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TENNESSEE REGULATORY AUTHORITY



2012-2013
ANNUAL REPORT



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TENNESSEE REGULATORY AUTHORITY



502 Deaderick Street, 4th Floor
Nashville, Tennessee 37242-0001

February 3, 2014

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 2012-2013 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' best practices. 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 Taylor
Executive Director

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www.tn.gov/tra
www.facebook.com/tntra



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 James M. Allison, Director Robin Bennett, Director David F. Jones, Director Herbert H. Hilliard, 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.



James M. Allison, Chairman

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

Chairman Allison is an accomplished utility executive with over 35 years of industry management experience across the United States. His career has spanned all sectors of the electric utility industry with service at the Officer/CEO level in the investor-owned, government-owned and cooperative sectors of the electric industry, with approximately equal time in each sector. He has served on numerous corporate boards and governing bodies and represented various organizations before the local, state and Federal bodies, including experience working with Public Service Commissions in six states, U.S. Congress and various state legislative bodies and Boards of corporations with which he has been affiliated with over the years.

Chairman Allison is a long time college football official with the Southeastern Conference (SEC) with experience officiating at the sport's highest and most prestigious levels for over 25 years. In his officiating capacity, he serves as an Instant Replay Official and Observer/Evaluator.



Authority Leadership (cont.)



Herbert H. Hilliard

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

Herb 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. Vice 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, Vice Chairman Hilliard was Executive Vice President and Chief Risk Officer. Vice Chairman Hilliard retired from First Horizon National Corporation on September 26, 2012.

Vice 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, Vice Chairman Herbert 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.

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. He is married to Dr. Shirley Hilliard and has two children and one grandchild.



David F. Jones

David 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 Holdings Group, a workers' compensation revenue

solutions company to more than 300 hospitals across 30 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 he worked in a variety of areas, including Field Operations. Additionally, he led separate transition teams responsible for merging the operations, technical services, engineering, financial and commercial areas for three multi-billion dollar acquisitions.

He was active in key leadership roles within the energy industry and has served on the Southern Gas Association's Corporate Telelink Network (CTN) Board of Directors, Chairman of Interstate Natural Gas Association of America (INGAA) Security Committee, Vice Chairman of the Oil and Natural Gas Security Coordinating Council and a member of the National Infrastructure Advisory Committee Pandemic Working Group.

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*.



Authority Leadership (cont.)



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 pilot 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-three 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



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.

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.

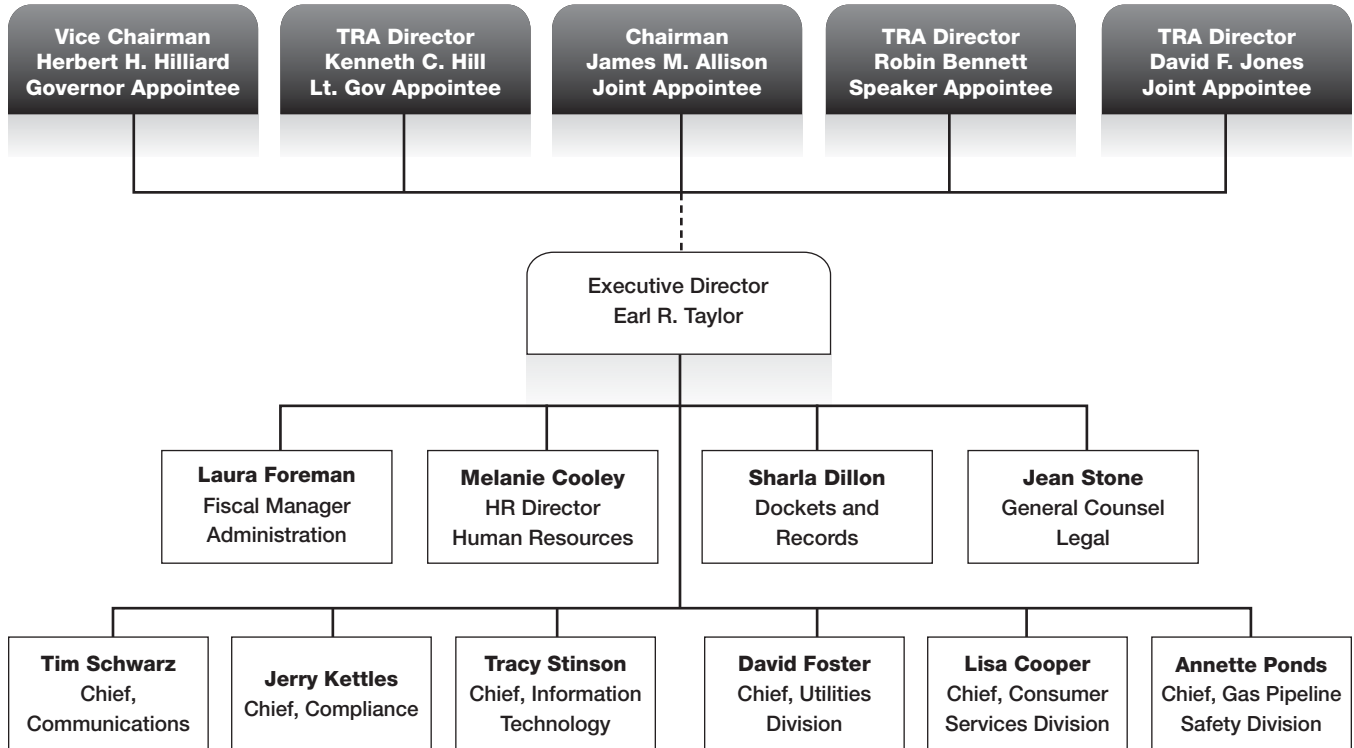
Authority staff includes accountants, administrators, attorneys, consumer specialists, economists, engineers, information technology specialists, a consumer outreach manager, and administrative support.

As of July 1, 2013, the TRA was budgeted for 66 Positions

TRA Division	As of 7/1/12	During FY 12-13			As of 7/1/13		
	Total Positions	Abolished	Added	InterAgency Transfers	Total Positions	Filled	Vacancies
Directors	4			1	5	5	0
Executive Director			1	1	1	0	
Directors Staff	7			(6)	0	0	0
Administrative Staff	5	(1)		4	8	6	2
ARRA Electric Grant	2	(2)			0	0	0
Communications and External Affairs	4			(1)	8	8	0
Consumer Services	16			2	18	14	4
Compliance Division	3			1	4	4	0
Gas Pipeline Safety	7				7	7	0
Information Technology	2			1	3	2	1
Legal	7			(2)	5	4	1
Utilities	14			(1)	12	9	3
Total Positions	71	(5)	0	0	66	55	11



Tennessee Regulatory Authority Organization Chart





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, 2013.

Energy and Water

Electric	4
Natural Gas Companies	6
Water & Waste Water	20
Methane Gas Provider	1
Intrastate Pipeline	18

Telecommunications

Competing Telephone Service Providers	127
Customer Owned-Coin Operated Telephone Providers	72
Incumbent Telephone Companies	27
Resellers and Operators Service Providers	189
Long Distance Facility Providers	5

Gas Pipeline Safety

Direct Sales	17
Intrastate Pipeline	17
Liquefied Natural Gas (LNG) Operators	2
Master Meters	29
Municipalities	7
Utility Districts	25

Total Public Utilities	566
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Budget Summary

Appropriations, Fees, and Expenditures

The Tennessee Regulatory Authority began fiscal year 2012-2013 (FY12-13) with a budget of \$7,790,400. Due to the reorganization of the agency by the Legislature and operational efficiencies implemented by the agency during FY12-13, the TRA's actual FY12-13 operational costs were \$6,182,670 - a total savings of \$1,607,730 (20.6%) from the FY12-13 budget appropriation.

Total revenues collected by the TRA during FY12-13 were \$7,781,388 the majority of which was derived from utility inspection fees paid by the public utilities regulated by the TRA. Total inspection fee revenue received during FY12-13 was \$6,086,023. In addition to the inspection fee revenue, the TRA received \$532,055 in federal revenue for the gas pipeline safety programs, \$246,550 in registration fees from telemarketers for the "Do Not Call" program, \$53,880 in fines and penalties, \$750,630 in contributions to the Telecommunications Devices Assistance Program ("TDAP"), \$104,725 in application and amendment fees from certain cable companies, \$375 in current services, and \$7,150 in filing fees.

All of the revenues, except the 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 a future fiscal year(s) not be sufficient to cover the costs of the TRA for that fiscal year, the deficit would be funded by the Public Utilities Reserve Account. At June 30, 2013, the Public Utilities Reserve Account had a balance of \$3,388,418. 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 \$1,209,426 as of June 30, 2013.

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 FY12-13, the TRA's total inspection fee revenue of \$6,086,023 was reduced by \$426,361 for its share of subsidization of the cost of the Office of State Assessed Properties.

TRA Budget Comparison





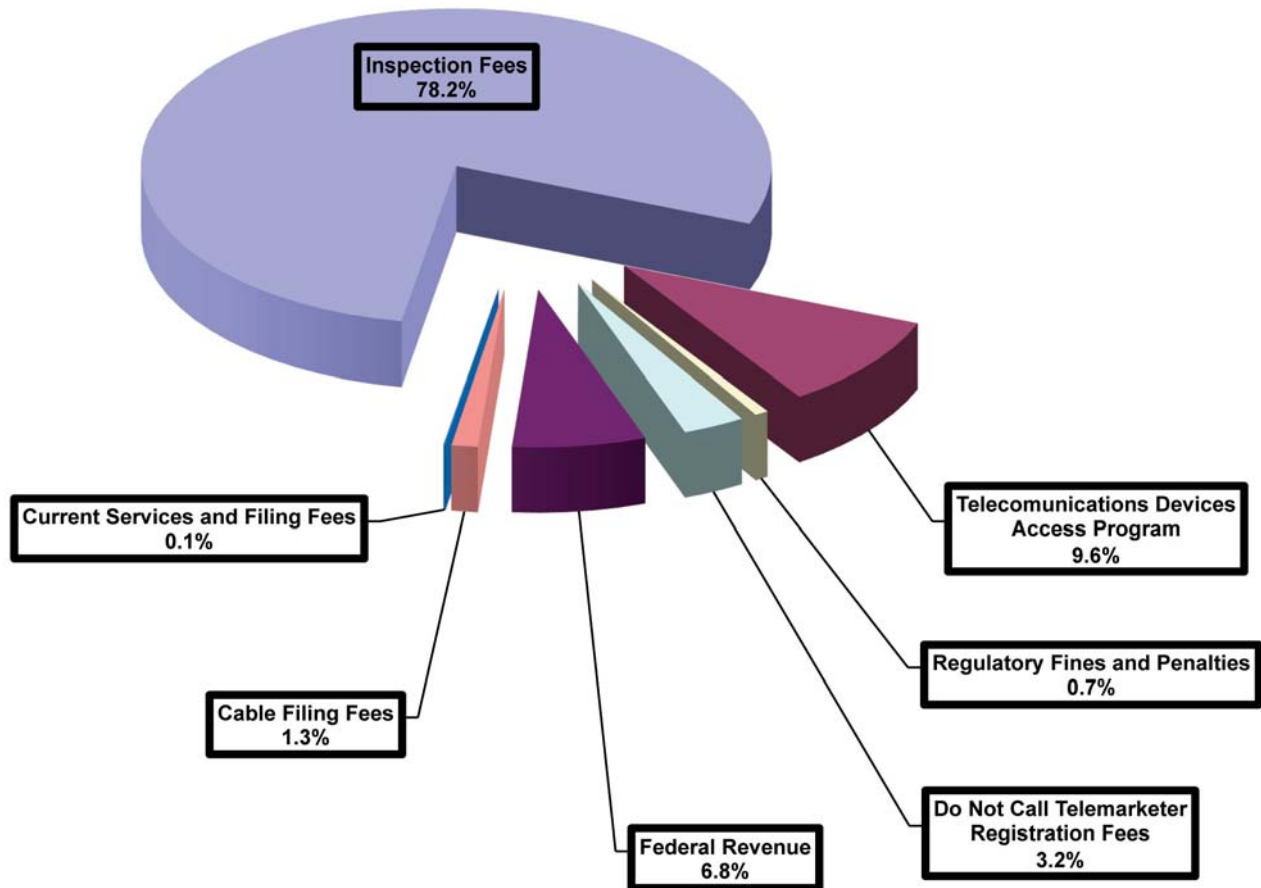
Budget Summary (cont.)

FY 12-13 Revenues

Inspection Fees	\$6,086,023	78.2%
Telecommunications Devices Access Program	\$750,630	9.6%
Regulatory Fines and Penalties	\$53,880	0.7%
Do Not Call Telemarketer Registration Fees	\$246,550	3.2%
Federal Revenue	\$532,055	6.8%
Cable Filing Fees	\$104,725	1.3%
Current Services and Filing Fees	\$7,525	0.1%
TOTAL REVENUES FOR FY 12-13	\$7,781,388	100.0%

The FY12-13 Actual Inspection Fee Revenue received by the TRA was \$6,086,023. However, this amount was reduced by \$426,361 by the Comptroller’s Office for the amount charged the TRA for its share of the cost of State Assessed Properties.

TRA FY 12-13 Revenues





Docket Room and Authority Activity

Docket Activity

Type of Docket	Fiscal 2012-13
	(7/1/12 - 6/30/13)
Total	195
Arbitrations	0
Interconnection/Resale Agreements	72
Purchase Gas Adjustment, Audits, Certificate of Convenience of Necessity Amendments	16
Consumer Services Division Staff Investigations	9
Certificate of Convenience of Necessity	3
Pay Phones	2 (7 reopened)
Name Changes	8
Resellers	5 (3 reopened)
Number Pooling Requests	6
Rulemaking	0
Telecom Dockets - Eligible Telecommunications Carriers	1
Notice - Market Regulation	22
Cable Franchise	1 (3 amendments)
Transfers, Mergers, Financing	20
Misc. (not otherwise listed above)	17
Total: New	182
Reopened	10 plus 3 cable amendments



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

Jerry Kettles, 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. Moreover, the Division carries out the responsibilities of its predecessor the Economic Analysis and Policy Division to provide 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

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 consumer outreach, 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: providing consumer education/outreach including developing and implementing programs to educate the public on various utility issues; 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, community outreach meetings 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.

2012 Major Activities

- ◆ Received 1,064 consumer complaints filed against utility companies
- ◆ Distributed 1,145 TDAP devices costing \$328,079 to 1,035

continued on next page



Consumer Services... *continued from previous page*

- ◆ Administered the Lifeline Telecommunications Assistance Program. Fiscal year 2013 there were 782,086 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 275,091 calls during the fiscal year 2013.

- ◆ 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 2013, 4,790,958 Tennesseans registered with the "Do Not Call" program and 335 active telemarketers had registered as solicitors. The TRA received 2,179 "Do Not Call" telemarketing complaints by consumers against telemarketing companies during the fiscal year 2013. The TRA also received 50 fax complaints from consumers involving unsolicited facsimiles during the fiscal year 2013.

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.

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 183 operational units across Tennessee; 166 jurisdictional and seventeen (17) 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 182 operational units which are controlled by 5 private companies, 70 municipalities, 25 utility districts, 29 master meter operators, and 17 intrastate pipeline companies. Operators are required to maintain records, compile reports, update operations and maintenance plans, and promptly repair all hazardous leaks.

GPSD INSPECTION ACTIVITY 2012/2013	
Inspection Type	Number
Standard	165
Specialized	225
Follow-Up	39
Construction	8
Incident	20
Training	23
Liquefied Natural Gas	2
Total Inspection Days	482



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

2012 – 13 Statistics	
Month	TRA Homepage Hits
Jul	7018
Aug	8776
Sep	8458
Oct	9444
Nov	8330
Dec	8021
Jan	9504
Feb	4046
Mar	9418
Apr	8881
May	8535
Jun	8906
TOTAL	92319

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.

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 and prosecutors in enforcement actions before the Authority. 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, 195 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 229 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.



Appendix A

TRA proceedings for the 2012-2013 fiscal year included:

- ◆ Petition for Arbitration of Cellco Partnership d/b/a Verizon Wireless (Docket No. 03-00585)
- ◆ Docket to Evaluate Atmos Energy Corporation's Gas Purchases and Related Sharing Incentives (Docket No. 07-00225)
- ◆ Petition of Chattanooga Gas Company for a General Rate Increase, Implementation of the EnergySmart Conservation Programs and Implementation of a Revenue Decoupling Mechanism (Docket No. 09-00183)
- ◆ BellSouth Telecommunications, Inc. d/b/a AT&T Southeast d/b/a AT&T Tennessee Complaint and Petition for Relief vs. BLC Management, LLC d/b/a Angles Communications Solutions (Docket No. 10-00008)
- ◆ Request of Chattanooga Gas Company for Approval of an RFP for an Asset Management Agreement and a Gas Purchase and Sales Agreement (Docket No. 10-00049)
- ◆ Petition of Nexus Communications, Inc. to Recover Cash Back Promotion Credits from BellSouth d/b/a AT&T Tennessee (Docket No. 10-00212)
- ◆ 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 Integrated Resource Management, Inc. d/b/a IRM Utility, Inc. to Amend Its CCN to Serve an Area in Cumberland County, Tennessee Known as Genesis Village Estates Subdivision (Docket No. 11-00081)
- ◆ Audit of the Transactions in Integrated Resource Management, Inc. d/b/a IRM Utility, Inc. Escrow Account (Docket No. 11-00113)
- ◆ Petition of Telmate, LLC for Authority to Provide Resell Telecommunications in the State of Tennessee and Petition of Telmate, LLC for Authority to Provide COCOT Services in Tennessee (Docket Nos. 11-00181 and 11-00182)
- ◆ Counce Natural Gas Company's Actual Cost Adjustment Account Filing for the Period October 1, 2010 - September 30, 2011 (Docket No. 11-00203)
- ◆ Complaint of ConocoPhillips Company for an Order Determining ConocoPhillips Not Liable for Penalties and Charges Assessed by Chattanooga Gas Company, or, in the Alternative, Petition for Special Relief (Docket No. 11-00210)
- ◆ Petition of Aqua Green Utility Inc. to Implement Tap Fees (Docket No. 12-00004)
- ◆ Petition for Approval of Demand Response Program and Associated Demand Response Tariffs on Behalf of Kingsport Power Company d/b/a AEP Appalachian Power and Joint Petition of Eastman Chemical Company and Air Products and Chemicals, Inc. for Expedited Review to Allow Certain End Use Customers of Kingsport Power Company to Participate in PJM Interconnection Demand Response Programs (Docket Nos. 12-00012 and 12-00026)
- ◆ ACA Filing for the Navitas TN NG, LLC Jellico and Byrdstown Systems (Docket No. 12-00021)
- ◆ Petition of Laurel Hills Condominiums Property Owners Association for a Certificate of Public Convenience and Necessity (Docket No. 12-00030)
- ◆ Petition of the Industry Coalition (AT&T Tennessee, CenturyLink Companies, Frontier Communications Of TN/Volunteer and Frontier Communications of America, TDS Telecom, TN Telephone Association, Level 3 Communications, LLC and tw telecom of Tennessee, LLC) to Eliminate State Lifeline Credit (Docket No. 12-00035)
- ◆ Petition of Old Hickory Water, LLC for a Certificate of Convenience and Necessity (Docket No. 12-00039)
- ◆ Audit of Atmos Energy Corporation's Incentive Plan Account for the Twelve-Month Period Ending March 31, 2012 (Docket No. 12-00044)
- ◆ Petition of Tennessee American Water Company for a General Rate Increase, Implementation of a Distribution System Infrastructure Charge and the Establishment of Tracking Mechanisms for Purchased Power, Pensions and Chemical Expenses (Docket No. 12-00049)
- ◆ Petition of Americatel Corporation and Matrix Telecom, Inc. for Approval to Participate In Certain Financing Arrangements (Docket No. 12-00050)
- ◆ 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)
- ◆ Proceeding Against David Andrews for Alleged Violations of Tenn. Code Ann. Section 65-4-501, et seq., Known as the Tennessee Do-Not-Fax-Law (Docket No. 12-00052)
- ◆ Audit of Atmos Energy Corporation's Incentive Plan Account for the Period April 1, 2007 through March 31, 2011 (Docket No. 12-00053)
- ◆ Application of Bristol Tennessee Essential Services for Expanded Certificate of Public Convenience and Necessity to Provide Competing Telecommunications Services Statewide (Docket No. 12-00060)
- ◆ Petition of Atmos Energy Corporation for a General Rate Increase (Docket No. 12-00064)
- ◆ Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of



- Liabilities (Docket No. 12-00067)
- ◆ Petition of Navitas TN NG, LLC for a General Rate Increase (Docket No. 12-00068)
 - ◆ Alleged Violations of Tenn. Code Ann. Section 65-4-401, Do-Not-Call, Against Sam Cooper, d/b/a Global Media Management, LLC (Docket No. 12-00069)
 - ◆ State Certification of Rural and Competitive ETC Carriers Use of Federal High Cost Support, Pursuant to C.F.R. 54.314 and Non-Rural Rate Comparability to National Urban Rates to the FCC and the Universal Service Administrative Company (Docket No. 12-00074)
 - ◆ Revision of Business Rates to Reflect 2012 Ad Valorem Tax Equity Payments Pursuant to Tenn. Code Ann. Sections 67-6-221 and 67-6-222 (Docket No. 12-00079)
 - ◆ Complaint of City of Knoxville Against AT&T Tennessee (Docket No. 12-00082)
 - ◆ Audit of Piedmont Natural Gas Company Weather Normalization Adjustment for the Period November 1, 2011 to March 31, 2012 (Docket No. 12-00083)
 - ◆ Audit of Chattanooga Gas Company's Weather Normalization Adjustment for the Period of November 1, 2011 to April 30, 2012 (Docket No. 12-00084)
 - ◆ Audit of Atmos Energy Corporation's Weather Normalization Adjustment for the Period of November 1, 2011 to April 30, 2012 (Docket No. 12-00085)
 - ◆ Application of West Tennessee Telephone Company, Inc. to Enter Price Regulation (Docket No. 12-00089)
 - ◆ Application of Crockett Telephone Company, Inc. to Enter Price Regulation (Docket No. 12-00090)
 - ◆ Application of Peoples Telephone Company to Enter Price Regulation (Docket No. 12-00091)
 - ◆ Alleged Violations of Tenn. Code Ann. Section 65-4-401, Do-Not-Call, Against Storm Damage Specialists (Docket No. 12-00100)
 - ◆ Alleged Violations of Tenn. Code Ann. Section 65-4-401, Do-Not-Call, Against Selltel, Inc. d/b/a National Protection Service (Docket No. 12-00101)
 - ◆ Complaint of Budget Prepay, Inc. Against AT&T Tennessee (Docket No. 12-00102)
 - ◆ Piedmont Natural Gas Company, Inc. Performance Incentive Plan Report for the Period July 1, 2011 thru June 30, 2012 (Docket No. 12-00103)
 - ◆ Chattanooga Gas Company's Actual Cost Adjustment for the Twelve Months Ended June 30, 2012 (Docket No. 12-00105)
 - ◆ Chattanooga Gas Company Annual Incentive Plan Filing for the Twelve Months Ended June 30, 2012 (Docket No. 12-00106)
 - ◆ Alleged Violations of Tenn. Code Ann. Section 65-4-501, Do-Not-Fax, Against Robert Andrew Dawson, Vacation Express USA Corp. (Docket No. 12-00107)
 - ◆ Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority With Respect to Revolving Line of Credit (Docket No. 12-00108)
 - ◆ Petition of Entergy Arkansas, Inc. for Authorization to Enter Into Certain Financing Transactions During the Years 2013 through 2015 (Docket No. 12-00109)
 - ◆ Formal Notice of Violations, Knoxville Utilities Board Incident, 12/09/09, Report Of Natural Gas Safety Inspection #11-211 (Docket No. 12-00111)
 - ◆ Application of Common Point LLC for a CCN to Provide Competing Local Telecommunications Services (Docket No. 12-00113)
 - ◆ Piedmont Natural Gas Company, Inc. Actual Cost Adjustment Account Filing for the Period July 1, 2011 - June 30, 2012 (Docket No. 12-00114)
 - ◆ Joint Application of Millington Telephone Company, Inc., MTel Long Distance, Inc., And E. Ritter Communications Holdings, Inc. Regarding Transfer of Control of Millington Telephone Company, Inc. and MTel Long Distance, Inc. (Docket No. 12-00117)
 - ◆ Petition for a Declaratory Ruling that Knob Ridge Apartments, L.P. Is a Public Utility Under Tennessee Law and Should Be Regulated by the TRA (Docket No. 12-00119)
 - ◆ Atmos Energy Corporation's Tennessee and Union City, Tennessee 2011-2012 ACA Filing (Docket No. 12-00120)
 - ◆ Application of Appalachian Power Company for Approval for Certain 2013 Financing Programs (Docket No. 12-00126)
 - ◆ Petition of McGraw Communications, Inc. for a Certificate of Public Convenience and Necessity to Provide Competing Local Exchange and Interexchange Telecommunications Services in Tennessee (Docket No. 12-00134)
 - ◆ Counce Natural Gas Company's Actual Cost Adjustment Account Filing for the Period October 1, 2011 - September 30, 2012 (Docket No. 12-00139)
 - ◆ Application of Birch Telecom of the South, Inc. and Birch Communications, Inc. for Approval of Financing Arrangements (Docket No. 12-00140)
 - ◆ Alleged Violations of Tenn. Code Ann. Section 65-4-401 by Direct Marketing Travel Services, Inc. (Docket No. 12-00146)
 - ◆ Joint Application for Approval to Transfer Assets and Customers of Covista, Inc. to Birch Telecom of the South, Inc. (Docket No. 12-00154)
 - ◆ Report of Natural Gas Safety Inspection, Report #12-217 (Docket No. 12-00156)
 - ◆ 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)



- ◆ Alleged Violations of Tenn. Code Ann. Section 65-4-401, et seq., Do-Not-Call Sales Solicitation Law, and Rules of Tennessee Regulatory Authority Chapter 1200-4-11 by Steven Griffith, Armor Roofing of Tennessee, LLC (Docket No. 13-00004)
- ◆ Application of Millington Telephone Company, Inc. for Approval to Enter Price Regulation (Docket No. 13-00016)
- ◆ Atmos Energy Corporation Petition for Approval of Franchise Agreement with Town of Smyrna, Rutherford County, Tennessee (Docket No. 13-00024)
- ◆ Joint Petition of AccessLine Communications Corp., Telanetix, Inc. and Intermedia Holdings, Inc. for Approval of the Indirect Transfer of Control of AccessLine Communications Corp. from Telanetix, Inc. to Intermedia Holdings, Inc., and for Approval to Participate in Certain Financing Arrangements and for Approval, Nunc Pro Tunc, of the Indirect Transfer of Control of AccessLine Communications Corp. and Its Participation in Certain Financing Arrangements (Docket No. 13-00028)
- ◆ Joint Petition of Americatel Corporation, Matrix Telecom, Inc. and Impact Telecom, Inc. for Approval of the Transfer of Control of Americatel Corporation and Matrix Telecom, Inc. and for Participation in Certain Financing Arrangements (Docket No. 13-00036)
- ◆ Joint Petition of Tengasco Pipeline Corporation and General Gas Pipeline LLC for Approval of Transfer of CCN and Authority Granted Pursuant to Resolution 2000-092 of the City of Kingsport, as Amended (Docket No. 13-00049)
- ◆ Petition of Berry's Chapel for Approval of Deferred Accounting (Docket No. 13-00052)