Request No. AG-7-27 (Gas)
Refer to page 403 of the Company's Gas filing (proposed CGA tariff). Please describe how the Company determines "costs associated with uncollected gas costs." Provide the calculation of these costs for the most recent CGA.

Response:
Costs associated with uncollected "gas" costs are determined based on the total uncollected costs. As discussed in the testimony of Mark H. Collin, as approved by the Department, a portion of bad debts expense is collected in distribution rates (43%); a portion is collected in the CGAC (57%). The allocation between base distribution rates and the CGAC was initially set in FG&E's last gas rate proceeding (DTE 98-51) based on the ratio of test year normalized non-gas and gas revenues to total revenues. In this proceeding, FG&E proposed a modification to the method for allocating bad debts expense for CGAC recovery. Since FG&E's customer billing system is capable of tracking write-offs by specific billing component, FG&E is proposing that the bad debts expense be allocated between base distribution and the CGAC, based on a ratio of actual account write-offs for the Gas Division. In this way, the CGAC component of bad debt would vary based on the actual write-offs ratio calculated for the CGAC billing components during the costing period and would more accurately reflect the actual cost of providing this service. With respect to this proposal, no revisions were made to the language in the tariff (referenced in the request above) since the existing language was general. As in the prior case, FG&E expects that the Department's order would speak to the allocation for determining "costs associated with uncollected gas costs".

Attachment AG 7-27 (Gas) provides a copy of the calculations that were included in the Gas Division's most recent CGA filing. This attachment includes the Determination of the Bad Debt Cost Factor effective November 1, 2001, the 2001 Annual Reconciliation, and the Bad Debt Provision (supporting actual data included in the 2001 Annual Reconciliation.

Person Responsible: Karen M. Asbury and Mark H. Collin

Fitchburg Gas and Electric Light Company
Determination of Bad Debt Cost Factor - BD
Effective November 2001 - October 2002

Schedule VI

1. Beginning Balance: (November 1, 2001)	$63,752	See Worksheet 1, L. 1
2. Total Bad Debt Costs: (November 01 - October 02)	$300,000	See Worksheet 1, L. 2
3. Interest Expense	($1,146)	See Worksheet 1, L. 8
4. Net Expense	$362,606	L. 1 + L. 2 + L. 3
5. Total Firm Sales in Therms: (November 01 - October 02)	20,783,168	See Worksheet 1, L. 3
6. Bad Debt Cost Factor ($/Therm):	$0.0174	L. 4 / L. 5

Fitchburg Gas and Electric Light Company

Gas Adjustment Factor Worksheet

Bad Debt Cost Recovery Schedule

Schedule VI

Worksheet I

	Est. Nov-01	Est. Dec-01	Est. Jan-02	Est. Feb-02	Est. Mar-02	Est. Apr-02	Est. May-02	Est. Jun-02	Est. Jul-02	Est. Aug-02	Est. Sep-02	Est. Oct-02	Total Nov-01 to Oct-02
1. Beginning Balance	$63,752 (1)	$60,756	$41,334	$5,404	($30,229)	($56,368)	($68,116)	($65,073)	($54,360)	($39,983)	($22,250)	($7,509)	
Costs													
2. Total Bad Debt Costs	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$300,000
Revenues													
3. Firm Sales (Therms)	1,628,759	2,569,776	3,509,386	3,480,998	2,924,773	2,092,183	1,240,017	802,078	595,024	407,421	584,858	947,895	20,783,168
4. Bad Debt Revenue	$28,340	$44,714	$61,063	$60,569	$50,891	$36,404	$21,576	$13,956	$10,353	$7,089	$10,177	$16,493	$361,627
5. Ending Balance - excl. interest	$60,412	$41,042	$5,271	($30,165)	($56,120)	($67,772)	($64,693)	($54,029)	($39,713)	($22,072)	($7,426)	$998	
6. Average Monthly Balance	$62,082	$50,899	$23,302	($12,381)	($43,175)	($62,070)	($66,404)	($59,551)	($47,036)	($31,027)	($14,838)	($3,255)	
7. Interest Rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	
8. Computed Interest	$344	$292	$134	($64)	($248)	($344)	($381)	($330)	($270)	($178)	($82)	($19)	($1,146)
9. Ending Balance	$60,756	$41,334	$5,404	($30,229)	($56,368)	($68,116)	($65,073)	($54,360)	($39,983)	($22,250)	($7,509)	$979	

(1) Taken from October 2001 estimated ending balance, CGAC Form III, Schedule 11, filed on September 14, 2001.

Fitchburg Gas and Electric Light Company
2001 Annual Reconciliation
Schedule 11: Bad Debt - Cost Recovery
August 2000 - October 2001

	Act. Aug-00	Act. Sep-00	Act. Oct-00	Act. Nov-00	Act. Dec-00	Act. Jan-01	Act. Feb-01	Act. Mar-01	Act. Apr-01	Act. May-01	Act. Jun-01	Act. Jul-01	Re-Est. Aug-01	Re-Est. Sep-01	Re-Est. Oct-01	Total Aug-00 to Oct-01	Total Nov-00 to Oct-01
1. Beginning Balance	($100,253)	($86,842)	($81,347)	($85,781)	($87,212)	($35,266)	($32,843)	($26,290)	($18,839)	($15,790)	$2,523	$21,803	$33,865	$47,118	$60,954		
Costs																	
2. Total Bad Debt Costs	$22,428	$14,972	$12,338	$15,398	$62,484 (4)	$16,258	$18,642	$18,336	$10,901	$22,250	$21,454	$13,540	$14,480	$15,657	$5,613	$284,749	$235,011
Revenues																	
3. Firm Sales (Therms)	491,250	525,656	954,567	1,703,828	2,984,253	4,127,422	3,417,123	3,152,266	2,276,011	1,149,818	667,452	480,463	429,128	623,464	932,674	23,915,375	21,943,902
4. Bad Debt Revenue	$8,268	$8,823	$16,103	$16,158 (1)	$10,046	$13,562	$11,873	$10,727	$7,741	$3,897	$2,242	$1,637	$1,459	$2,120	$3,171	$117,827	$84,633
5. Ending Balance - excl. interest	($86,093)	($80,694)	($85,112)	($86,541)	($34,775)	($32,570)	($26,074)	($18,681)	($15,679)	$2,563	$21,735	$33,706	$46,886	$60,655	$63,396		
6. Average Monthly Balance	($93,173)	($83,768)	($83,229)	($86,161)	($60,994)	($33,918)	($29,459)	($22,485)	($17,259)	($6,614)	$12,129	$27,754	$40,375	$53,886	$62,175		
7. Interest Rate	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	8.32%	7.80%	7.242%	6.975%	6.75%	6.75%	6.75%	6.75%		
8. Computed Interest	($750)	($652)	($670)	($671)	($491)	($273)	($215)(2)	($159)	($111)	($39)	$68 (3)	$159	$231	$299	$356	($2,917)	($845)
9. Ending Balance	($86,842)	($81,347)	($85,781)	($87,212)	($35,266)	($32,843)	($26,290)	($18,839)	($15,790)	$2,523	$21,803	$33,865	$47,118	$60,954	$63,752		

(1) November 2000 BD factor prorated.
(2) Includes ($0.75) to correct January 2001 interest which was calculated using 366 days.
(3) Includes ($1.27) to correct May 2001 interest.
(4) Includes additional bad debt write offs to reduce the amount of finaled customer accounts determined to be uncollectible based on the aging of the receivables. Recent higher levels of over 90 and over 120 days receivable delinquencies appear to be related to the high level of gas commodity costs earlier this year.

Fitchburg Gas and Electric Light Company
Bad Debt Provision
August 2000 - July 2001

	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Total
Net Write-Offs Gas	39,347.47	26,265.98	21,646.07	27,013.61	109,620.26	28,522.39	32,704.88	32,167.77	19,124.93	39,034.38	37,637.83	23,753.79	436,839.36
57% in CGA (1)	22,428.06	14,971.61	12,338.26	15,397.76	62,483.55	16,257.76	18,641.78	18,335.63	10,901.21	22,249.60	21,453.56	13,539.66	248,998.44

(1) The 43% allocator used to determine the base portion of gas bad debt and the 57% allocator used to determine the GAF portion of gas bad debt are per pages 50 and 51 of Order D.T.E. 98-51, dated November 30, 1998.