



Regulatory Assurance

Subject: Under billing and Overbilling Considerations

Issue

When under billing or overbilling at the retail level occurs, local power companies (LPCs) often request guidance from TVA. In accordance with the TVA Act and Sections 5 (a) and 5 (b) of the wholesale power contract between LPCs and TVA, the LPC has agreed that the power purchased from TVA is sold to the end-use customer without discrimination among customers of the same class, and no discriminatory rate, rebate, or special concession will be given to a customer.

Observations

TVA is often asked about the effect of state statutes that limit the period of time for back billing to recover the amount owed or to refund the appropriate amount, i.e., a three year limitation to retroactively correct a billing error. The wholesale power contract between TVA the LPC governs under and overbillings. Therefore, TVA's expectation is that LPCs will go back as far as records exist to research and calculate the corrected amount for the overbilling or under billed error.

Potential Impact

When such under billing or overbilling occurs, TVA expects LPCs to make every reasonable effort to recover the amount owed or refund the appropriate amount. Regardless of the error, fully sufficient quantities of electricity were supplied and consumed by the end-use consumer. Therefore, unless the accounts are reconciled, some of the LPC's customers will have received a portion of their electricity free of charge during the under billed period or been overcharged during the overbilled period. This would appear to be discrimination in favor of certain customers and against the LPC's other customers.

LPC Review

TVA expects LPCs to make every reasonable effort to recover the amount owed or refund the appropriate amount. Consistent with TVA's policy, LPCs should endeavor to determine the amount owed or the amount which should be refunded to all affected customers. In addition, the LPC will need to take into consideration the cost associated with researching historical information for the billing analysis in order to correct overbilled or under billed amounts, if the billing error occurred for a substantial period of time.

Corrective Actions

It is the responsibility of the LPC to provide fair, consistent, and non-discriminatory treatment of all customers, and therefore, TVA supports the LPC's attempts to recover payments for any under billed amounts or to refund payments for any overbilled amount. If an LPC determines a billing error or meter error resulted in under billing or overbilling, the LPC must take good faith, reasonable steps to recover payments or refund payments, as appropriate. Due to varying factors and circumstances, the LPC makes the determination on the ultimate collectability of under billed amounts. To assist LPC in recovering such amounts, TVA may provide a letter to the LPC reaffirming TVA's policy and supporting the efforts by the LPC to correct the error.