflecting actions of the Directors in specific cases.

During the past fiscal year, 161 dockets were opened or required action by the Authority. Attorneys in the Legal Division provided continuing research, advisory memoranda and counsel to the Directors and staff in most of these dockets. The Legal Division also prepared 163 orders reflecting action by the Authority in active dockets including tariff matters, contested cases, mergers, debt issuances, transfers of authority, approvals and revocations of certificates of public convenience and necessity, franchise approvals and show cause actions. The legal Division also drafted 28 notices of approval of interconnection agreements.
Appendix A

TRA proceedings for the 2013-2014 fiscal year included:

- Petition for Arbitration of Cellco Partnership d/b/a Verizon Wireless (Docket No. 03-00585)
- Petition of the North American Numbering Plan Administrator on Behalf of the Tennessee Telecommunications Industry (Docket No. 11-00018)
- Investigation as to Whether a Show Cause Order Should Be Issued Against Berry's Chapel Utility, Inc. and/or Lynwood Utility Corporation for Violation of TRA Rules and Tennessee Statutes, Including, But Not Limited to, Tenn. Code Ann. Sections 65-4-112, 65-4-113, 65-4-201, and 65-5-101 (Docket No. 11-00065)
- Petition of Laurel Hills Condominiums Property Owners Association for a Certificate of Public Convenience and Necessity (Docket No. 12-0030)
- Petition of Kingsport Power Company d/b/a AEP Appalachian Power to Implement a Storm Damage Rider Tariff for Recovery of Storm Costs (Docket No. 12-00051)
- Alleged Violations of Tenn. Code Ann. Section 65-4-401 by Direct Marketing Travel Services, Inc. (Docket No. 12-00146)
- Joint Petition of Tennessee American Water Company, the City of Whitwell, Tennessee, and the Town of Powells Crossroads, Tennessee for Approval of a Purchase Agreement and a Water Franchise Agreement and for the Issuance of a Certificate of Convenience and Necessity (Docket No. 12-00157)
- Amended Petition of Emerson Properties LLC for Revocation of Certificate of Public Convenience and Necessity Held By Tennessee Wastewater Systems Inc. for the Portion of Campbell County, Tennessee, Known as The Villages of Norris Lake, Pursuant to Tenn. Code Ann. Section 65-4-201 (Docket No. 13-00157)
- Actual Cost Adjustment Filing for the Navitas TN NG, LLC Jellico and Byrdstown Systems for the Twelve Months Ended December 31, 2012 (Docket No. 13-00038)
- Joint Application of TNCI Operating Company LLC, Assignee, and Trans National Communications International, Inc. (Debtor-In-Possession), Assignor, for Approval for Assignee to Acquire the Customers and Certain Assets, Including the Certificates of Public Convenience and Necessity, of Assignor (Docket No. 13-00065)
- Application of Birch Telecom of the South, Inc. d/b/a Birch Communications of the South and Birch Communications, Inc. for Approval of Financing Arrangements (Docket No. 13-00083)
- Audit of Atmos Energy Corporation's Incentive Plan Account for the Period of April 1, 2012 through March 31, 2013 (Docket No. 13-00084)
- Joint Application of Birch Telecom of the South Inc. d/b/a Birch Communications of the South and Ernest Communications, Inc. for Approval to Transfer Assets and Customers of Ernest Communications, Inc. to Birch Telecom of the South, Inc. d/b/a Birch Communications of the South (Docket No. 13-00085)
- Joint Application of Birch Telecom of the South, Inc. d/b/a Birch Communications of the South and Lightyear Network Solutions, LLC for Approval to Transfer Assets and Customers of Lightyear Network Solutions, LLC to Birch Telecom of the South, Inc. d/b/a Birch Communications of the South (Docket No. 13-00089)
- Audit of Piedmont Natural Gas Company's Weather Normalization Adjustment for the Period October 1, 2012 to April 30, 2013 (Docket No. 13-00090)
- Audit of Chattanooga Gas Company's Weather Normalization Adjustment for the Period November 1, 2012 to April 30, 2013 (Docket No. 13-00091)
- Audit of Atmos Energy Corporation's Weather Normalization Adjustment for the Period November 1, 2012 to April 30, 2013 (Docket No. 13-00092)
- Petition of Kentucky Utilities Company Seeking an Order Amending and Extending the Authority With Respect to the Revolving Line of Credit Arrangements (Docket No. 13-00096)
- Petition of Atmos Energy Corporation to Revise Performance Based Ratemaking Mechanism Rider in Tariff (Docket No. 13-00111)
- 2013 Annual State Certification of Support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R. § 54.314 (Docket No. 13-00112)
- Chattanooga Gas Company Annual Incentive Plan Filing for the Twelve Months Ended June 30, 2013 (Docket No. 13-00113)
Application of Entergy Arkansas, Inc. for Approval of Changes in Rates for Retail Electric Service (Docket No. 13-00114)


Petition of Piedmont Natural Gas Company, Inc. for Approval of an Integrity Management Rider to Its Approved Rate Schedules and Service Regulations (Docket No. 13-00118)

Petition of Piedmont Natural Gas Company, Inc. to Adjust the June 30, 2012 ACA Ending Balance for Prior Period Adjustments (Docket No. 13-00119)

Petition of Kingsport Power Company d/b/a AEP Appalachian Power for Approval of Deferred Accounting (Docket No. 13-00121)

Chattanooga Gas Company's Actual Cost Adjustment Filing for the Period of July 1, 2012 - June 30, 2013 (Docket No. 13-00125)

Petition of Piedmont Natural Gas, Inc. for Approval of Franchise Agreement with the City of White House, Tennessee (Docket No. 13-00127)

Petition of Atmos Energy Corporation for Approval of Franchise Agreement with the City of Franklin, Tennessee (Docket No. 13-00129)


Application of Appalachian Power Company for Approval of Certain 2014 Financing Programs (Docket No. 13-00140)

Petition of Kings Chapel Capacity for Exemption from Financial Security Required By the TRA's Wastewater Regulations - Request to Continue Exemption (Docket No. 13-00141)

Counce Natural Gas Company's Actual Cost Adjustment Account Filing for the Period October 1, 2012-September 30, 2013 (Docket No. 13-00142)

Petition of Tennessee Wastewater Systems to Post Alternative Financial Security (Docket No. 13-00148)

Application of B&W Pipeline, LLC for a Certificate of Convenience and Necessity to Operate a Natural Gas Pipeline System In Pickett, Morgan and Fentress Counties (Docket No. 13-00151)

Application of Birch Telecom of the South, Inc. d/b/a Birch Communications of the South and Birch Communications, Inc. for Approval of Financing Arrangements (Docket No. 13-00152)

TDS Telecom-Tennessee Telephone Company's Application to Enter Price Regulation (Docket No. 13-00153)

TDS Telecom-Concord Telephone Exchange, Inc.'s Application to Enter Price Regulation (Docket No. 13-00154)

TDS Telecom-Tellico Telephone Company's Application to Enter Price Regulation (Docket No. 13-00155)

TDS Telecom-Humphreys County Telephone Company's Application to Enter Price Regulation (Docket No. 13-00156)

Petition of Kingsport Power Company d/b/a AEP Appalachian Power to Terminate Tariff PSDR (Peak Shaving Demand Response Rider) (Docket No. 14-00002)

Rulemaking for the Purpose of Deleting Obsolete Rules (Docket No. 14-00003)

Petition of Berry's Chapel Utility, Inc. to Increase Rates and Charges; Tariff to Recover the Cost of Financial Security; Implementation of Pass Throughs for Sludge Removal, Electricity, Chemicals and Purchased Water (Docket No. 14-00004)

Amended Petition of Atmos Energy Corporation for Approval of Contract Regarding Gas Commodity Requirements and Management of Transportation/Storage (Docket No. 14-00009)

Petition of Piedmont Natural Gas Company, Inc. for Authorization to Amortize and Refund to Customers Excess Accumulated Deferred Income Taxes (Docket No. 14-00017)

Petition for Approval of Contract Meter Reading Heightened Procedures within the State of Tennessee (Docket No. 14-00022)

Petition of Atmos Energy Corporation for Approval of Negotiated Franchise Agreement with the City of Columbia, Tennessee (Docket No. 14-00023)

Petition of XO Communications Services, LLC for Authority to Provide Security in Connection with Financing (Docket No. 14-00028)

Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Liabilities (Docket No. 14-00033)

Petition of Plains and Eastern Clean Line LLC for a Certificate of Convenience and Necessity Approving a Plan to Construct a Transmission Line and to Operate as an Electric Transmission Public Utility (Docket No. 14-00036)

Show Cause Proceeding Against Tennessee Wastewater Systems, Inc. for Material Non-Compliance and/or Violation of State Law and Tenn. R. & Regs. 1220-04-13, et seq. (Docket No. 14-00041)

Application of Birch Telecom of the South, Inc. d/b/a Birch Communications of the South and Birch Communications, Inc. for Approval of Financing Arrangements (Docket No. 14-00046)

Petition of Tennessee Wastewater Systems, Inc. to Post Alternative Financial Security (Docket No. 14-00047)

Entergy Arkansas, Inc. Application for Approval of the Extension and Amendment of Synthetic Railcar Lease (Docket No. 14-00050)