

FILE



The Public Utilities Commission of Ohio

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October 29, 2007

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

PUCO

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RECEIVED-DOCKETING DIV

RE: *In the Matter of the Application of Northeast Ohio Natural Gas Corp. for
Approval of an Adjustment to its Uncollectible Expense Rider Rate, Case No. 07-
934-GA-UEx*

Dear Docketing Division:

Enclosed please find the Staff's Comments regarding Northeast Ohio Natural Gas Corp.'s application for an adjustment to its uncollectible expense rider in Case No. 07-934-GA-UEx.

Respectfully submitted,

A handwritten signature in cursive script that reads "Steve Puican".

Steve Puican
Co-Chief, Rates & Tariffs / Energy & Water Divis.
Public Utilities Commission of Ohio

Enclosure
cc: Parties of Record

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Application of Northeast Ohio Natural Gas Corp.
Case No. 07-934-GA-UEx

In Case No. 03-1127-GA-UNC, the Commission authorized the concept of an uncollectible accounts expense recovery mechanism for five gas companies, including Northeast Ohio Natural Gas Corp. (NEONG). The mechanism approved allows for recovery of actual bad debts through a rider, rather than through base rates. NEONG implemented its first uncollectible expense rider in November of 2004.

NEONG filed the current application to revise their uncollectible expense rider on August 20, 2007. Staff has completed its review of the application and herewith provides a brief description of the application, its attachments, our review and recommendation.

Application

NEONG's application proposes an increase in the rider rate from \$.01 to \$.081 per Mcf. The proposed rate is based upon actual arrearages at June 30, 2007, and projected uncollectible expenses for the twelve months ending June 30, 2008.

Attachment 1 provides NEONG's annual balance reconciliation for calendar year 2006 and preliminary information for the first 6 months of 2007. Staff notes that the beginning 2006 outstanding balance has been reduced by \$2,906.52. This reduction was comprised of \$2,102.95 related to the amount of base rate recovery from July 2003 through October 2004 to reflect Staff's utilization of a recovery rate of \$.0017 per MCF. The remainder of the reduction (\$803.57) was associated with carrying charges on the monthly balances.

The monthly write-offs contained in NEONG's 2005, 2006 and 2007 annual filings in Case No. 04-964-GA-UEx have not been audited. Staff will audit these monthly write-offs in the course of its 2008 Gas Cost Recovery financial audit. Staff will verify the accuracy of the monthly write-offs as well as randomly select account balances that have been written-off to ensure that the accounts met NEONG's credit policy and that service was disconnected.

Attachment 2 is the calculation of the proposed rider rate. The proposed rate is calculated so that past under recoveries are eliminated and estimated ongoing bad debts are recovered as incurred, with the intent of arriving at a \$0 balance June 30, 2008. Staff believes that the proposed rate of \$.081 per Mcf is appropriate. Attachment 3 provides the proposed tariff sheets.

Recommendation

Staff has reviewed the application, as well as authoritative documents from prior affiliated cases. It is our opinion that the proposal appropriately calculates the rider to recover

NEONG's bad debts written-offs. Staff recommends that the proposed Uncollectible Expense Rider of Northeast Ohio Natural Gas Corp. of \$.081 per Mcf be approved.